Aspen Network of Development Entrepreneurs

STATE OF THE SGB SECTOR IMPACT REPORT 2013

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INTRODUCTION

Dear ANDE Friends and Colleagues,

In April 2014, ANDE reached its five-year anniversary. In the past half-decade we have grown from 34 to more than 200 members and reached more than 2,000 individuals through our networking and training events for the small and growing business (SGB) sector. Collectively, our members have supported hundreds of thousands of SGBs in emerging markets. Since 2009, we have seen significant advancements in coordination among the diverse actors in the SGB ecosystem. We are encouraged by the growing momentum and increasingly sophisticated conversations about the most effective ways to support small and growing businesses.

However, our members and the businesses they serve continue to face significant challenges. We know there is still work to be done to strengthen the SGB sector. We will help our members become more effective through training, research, knowledge sharing, and other network services. We will also shepherd more resources to the SGB sector by raising awareness about the opportunity for development impact and financial returns. We will lead members toward collective action, supporting the development of thriving local ecosystems that support SGBs.

This report highlights the state of the SGB sector and also ANDE's vision for our future. You may notice differences from previous years' publications. This year, we have designed a report that we hope will be a reference for organizations who already are involved in the sector. Rather than making the case for SGBs, this report focuses on the progress and challenges that we have seen over the past five years.

We draw on data provided by ANDE members and others over the past year to understand sector trends. We also leverage ANDE's proprietary research and the work of our member-led working groups and regional chapters to highlight important issues and milestones. The member initiatives that we describe represent just a small fraction of the exciting developments among ANDE members.

In the past five years, ANDE has grown into a credible, well-respected network organization. In the next five, we hope to become known as a major catalyst for development impact in emerging markets.

Sincerely,

Randall Kempner
Executive Director
Aspen Network of Development Entrepreneurs

Snapshot of the Sector 2013

SGB SECTOR

22 SGB investment vehicles were launched in 2013; median target fund size was $66.5 million.

15 SGB investment vehicles reached a first close in 2013.

Since 2009, the sector has raised **$3 billion** in committed capital.

ANDE MEMBERS

190 members operated in more than 150 countries.

64 members spent more than **$147 million** in capacity development services provided directly to 46,000 SGBs.

16 members invested more than $194 million in 377 deals with SGBs.

28 foundation and other grant-making members invested nearly **$187 million** in the sector in the form of grants directly to SGBs ($84 million), grants to SGB intermediaries ($93 million), and investments into SGB-focused funds ($10 million).

ABOUT ANDE AND THE SGB SECTOR

Aspen Network of Development Entrepreneurs

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of more than 200 organizations that propel entrepreneurship in emerging markets. ANDE members provide critical financial, educational, and business support services to small and growing businesses based on the conviction that SGBs will create jobs, stimulate long-term economic growth, and produce environmental and social benefits. Ultimately, we believe that SGBs can help lift developing countries out of poverty.

Small and Growing Businesses

SGBs are commercially viable businesses with between five and 250 employees that have strong potential for growth. Growth is key to this definition, and it is what differentiates SGBs from the broader term micro, small, and medium enterprises (MSMEs). Unlike the vast majority of entrepreneurs who begin microenterprises, entrepreneurs who start SGBs have the ambition to scale. They create not just income for themselves, but jobs for the local economy, connections to regional and global markets, and often access to critical goods and services for underserved communities. Unlike more established, larger enterprises, SGBs often lack the financial or knowledge resources they need to grow.

SGB Intermediaries

Intermediary organizations can fill this resource gap for SGBs. Intermediaries include organizations that work directly with SGBs, such as investors and capacity development providers, and also include those organizations that support SGBs indirectly, such as development finance institutions, private foundations, and research institutions. Intermediaries support SGBs on their path to scale, and they tend to focus on the four major challenges that present barriers to growth. They support improvements in:

» Access to capital

» Access to talent

» Access to markets

» Improving the enabling environment

REFLECTIONS FROM THE FIRST FIVE YEARS

The Beginning of a Small and Growing Business Sector

Beginning in 2006, a small group of organizations that supported entrepreneurs in emerging markets began to recognize many similarities in their work. These were organizations at the margins of other sectors, including international development, private equity, and microfinance, that often saw their work as distinct from the norm in those more established sectors. These organizations focused on high-growth or high-impact entrepreneurship. They believed that this focus could catalyze economic growth and create more inclusive economies in developing markets.

These individual intermediary organizations that supported the growth-oriented segment within the larger MSME category saw the need for a platform that could serve as a neutral place to exchange ideas and grow capacity as a group. Individually, each organization had pioneered methods and experimented to effectively support entrepreneurs. However, they realized they could create greater impact through collaboration.

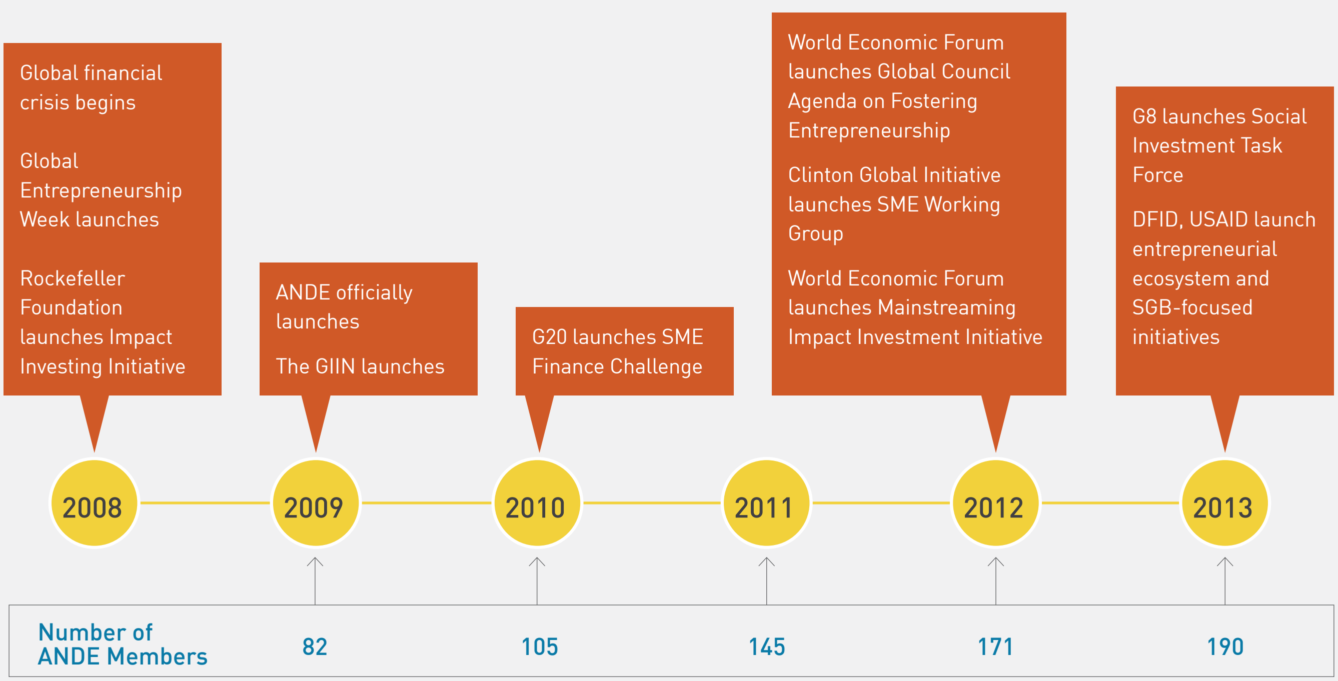
Through a series of meetings convened by the Aspen Institute, this group decided to form a network organization that could help define the shape of their sector, bring together stakeholders, and disseminate knowledge more widely than any individual intermediary could. With this goal in mind, ANDE officially launched in March 2009.

A Thriving, Global SGB Sector

After five years of operation, ANDE has helped guide the emergence of a sector that has coalesced around small and growing businesses. In 2008, there were few organizations outside the pioneer circle of founding ANDE members that designed support specifically for small businesses with the potential to grow. Since then, there has been increasing focus on that segment and awareness that growth-oriented managers must be at the helm of a business to realize financial return or development impact.

As the distinction between SGBs and small and medium enterprises (SMEs) has become clearer and the barriers for growth have been better understood, more intermediary organizations have emerged to fill that gap. We have seen entrepreneurship take center stage as a priority for national governments, municipal authorities, and multinational bodies. Globally, there has been an increase in early-stage entrepreneurship activity of all sorts, and, in particular, social entrepreneurship ventures have expanded significantly.[1]

EMERGENCE OF THE GLOBAL SGB SECTOR



While we have seen the ecosystem expand, the definition of the SGB sector is still loose in many ways. Intermediary organizations may reach a focus on SGBs from the perspective of SME funds, supporters of social enterprise, development organizations focused on market-based solutions, or corporations in inclusive business models. This diversity is reflected within the ANDE membership as well.

A SMALL BUT GROWING SECTOR

Since 2009, many organizations have entered the SGB ecosystem. Some are new organizations, themselves start-ups with fewer than 20 employees. Others are large, established organizations that have launched new programs or products geared toward the SGB segment. The pace of new programs is growing, and with it the amount of philanthropic and return-seeking capital that is flowing to the sector. Donor and development finance institution (DFI) support for SGBs is still small, an estimated $1 billion, or around 1 percent of total overseas development assistance in 2012. However bilateral aid agencies launched several exciting new initiatives in 2013 that will spur increased focus on SGBs in the international community.[2]

Among multinational corporations, the increasing alignment of corporate social responsibility (CSR) initiatives with the core business means that value chain development is growing its corporate support. SGBs are a natural fit for corporations looking to strengthen their suppliers, distributors, and clients, improving their bottom line while increasing economic prosperity in developing countries. ANDE saw a surge in corporate members joining in 2013, which we believe is an indication of increased corporate engagement with the sector as a whole.

STANDARD LANGUAGE FOR IMPACT MEASUREMENT

We have seen an increasing number of organizations differentiate the work that they do by using the term "small and growing business" to highlight the importance of the growth orientation. Organizations have also increasingly have recognized the need for a common language to describe the social and environmental performance of their work with SGBs. In interviews we conducted with ANDE members in 2013, we found that 75 percent of investors and capacity development providers that track social performance do so using the IRIS catalog of metrics. Similarly, in ImpactBase, the GIIN's database of impact fund managers, 57 percent report using IRIS-aligned metrics to track social and environmental performance.

EXPERIMENTATION AND HYBRID APPROACHES

While the language to describe social and environmental performance has standardized, intermediary business models and approaches to engaging with SGBs remain varied. Many investors, for example, are structured as nonprofits and provide significant capacity development support to their investees. In 2011, a group of leading impact investors under USAID's leadership, with the assistance of Deloitte & Touche LLP, collaborated to develop a financial reporting template. The goal was to promote greater consistency in financial performance reporting of nonprofit and commercial investors that would recognize the full cost of the combination of investment and capacity development support. The conclusion after two years was that these hybrid approaches were still too diverse to fully standardize accounting and financial reporting practices among SGB investors.

Similarly, many capacity development providers' business models combine philanthropic capital with revenue from other sources, and service providers range from boutique consulting firms to large international development organizations to corporate spin-offs. Indeed, the language to describe and evaluate capacity development service providers is even more fragmented than that of investors. There is substantial experimentation in search of effective strategies to engage entrepreneurs, and also in how to structure the intermediaries themselves.

Given the various geographical and programmatic foci of the sector players, and the different needs of the SGBs they support, it is likely that we will continue to see a broad range of approaches and structures for SGB intermediaries.

PARTNERSHIPS ARE CRITICAL TO SCALE

Amid this diversity and experimentation, the sector has coalesced around the importance of collaboration. The multiple needs of SGBs require an ecosystem of support rather than a single intervention. For example, in 2012, Monitor and Acumen highlighted a critical inefficiency in the sector: capital providers are unable to identify investment-ready social businesses, while idea-stage entrepreneurs cannot find the capital they need to develop their businesses.[3] Multiple partnerships have emerged to fill this gap: capacity development providers connect with investors to develop pipeline, grant-makers coordinate with investors to provide appropriate capital to the entrepreneur, and universities and advisory firms link to explore incubation strategies.

Increased information flow among SGB practitioners has spurred partnership to address the most critical gaps in the ecosystem. This type of knowledge sharing and collaboration has been critical to the development of the sector, and it will continue as the sector matures.

INDUSTRY-LEVEL DEPTH

We have seen many ANDE members narrowing their focus to a particular industry within the SGB segment, including agriculture, health, energy, and education. In some cases, a critical mass of expertise in a particular industry allows for more nuanced exploration of business models, social and environmental performance, and effective approaches. The Global Alliance for Clean Cookstoves, for example, focuses on one product that benefits families at the base of the pyramid and provides a platform for the industry to share knowledge very deeply. This industry-level depth is also happening at a regional level. In Brazil, for example, multiple members have turned to a focus on education as a key priority sector in the coming years. For example, Instituto Inspirare launched an accelerator program focused specifically on Brazilian businesses innovating in the education sector.

The Future of the SGB Sector

TRANSLATING A THRIVING GLOBAL MOVEMENT TO LOCAL SGB ECOSYSTEMS

While in the past five years resources and expertise have grown for the global SGB sector, we believe there must be increasing focus on local entrepreneurial ecosystems. For small and growing businesses to thrive, they must be supported by entrepreneurial ecosystems that include government, local financial institutions, skilled talent, and physical infrastructure, among other components.

Because the local context requires a specific, unique focus, groups of SGB practitioners should assess the entrepreneurial ecosystem, typically at the level of a metropolitan area. This process highlights gaps, and supports intermediaries to work together to fill them. We believe that this local collective action will only increase in the coming years.

As more local ecosystems strengthen and more entrepreneurs successfully grow their businesses, we will see a virtuous cycle as they begin acting as angel investors themselves, and as advocates for an improved business environment. This will further propel small businesses to grow, creating increased prosperity for citizens of the developing world.

PROFESSIONALIZATION AND THE SGB CAREER TRACK

Hiring and retaining top talent is a critical challenge for small and growing businesses. Often, the most qualified candidates prefer to work at more established companies, government jobs, or in an international setting. This talent dilemma is a root cause of many SGBs' difficulty in accessing finance. Potential investors cite the lack of skilled managers as a primary barrier to placing capital into SGBs.[4] SGB intermediaries likewise have difficulty hiring and retaining the experienced managers and top-quality talent they need to provide the best support to SGBs.

ANDE believes the SGB sector must focus on holistic solutions. Rather than just individual mentorship or education programs for the entrepreneurs, the sector should invest in education systems to develop middle managers who will create strong, sustainable business systems. For those qualified managers in the market, a clear career path must exist that incentivizes talent to stay in the sector. This will require coordination among universities, entrepreneurs, and the SGB intermediaries who can facilitate this process.

MAINSTREAMING A GENDER LENS

Over the past five years, ANDE has helped galvanize a global focus on women's entrepreneurship. The realization that 35 percent of SMEs in emerging markets are women-led, but just 16 to 18 percent of SME lending goes to those enterprises, suggests an incredible opportunity.[5] However, female entrepreneurs face cultural and structural barriers that male entrepreneurs do not. To address these obstacles, many women-focused initiatives have emerged, led by multinational corporations, investors, and capacity development providers.

But gender inequality persists in the SGB sector. According to research conducted by Value for Women, women represent only around 10 percent of participants in ANDE member–led programs.[6] ANDE believes that an active gender lens should become mainstream among all SGB practitioners, not just those programs with an explicit focus on women. Intentionally considering gender could include actively seeking out women entrepreneurs, creating a due diligence screen for women in leadership roles, or supporting SGBs to develop family-friendly policies that encourage women's participation in their labor force. This gender lens will not only drive increased social impact, but it will also support investors' bottom line. According to initial data from Emory University, early-stage ventures with women on their founding teams are less likely to have attracted equity investment but are more likely to actually be profitable than ventures without women founders.[7]

ANDE MEMBERS IN ACTION

International Development and Impact Investing

In the past five years, many nontraditional actors have become involved in the impact investing space. International development organizations in particular have recognized the synergy with their own missions.

GLOBAL ALLIANCE FOR IMPROVED NUTRITION (GAIN)

GAIN is an international organization whose mission is to eliminate malnutrition, not just by ensuring the availability of adequate food resources, but by increasing access to specific missing nutrients in diets. GAIN's specialty is creating public-private partnerships to make this happen, and impact investing is one avenue they have explored to increase access to nutritious foods in developing economies.

Over the past five years, GAIN has worked with the International Finance Corporation (IFC), Acumen, LGT Venture Philanthropy, and Root Capital, and has developed partnerships that include funding a separate facility, co-investing on a deal-by-deal basis, contributing directly to a fund, and providing technical assistance to improve investment-readiness and enhance the nutritional impact of enterprises. For GAIN, these partnerships led to the expansion of their capital's impact, beyond what would be possible if GAIN operated alone and deployed "one-off" grants to businesses. They also created the ability to share risk and promoted the sustained impact of nutrition interventions.

GAIN's years of experimentation have generated insights both specific to health and nutrition and broadly relevant to international development organizations. First, a narrow impact focus (for example, looking at a small demographic segment such as only infants and young children) can hinder the investor's ability to source deals. To develop pipeline, the partnership must maintain either a broader impact focus or a broader geographic focus. Second, SGBs have varying capital needs. For example, many businesses are looking for working capital, while others are seeking equity investment. Diversifying investment strategy (for instance, through the amount and type of financing offered and in different geographic regions and sectors) will support greater impact. Having the ability to cover the spectrum of SGBs' financing needs is an important consideration when investing for specific, well-defined social outcomes.

OXFAM'S ENTERPRISE DEVELOPMENT PROGRAMME

In 2008, Oxfam GB launched their Enterprise Development Programme (EDP). The initiative, which is funded through philanthropic donations, piloted a new model for Oxfam to support early-stage agricultural enterprises: providing both debt investments and capacity building. The EDP targets agricultural SGBs that are too early-stage to access financing from local banks or social lenders, and that lack the resources to become investment-ready without support. Between 2008 and 2013, Oxfam invested in 19 rural SGBs in diverse value chains and across 17 countries, including Nepal, Tanzania, and Honduras.

Since the program launch, Oxfam has experimented with the "recipe" they used to source pipeline, select companies, and provide capacity development services alongside financing. An external evaluation of the program conducted by Bridges Impact+ concluded that the program is having a positive impact on smallholder livelihoods and women's empowerment. But many of the businesses are still working toward financial sustainability. This comes as no surprise: Oxfam deliberately selects those businesses that are unready for typical financing sources, which represent high risk but high potential social impact.

Oxfam is reviewing the program design in light of the evaluation's conclusions. In particular, they will introduce a longer investment horizon given the long time frame for financial sustainability. Also, they will split Oxfam's support into two stages: one that focuses on the validation of business models, which has a higher component of capacity development, and one that provides primarily investment to validated businesses.

CHRISTIAN AID

Christian Aid is an international development nonprofit devoted to ending global poverty. They support SGBs as part of their broader livelihoods and market systems work. Traditionally, the organization gave grants to agricultural SGBs, but as their market-focused portfolio grew, they found that some SGBs might benefit most from a loan, while others might be better served with blended finance that included philanthropic capital.

In 2011, Christian Aid began experimenting with alternative forms of investment, and so far they have made eight loans to rural SGBs. Christian Aid develops their pipeline of investees from market systems projects and directs enterprises to two programs. The recently developed Christian Aid Incubator Fund will serve SGBs that need small amounts of financing, generally debt investments of $15,000 to $75,000. For those SGBs that are looking for larger amounts of financing, Christian Aid developed a consortium of international development nongovernmental organizations (NGOs) that source deals through market systems development work. They connect this pipeline to both technical assistance support and patient capital from a syndicate of impact investors. Called Access to Capital for Rural Enterprises (ACRE), this program is in the early stages of development. Christian Aid expects this program to support $30 million in investment and $4 million in technical assistance for 40 rural enterprises.

In 2014, Christian Aid is in the process of fully developing this pilot investing model. As the organization experiments, they are constantly assessing their approach, including the level of subsidy that they provide relative to the systemic change their capital can generate.

MENNONITE ECONOMIC DEVELOPMENT ASSOCIATION (MEDA)

MEDA has a long history in the impact investing space, starting with an investment in the Sarona Dairy in Paraguay in 1953. Since then, MEDA has developed into an international development nonprofit organization, while maintaining their investment mandate as part of their economic growth mission. In 2011, Sarona Asset Management spun out of MEDA to become a separate entity, but MEDA maintains a 10 percent stake in the private equity firm.

With that history, MEDA was in a unique position to launch the program Impact Investing in Frontier Markets (INFRONT). Funded by Canada's Department of Foreign Affairs, Trade and Development (DFATD), INFRONT is structured with both an investment and a technical assistance component, and coordinates multiple partners to ultimately benefit more than five million individuals in frontier and emerging markets. On the investment side, Sarona is raising up to $150 million for the Frontier Markets Fund 2 LP, a fund of funds that will invest in 12 to 18 local fund managers, for onward investment in 90 to 130 small businesses. This includes $15 million of catalytic first-loss capital from DFATD, which was helpful in attracting additional investors, including the Overseas Private Investment Corporation (OPIC), private foundations, and pension funds.

Alongside the investment component, MEDA is managing the technical assistance facility. The first component is the Social Innovation Grant Fund, which offers a 1-to-2 match to support improvement in environmental, social, and governance policies. The second is the Global Fund Manager Mentorship Program, which matches experienced North American private equity managers as mentors with managers in emerging markets to enhance their skills.

Unlocking Bank Capital

According to the IFC and McKinsey the credit gap for formal SMEs is more than $700 billion. This represents not just a barrier to thriving SGB ecosystems, job creation, and economic growth, but a missed opportunity by local banks to capitalize on the potential upside of SME lending. Leading banks are making returns on equity of 20 to 30 percent in the SME segment.[8]

Several ANDE members are working with local banks to help overcome the barriers to entering the SGB market. CapitalPlus Exchange's Small Business Banking Network (SBBN), for example, houses a membership based network of financial institutions that serve SGBs. The network has grown from just 10 members three years ago to 65 members in early 2014, a reflection of the growing interest in SME finance. Some of the trends SBBN has seen over the past few years and where the sector needs to focus in the future include:

- **PRODUCT DIVERSIFICATION.** Financial institutions have been developing a suite of products geared toward small businesses, beyond just credit products. These alternatives include leasing, invoice discounting, and factoring. With multiple products, banks provide SMEs with the one-stop-shop they want, and also benefitting from cross-selling. This makes customer relationships more profitable and increases customer retention..
- **INNOVATION IN UNDERWRITING.** In addition to the diversity of products, there has been innovation in credit underwriting methods to speed approvals and increase cost-effectiveness. . Organizations such as SCOPEinsight provide risk assessment using nontraditional data sources, supporting access to credit for agricultural producer organizations
- **WOMEN ENTREPRENEURS.** There has been increased focus on the opportunity that female customers present to financial institutions, and the system-wide needed at many financial institutions in order to effectively serve women-owned enterprises across market segments.
- **LIQUIDITY.** For many SBBN members, liquidity remains an issue. Their difficulty accessing debt financing in turn restricts the availability of small-enterprise loans. Typically, when liquidity is restricted, the financial institution will focus on the highest-return segment and put aside the smaller, higher-risk, and higher-cost transactions. More funding is needed to increase the flow of bank capital to SGBs.

Ultimately, the constraints to unlocking bank capital revolve around the institution's bottom line. While the data show that SME products can have strong returns, banks need to see demonstration projects and proof there will be a strong return to move toward what typically is perceived as a riskier, less well-known segment. Technological innovations that can lessen transaction costs and reduce risk ultimately will propel more banks to develop active SME financing.

SBBN believes there are strong returns to be made with a high volume, heavily standardized, cash-flow based lending approach (with lower collateral requirements). The sector needs to innovate and develop models which meet these criteria.

STATE OF THE SECTOR: SGB INTERMEDIARIES

NOTE ON THE METHODOLOGY

ANDE compiled the data in this section by surveying current ANDE members and other fund managers, and by partnering with external data collectors. Partners include the Global Impact Investing Network's ImpactBase directory, the Emerging Market Private Equity Association, and the Latin American Venture Capital Association. Funds qualified for inclusion in this dataset when they met three criteria: (1) the investment target included emerging market countries, (2) target deal sizes fell in the $20,000 to $2 million range, and (3) the focus was not exclusively on microfinance institutions.

SGB Investment Vehicles

The fund managers that invest directly in small and growing business fill a critical gap in the SGB ecosystem: access to early-stage finance. Local banks often are unwilling to lend to small-business entrepreneurs who have not built a credit history and lack assets to serve as collateral. Traditional private equity typically seeks larger deal sizes, with an average ticket size of $44 million in emerging markets; small businesses that are ready to grow need more capital than typical microfinance institutions can provide with their average loan size of $1,400.[9]

The direct investors that work with small and growing businesses provide financing in the form of equity, debt, and other instruments, such as quasi-equity and guarantees, to those businesses that need between $20,000 and $2 million in capital.[10] ANDE identified over 400 investment vehicles that include deal sizes in that range, and has more complete data on 262 vehicles. Of those, 48 percent were launched in the past five years.[11] In 2013, fewer investment vehicles focused on this segment launched compared to previous years, but the target fund size of those investment vehicles is higher (Figure 1). This trend mimics the pattern in emerging market private equity: across the industry, fewer funds launched in 2013, and fewer funds closed, but more capital was raised overall.[12]

The SGB sector manages at least $5 billion in committed capital; ANDE members manage approximately one-third of that total.[13] Sub-Saharan Africa is the most popular geographic focus for the funds, but over the past five years that trend has shifted slightly (Figure 2).

Figure 2. Geographic Focus of Investment Vehicles by Inception Year

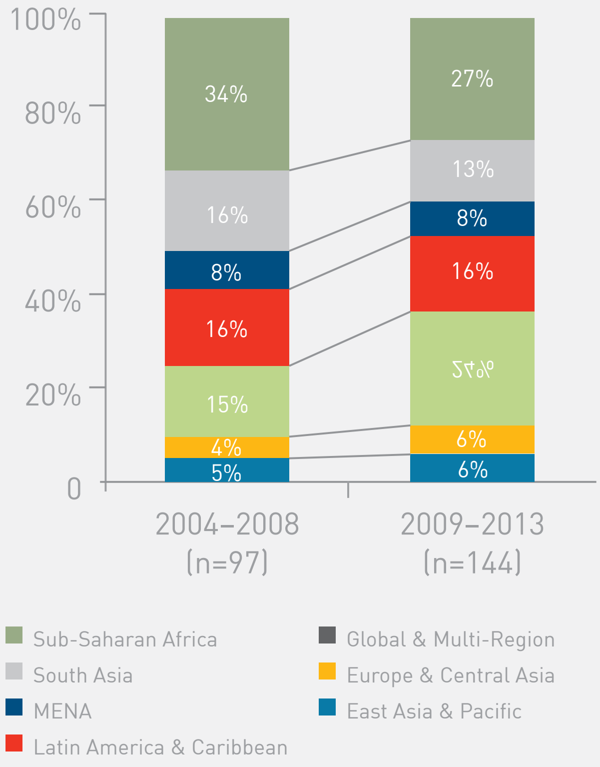
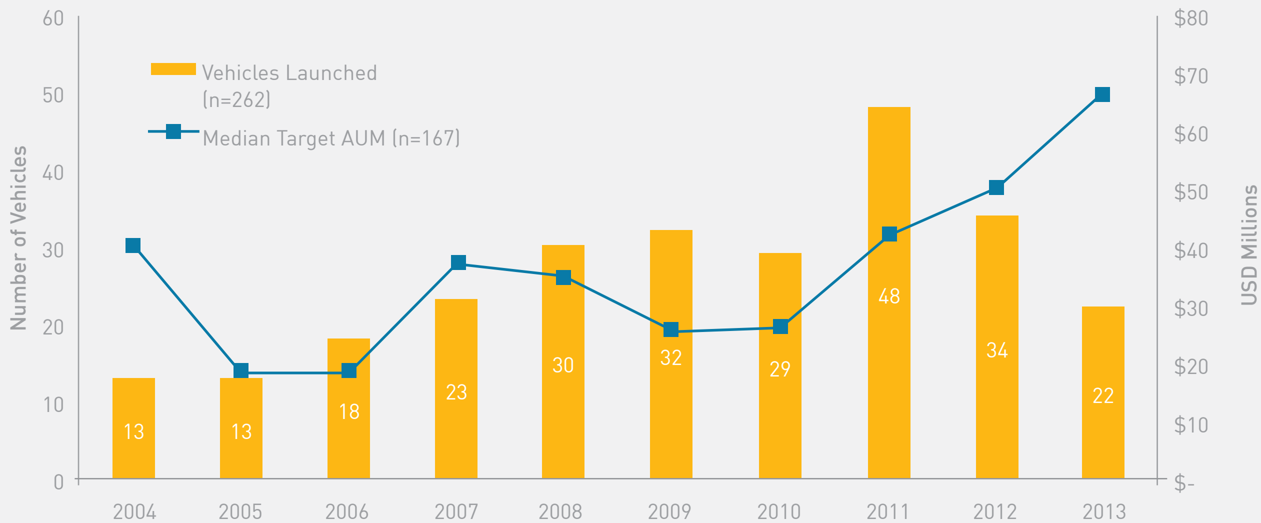


Figure 1. Number and Target Size of SGB Investment Vehicles by Inception Year



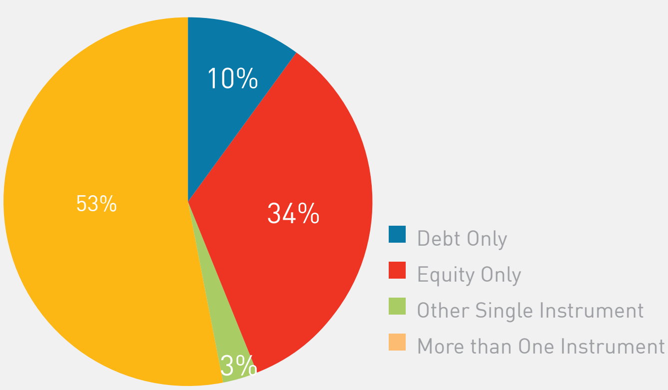
Between 2009 and 2013, the share of vehicles that have a multi-region or global focus increased to 24 percent of total funds launched. This might reflect the growth of the impact investing industry: whereas SME funds typically focus on a single geography, impact investors often maintain a broad, flexible geographic target to ensure strong pipeline for the impact the fund seeks.

Within the sample of fund managers who reported their sector focus to ANDE, the most common were information and communication technology (ICT), agriculture, and health (Table 1). There is considerable variation by region, however. For example, among vehicles that focus on South Asia, the top sectors of focus do not include ICT, agriculture, or health: there, 50 percent focus on energy, and 44 percent focus on education. The majority of vehicles offer multiple instruments; only about a third of investment vehicles are equity-only (Figure 3).

Table 1. Most Frequently Selected Sectors of Focus

SECTOR	FIRST	SECOND	THIRD
Global & Multi-Region (n=26	ICT 38%	Agriculture 35%	Financial Services 27%
Latin America & Caribbean (n=25)	ICT 48%	Agriculture 40%	Health 32%
South Asia (n=16)	Energy 50%	Education 44%	ICT/Health 38%
Sub-Saharan Africa (n=35)	Agriculture 68%	Financial Services 40%	ICT 44%

Fig 3. Instrument Type (n=156)

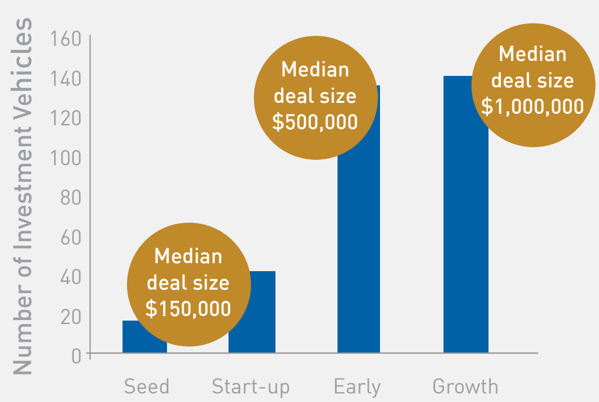


Equity investors often report that they struggle to deploy capital to SGBs. Fund managers cite demand-side constraints: lack of pipeline for those seeking growth-stage investments and the risk posed by the nonfinancial barriers to growth that SGBs face. This demand-side mismatch is well documented. For example, JP Morgan and GIIN's 2013 survey of impact investors highlighted the lack of risk capital and "shortage of high quality investment opportunities" as the two largest challenges that the impact investing industry faced.

The landscape of investment vehicles that focus on SGBs shows a clear gap in start-up support. Only 8 percent and 19 percent of investment vehicles focus on the seed and start-up stages, respectively (Figure 4).

There are promising signs that this trend may begin shifting, however. Among vehicles launched between 2011 and 2013, 48 percent included a focus on seed and start-up stages (Figure 5). Compare that to 27 percent of those launched between 2008 and 2010, and 12 percent from 2005 to 2007. Anecdotally, many of these investors plan to make smaller debt or quasi-equity investments at the riskier start-up stage, and then make larger, follow-on equity investments to those companies which have shown strong potential. As these seed-stage funds ramp up investment, we expect to see a subsequent increase in pipeline for SGB investors that target later stages of business development.

Figure 4. Number of Investment Vehicles by Target Stage (n=223)



Target Stage Definitions

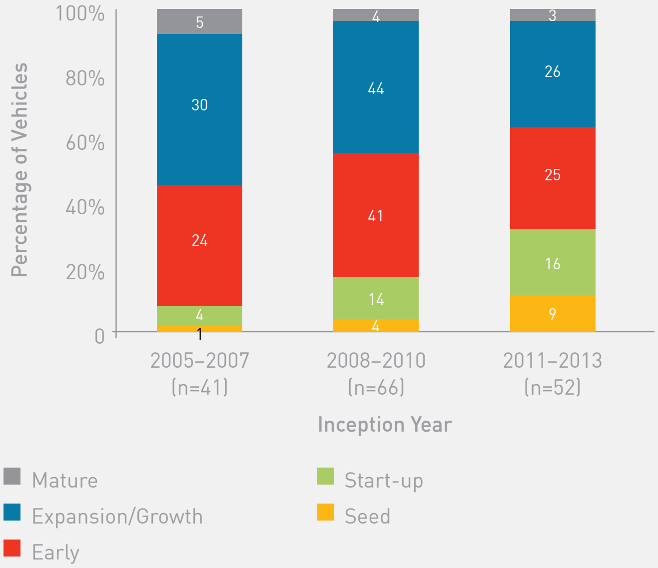
Seed: Idea stage, pre-cash flow

Start-up: Product development begins and initial operations established

Early: Generating revenue, but usually pre-profit

Expansion/growth: Generating a sustainable profit and ready to scale through investment in new facilities, entry into new markets, etc.

Figure 5. Number of Investment Vehicles per Target Stage, by Inception Year (each vehicle could select more than one stage)



SGB Capacity Development

Globally, entrepreneurs point out that access to finance is only one barrier to the growth of their business. According to a survey conducted by the World Economic Forum, for example, access to markets and access to talent are consistently ranked as the most important factors to a company's growth.[14] This finding is consistent with ANDE's own member surveys, which highlight the challenges that SGBs face in finding mentors, technical advisors, and legal and business consultants.

ANDE broadly categorizes this kind of nonfinancial support as SGB Capacity Development. The landscape of capacity development providers is diverse and complex, since many different kinds of organizations provide nonfinancial support through varying mechanisms and by using varying business models.

Some ANDE members might serve tens of thousands of entrepreneurs through online or mobile channels, while others work very closely with two or three enterprises. On average, ANDE members work with a portfolio of 30 SGBs each year and spend roughly $10,000 per SGB to deliver capacity development services.

Most of these organizations earn the majority of their revenue from philanthropic capital, but more than half of ANDE members earn revenue from multiple sources (Table 2).

Table 2. Capacity Development Provider Revenue Sources (n=81)

Revenue Source	Receive This Type of Revenue	Average Revenue from This Source
Donations and grants	67%	80%
Consulting contracts	36%	40%
Entrepreneur Fees	20%	20%
Investment Returns	12%	35%
Investment Success Fees	5%	12%

Models for Capacity Development Service Providers

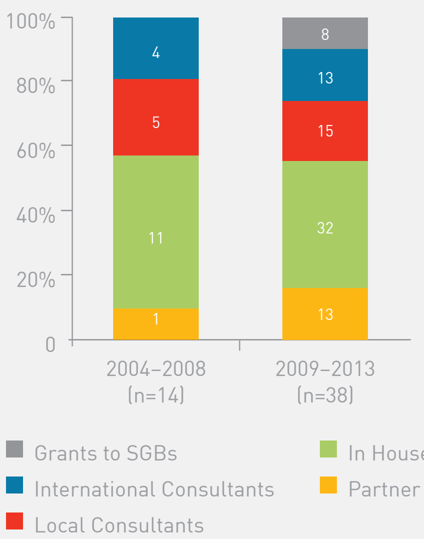
ANDE surveyed our members to better understand what kind of organizations provide capacity support, how it is being funded, and the mechanism for skills transfer. We asked ANDE members to self-select into four types of organizations (Table 3). Forty percent of respondents selected more than one type, a reflection of the hybrid nature of many SGB intermediaries. We also asked about the types of services they provide. All provider types provide "Organizational Capacity Building" services, such as financial management. Accelerators were most likely to also provide "Investment Readiness" services, while international development NGOs and consultants were more likely to provide "Market Linkages."

Table 3. Types of Organizations That Provide SGB Capacity Development (n=78)

Type of Capacity Development Provider	
1. Accelerator/Incubator	47%
2. Consultant	31%
3. International Development NGO	28%
4. Investor that also provides capacity development services	28%
5. Other, including association, certifying body	21%
(n=78)	

Many investors recognize the need to provide capacity development services alongside financing; 87 percent of ANDE survey respondents indicated they provide capacity development services in some form to their portfolio companies. Whereas much of this support is provided in-house by fund staff, a growing number of investors also partner with third parties. Among funds launched in 2009 and beyond, 34 percent have formal partnerships with external programs, such as those run by accelerators and universities. Twenty percent provide grants directly to portfolio companies so they can hire the provider of their choice (Figure 6).

Figure 6. Capacity Development Provision Mechanisms Utilized by Investors by Inception Year (could select more than one mechanism)



Beyond Anecdotes: The Evidence Base for SGB Intermediaries

Despite several decades of entrepreneurship programs implemented by governments and development agencies around the world, there is surprisingly little rigorous research on effective ways to support small and growing businesses in emerging markets. Much of the existing research on entrepreneurship focuses on smaller, informal sector microenterprises and does not easily transfer to the SGB sector.

Programs that support SGBs are considerably different from those that support microenterprise development. These programs work with relatively small cohorts of SGBs leading to small sample sizes, they often provide complex and individualized services, and they may be subject to an inherent selection bias. These characteristics make it difficult to assess performance rigorously.

Encouragingly, some recent experimental studies have probed the effects of business training programs and consulting services on small- and medium-sized firms in developing countries. For example, a randomized evaluation of 432 Mexican firms showed that access to consulting services improved both entrepreneurs' managerial confidence and firm performance, with "positive effects on return-on-assets and total factor productivity." Large job creation impacts persisted even several years after the program.[15] Another study in India of relatively large textile firms found a 38 percent increase in the adoption of best practices among firms that received free consulting support. The study found that the practices led to a 17 percent improvement in productivity in the first year, with annual profitability increasing by more than $300,000, on average.[16] Finally, a quasi-experimental study of small entrepreneurs who received training by a business development service provider in Nicaragua and El Salvador found that the training led to a 4 to 9 percent increase in the probability of business start-ups, and a 25 to 56 percent higher probability of business expansion, for those entrepreneurs who already owned a business.[17]

While these studies are starting to fill the gaps on capacity development services in academic research, many questions remain about the effects of various interventions on SGBs. ANDE plans to work with members and the broader SGB sector to fill those gaps in the evidence base in the coming years.

ANDE MEMBERS IN ACTION

Alternative Capital Sources—Crowdfunding

Crowdfunding, or the aggregation of small sums of capital from a large pool of backers, has seen an explosion in popularity over the past years. The $2.6 billion in 2012 crowdfunding transactions was projected to nearly double in 2013.[18] Although microenterprises typically tend to be the focus of crowdfunding platforms, the SGB sector is experimenting with ways to harness the potential of crowdfunding to support and scale SGBs.

FUNDACION CAPITAL

Fundación Capital launched LittleBigMoney in 2013 as Latin America's first crowdfunding platform for social entrepreneurs. Focused in particular on the early stage, LittleBigMoney supports social enterprises of all kinds, from rural businesses and app developers to sustainable manufacturing and community initiatives. By leveraging what is known as "reward-based crowdfunding," entrepreneurs use the platform to set up projects online and set specific fundraising targets. When these targets are met, donated funds are released to the project's owner. Donors generally do not receive returns on their contributions, but they can receive rewards, which vary depending on the enterprise being funded. For example, an ecotourism hotel may offer a free two-night stay as a reward, or a coffee farmer may offer a sampling of coffee beans.

Though crowdfunding in Colombia is still in its infancy, LittleBigMoney has already supported nearly 20 social enterprises, mobilizing more than $200,000 USD during its initial seven-month pilot period. LittleBigMoney works in partnership with a growing network of capacity development providers and local chambers of commerce, and they are expanding quickly. Having already achieved the goal of national coverage in Colombia, the project will begin operations in Peru in the second half of 2014.

INVESTISSEURS & PARTENAIRES

Investisseurs & Partenaires (I&P) is an impact investor that supports African SGBs with capital and capacity building and also has begun to explore the potential of crowdfunding. In late 2013, I&P formed a partnership with the funding platform Kiva to offer loans of $10,000 to $50,000 to high-impact SGBs that are unable to access commercial capital. Similar to the LittleBigMoney platform, individuals can contribute small amounts to the portfolio of SGBs. However, the Kiva platform differs in that contributors are actually making small loans to these companies and can expect their contributions to be repaid. This partnership is a good example of what is called "credit-based crowdfunding."

CDS, an I&P portfolio company, was the first to pilot the model. CDS was looking for a loan to enable them to install solar-powered water pumps in a Mauritanian village, allowing them to offer clean water at affordable prices not affected by the cost of fuel. The $15,000 loan they requested was funded on kiva.org in less than 30 hours.

AGORA PARTNERSHIPS

Agora Partnerships is a capacity development provider that has been leveraging crowdfunding to support the financial sustainability of its acceleration program for social entrepreneurs in Latin America. Agora's Impact Accelerator program charges a modest amount for its acceleration and consulting services. This fee is significantly lower than the actual cost of the program, but many entrepreneurs still struggle to pay. As a result, in 2013, Agora formed a partnership with Indiegogo, a popular crowdfunding website. Through this platform, entrepreneurs accepted into the 2014 Accelerator program had the opportunity to launch campaigns to raise their participation fee from the crowd. In late 2013 and early 2014, 10 Agora entrepreneurs launched campaigns and raised more than $24,000. In 2014, Agora hopes to expand and build more innovative marketing and publicity around the platform to reach its goal of raising participation fees for the 2015 Accelerator program, which supports both entrepreneurs' growth and Agora's financial sustainability.

Expansion and Experimentation in India

UnLtd India is an incubator that works with early-stage social entrepreneurs. UnLtd India provides the seed funding, hands-on support, leadership training, and high-value connections that entrepreneurs need to take their ventures to scale. Since 2007, UnLtd India has worked with more than 100 entrepreneurs in Mumbai. An external evaluation in 2011 found that portfolio companies had reached 600,000 people through their operations, created more than 3,000 jobs, and, after receiving incubation support, more than half of investees raised additional capital.

UnLtd India considers this initial success part of their "first phase." The organization's vision was to refine a model in one location that could be scaled to new areas of the country. As they considered alternative routes to scaling, UnLtd India took a rigorous approach to developing a strategy for the "second phase." Expansion through branches, joint ventures, and franchise models were all investigated; ultimately, UnLtd India decided that an "affiliate network" was the structure that worked best for their internal capacity and organizational culture. Under the affiliate network model, UnLtd India programs were launched in Tamil Nadu and Hyderabad.

These Affiliates operate under the leadership of entrepreneurial individuals who were strongly connected to their local communities. UnLtd India provides support in the form of seed funding, best practices intensive on-site support, and connections to the UnLtd India network. Each affiliate operates as an independent entity, flexible enough to adapt to each local context and the strengths of each particular leader. This made sense from a financial as well as programmatic perspective. The affiliate model allows UnLtd India to share financial responsibility with the local leader and to tap into the local network of high-net-worth individuals, which staff based in Mumbai would not be able to access.

In addition, UnLtd India plans to experiment with revenue models through this network of affiliates. After studying 14 successful incubators globally, UnLtd India found that most bring in philanthropic capital in the form of donations and grants as a large portion of their income. UnLtd India created a matrix to assess each revenue generation model on the basis of its alignment with UnLtd India's vision and mission, financial viability, and its potential to increase impact, build the brand, and build the team's capacity. Ultimately, UnLtd India narrowed the list down to five revenue models. The next step is to support each affiliate organization to choose one model and develop a business plan around it. By 2017, the UnLtd India network aims to test three revenue models that will contribute at least 30 percent of the organization's revenue. This process of experimentation will allow UnLtd India to not only build financially sustainable capacity development services in underserved regions of India, but to also develop learning for the sector as a whole.

REGIONAL TRENDS & OPPORTUNITIES

Brazil

According to the Latin American Private Equity and Venture Capital Association (LAVCA), more than 40 percent of the private equity capital raised for investment in the whole Latin America region is directed at Brazil—$2.4 billion in 2013. Of the 147 deals LAVCA tracked in 2013, 10 percent were at the seed stage with an average size of $270,000, and 35 percent were at the early stage with an average size of $2 million.[19]

In 2013, ANDE collaborated with LGT Venture Philanthropy, Quintessa Partners, and the University of St. Gallen to map the impact investing landscape in Brazil. Research included a survey sent to fund managers and foundations, and interviews with key stakeholders. Some of the main findings were:

» There are 19 investors currently seeking impact investing opportunities in Brazil. Two additional organizations are considering entering the market in 2014.

» Approximately $200 million in assets under management is targeted for Brazil.

» To date, $76.1 million has been deployed to 65 impact businesses in Brazil. Just two investors represent nearly 60 percent of the total capital deployed to date.

» 56 percent of investors cooperate with accelerators to source pipeline.

» 89 percent of investors focus on access to finance, 84 percent on education, and 63 percent on health.

ANDE members in the region have recognized that entpreneurship has the potential to do more than create jobs. They see the development of inclusive businesses that serve as the base of the pyramid (BOP) as a key solution to inequality and lack of access to resources for a large portion of the Brazilian population. While the entrepreneurial ecosystem might be stronger in Brazil than in other markets, the BOP ventures that can provide access to critical goods and services to underserved communities do not have the support they need to grow. In addition, the majority of activity is centered around São Paulo and Rio de Janeiro, while the need is greater in less well-resourced areas of the country, such as the Northeastern states.

SNAPSHOT OF THE SECTOR

Brazil

37	63	19
Number of ANDE members active in the region	SGB investment vehicles that include Brazil	SGB investment vehicles exclusive to Brazil

In 2013, the Entrepreneurial Citizen Institute (ICE) launched an initiative to analyze the needs of the ecosystem that supports Brazilian BOP ventures. Working with a group of sector leaders that included many ANDE members, ICE identified several priority activities to develop the sector in Brazil. These include identifying existing financial resources that can be leveraged for ventures with social impact, promoting better use of government contracts, and developing talent for the sector.

In addition, ANDE members in Brazil recognize the need to dive into industry-specific collaboration. Members have identified access to finance, education, and health as key priority areas for 2014. The social needs and potential solutions are very different in different industries; ANDE has been coordinating events and learning opportunities to share trends and best practices around those industries.

Central America / Mexico

Across all private equity funds in Latin America, funds focused on Mexico raised more than $1 billion in 2013 (19 percent of the region's total), while funds focused on Central America raised $52 million (1 percent of the region's total).[20] The SGB ecosystem in Mexico has been strengthening steadily over the past five years. For example, the number of venture capital funds has increased from four funds in 2009 to 15 funds in 2013.[21] The number of seed and early-stage deals has also ramped up: from three deals to 16, or 14 percent of deals in 2012 to 53 percent of deals in 2013.[22]

Unlocking capital in Central America for SGBs has been tougher, and traditional venture capital funds have not dedicated funds to these countries at the same pace they have to Mexico. But SGB investors have seen the need to unlock capital in these markets, and they have included Central American countries as part of their focus. Fewer fund managers focus on these markets exclusively; more often their funds focus on multiple regions in Latin America or are global funds.

ANDE supported research into the impact investing landscape in Mexico, together with Promotora Social México, Root Change, Spectron Desarrollo, and Universidad Anáhuac del Sur. The project, Global Impact Investment Map (GIIMAP), identified players in the local impact investing ecosystem and tracked both the connections between them and their individual activities. GIIMAP identified 31 accelerators, 22 large corporations, and 25 investors, among others, involved in the sector, and recorded high levels of collaboration among actors. They found that about $100 million had been invested in 56 transactions in social businesses between 2009 and 2013, primarily in education, financial services, supply chain services, and housing.

The Central America/Mexico chapter also has been very active in two specific areas that have become priorities to members: women entrepreneurs and agriculture.

Women Entrepreneurs

A large number of ANDE members recognize the need for more targeted support services for women entrepreneurs to help them access finance and grow their businesses. In 2013, the Central America/Mexico chapter established a local working group to conduct research into the support that currently exists for women entrepreneurs in Mexico, and to identify the challenges and opportunities for women locally. The project's leaders, which include Value for Women, Fundación Banorte and IPADE Business School, ultimately aim to provide local and global knowledge on critical points of action within the space. In the coming years, the chapter expects to build from this initial research stage with specific recommended action areas for members to more effectively support women entrepreneurs.

Smallholder Agriculture

Agriculture is another area that members have identified as a priority. The chapter has been actively working with local partners Ashoka, Accenture, and the Walmart Foundation to curate a conversation around the ethical smallholder farmers in corporate supply chains. In 2013, the group began coordinating interviews and discussions with corporations and capacity development organizations to facilitate collaborations that strengthen value chains. The group has seen that one of the first steps must be to increase trust among these actors, perhaps by identifying areas where the interests of each are aligned. Initially, the group has identified gaps in access to information, finance, technology innovation, and the development of entrepreneurial culture.

SNAPSHOT OF THE SECTOR

Central America / Mexico

43 ANDE members active in the region

45 SGB investment vehicles that operate Latin America-wide

21 SGB investment vehicles that focus on Mexico & Central America

3 SGB investment vehicles exclusive to Central America

5 SGB investment vehicles exclusive to Mexico

East Africa

The sector has seen considerable growth in the region, with the number of ANDE members active in East Africa growing from 43 in 2012 to 61 by the end of 2013. That trend is mirrored by the larger trend in private equity: investors are increasingly interested in East Africa, which buoyed regional deal activity in 2013. Kenya alone represented more than 10 percent of all deals done in sub-Saharan Africa.[23] The majority of private equity deals done in East Africa target smaller investments. According to the East Africa Private Equity Confidence Survey conducted by Deloitte and Africa Assets, 15 percent of respondents indicated they were planning to target early-stage investments in 2014, and 48 percent were planning to target SME investments.[24]

SNAPSHOT OF THE SECTOR

East Africa

61
Number of ANDE members active in the region

40
Number of SGB investment vehicles that include East Africa

13
Number of SGB investment vehicles exclusive to East Africa

The East Africa region represents five diverse economies at various stages of ecosystem development and with differing priorities. ANDE's East Africa chapter has begun to hone in on the priorities for each based on members' needs. Across the region, however, members point to the need for increased market insight, increased collaboration and knowledge sharing, and a closer focus on specific sectors (particularly agriculture, health, and invention-based businesses). The following are examples of the types of projects that have developed as a result of those needs.

Access to Information & Talent in Kenya

In Nairobi, members conducted an assessment of the ecosystem and identified two main gaps for early-stage entrepreneurs: access to information and access to talent. SGB intermediaries note that capital availability is not the critical gap for the Nairobi ecosystem: rather, entrepreneurs are not investment-ready because they cannot access the support they need, and because they cannot access talent to support strong growth management. As a result, in 2014, ANDE plans to focus on mapping available capacity development resources for SGBs and supporting a collaborative talent development program for ANDE members. This program aims to attract top-quality entry-level talent into the sector. The program also is designed to build on the skills of these new hires to help them take on more responsibility within the organizations.

Agriculture in Tanzania

In Tanzania, agriculture represents 28 percent of gross domestic product (GDP) and employs 75 percent of the labor force. However, investment in agricultural SGBs is scarce, stunting the growth of businesses that can drive prosperity in rural communities. Most commercial banks are reluctant to lend to agribusiness. Increasingly, agricultural SGBs can look to impact investors; many of the investors working in East Africa include Tanzania in their countries of focus and are looking for agriculture deals. But many investors are unable to find the deal flow they need, particularly growth-stage investments. This gap is one that represents an opportunity for local ecosystem building. In addition, to unlock bank finance, the chapter plans to support knowledge sharing between loan officers in Tanzania and Kenya to help Tanzanian lenders better understand the agriculture sector.

India

The SGB sector in India is relatively mature. Venture capital is thriving in India, and many of the early-impact investing players focused on India as well.

In 2013, private equity investors continued to deploy capital, increasing the number of deals 11 percent from 2012.[25] Within venture capital, the number of deals remained close to the 2012 level, at 222.[26] Fundraising dropped for both segments: down 44 percent to $10.9 million among venture capital funds, and down 54 percent to $1.2 billion among private equity funds. According to an analysis of the impact investing industry, impact investing deals typically represent 22 percent of total venture capital and 2 percent of total private equity investment dollars in India; we can extrapolate that the SGB sector saw a similar slowdown in fundraising in 2013.[27] On the other hand, angel and incubation investments are gathering momentum in India; they grew from 3 percent of deals in 2011 to 19 percent in 2013.[28] Some of the first impact investors focused on India, and, according to Intellecap, approximately $688 million has been invested in impact enterprises since 2001.[29]

ANDE members in India focus on a diverse range of enterprises, from BOP ventures to tech start-ups. Two trends are indicative of the forces reshaping the local ecosystem: new regulations around corporate philanthropy and increasing interest in providing incubation support to entrepreneurs outside of metropolitan cities.

Corporate Social Responsibility & the SGB Sector

In 2013, the government of India passed legislation to mandate CSR. Under this new law, large companies are required to allocate 2 percent of net profits to CSR initiatives. The enactment of this legislation has opened up the conversation for the role of corporations in the SGB sector. Members see the need to educate corporations about the SGB sector as a potential target for CSR funding and core business growth. For corporations, SGBs might represent an opportunity for investment or growth via acquisition. For SGBs, alliance with corporations can support scaling through

SNAPSHOT OF THE SECTOR

India

65 Number of ANDE members active in the region

108 Number of SGB investment vehicles that include India

45 Number of SGB investment vehicles exclusive to India

access to new markets. In 2014, the India Network will co-organize sector-specific events to connect members with potential corporate partners and increase visibility about the SGB sector as an opportunity for philanthropic capital.

Incubation support to entrepreneurs outside of major metropolitan areas

The CSR requirement also has positioned India-based incubators and accelerators for access to significant funds. Support for incubators remains crucial given the strong need for early-stage capital and investible SGBs. Most incubators in India are concentrated in metropolitan cities such as Bangalore, Delhi, and Mumbai, but several members have seen the need to expand into other areas.

Villgro's Unconvention initiative recognizes the gap and targets entrepreneurs in smaller, less-developed cities where the entrepreneurial ecosystem is much less developed. The traveling program seeks to inspire and engage entrepreneurs with the wider social enterprise ecosystem. Also recognizing the need to support start-ups in emerging cities, Intellecap developed a virtual incubation platform called Startup Wave that connects entrepreneurs with incubators, accelerators, impact investors, and mentors. ANDE's Capacity Development Fund grant to Intellecap for an online learning module for SGBs is a component of this new platform.

South Africa

In South Africa, an estimated 91 percent of formal businesses are SMEs, and these enterprises account for approximately 55 percent of GDP and 61 percent of employment.[30] Yet, the 2013 Global Entrepreneurship Monitor report estimates that only 2 percent of South Africans own businesses that have been established for more than three and one-half years, indicating a high failure rate among start-ups.

The South African private equity market is the strongest in sub-Saharan Africa, with the majority of private equity investors targeting South African businesses. But the focus of these investors tends to exclude early-stage SGB investments. Of investment managers surveyed by Deloitte and Africa Assets, for example, 100 percent intended to focus on later-stage deals in 2014.[31] According to the Southern African Venture Capital and Private Equity Association (SAVCA), 0 percent of deals were made at the seed stage, and 12.6 percent of deals were made at the early and start-up stages.[32] There is clearly room for development of the SGB sector, even within this strong private equity market. Strong capacity development services may be the key to encouraging more early-stage investing.

The South African SGB sector is uniquely influenced by the Broad-Based Black Economic Empowerment (B-BBEE) codes around enterprise development (ED) and corporate social investment (CSI), which award South African companies points according to their expenditure on social investment and support for enterprise development. With this policy, there is significant incentive for the provision of capacity development services into SGBs. In fact, a recent study suggests there are approximately 9,000 registered business development service (BDS) providers in South Africa to serve the country's estimated 6 million small businesses.[33] While supply of services is not an obstacle, the quality of those services remains a challenge. It appears that the ease of access to funding created by South Africa's unique ED and B-BBEE environment has led to a large supply of BDS providers who deliver services that do not address the needs of small businesses.[34]

On the demand side, BDS providers have reported they are unable to find high-potential SMEs to service. The mismatch between BDS offerings and SGB needs likely further weakens the pipeline of businesses that are at the growth stage. To compound the issue, BDS providers that do have strong track records tend to target businesses that can pay; these typically are larger businesses or businesses already integrated into corporate supply chains. Start-ups generally are unable to access these high-quality services.

Because much of the funding for capacity development services comes from the corporate sector that participates in ED for their supply chain, understanding how these programs function is key to improving the quality of services available and, therefore, the SGB ecosystem broadly. ANDE member Impact Amplifier investigated trends in this sector in 2013 and found that "...a lot of money is currently invested in Enterprise Development each year, but the programs are not significantly impacting companies' core business and there is still potential for improvement." Their findings reinforce the need for improved coordination at an ecosystem level to strengthen the pipeline.

To continue knowledge creation, the chapter has formed a local working group that aims to produce local studies on the challenges and opportunities in ED and the new B-BBEE Codes of Good Practice. To be effective, the working group aims to work with other stakeholders, such as corporates, government agencies, practitioners, and the wider landscape of business development providers.

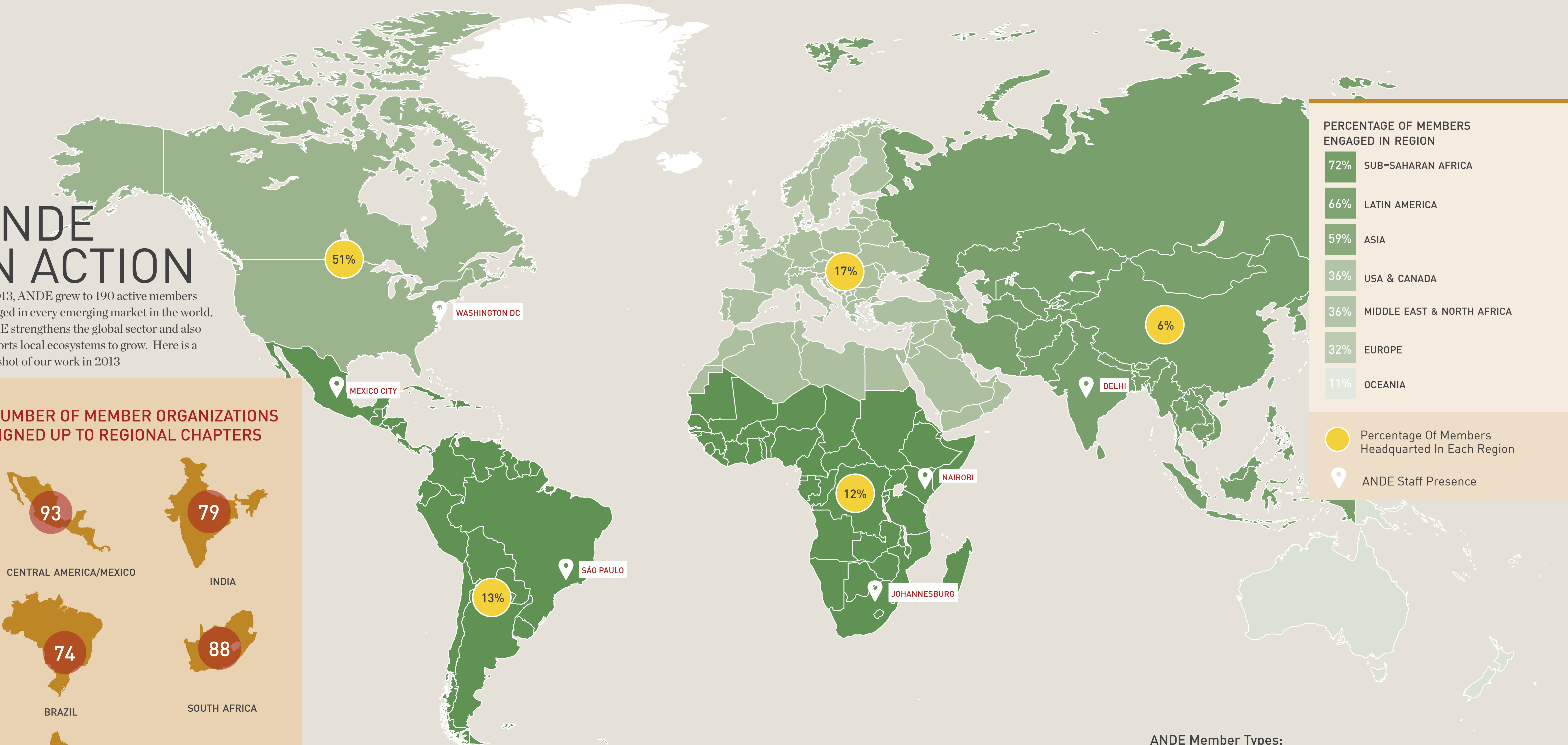
SNAPSHOT OF THE SECTOR

South Africa

56	58	49
Number of ANDE members active in the region	Number of SGB investment vehicles that include South Africa	Number of SGB investment vehicles exclusive to South Africa

ANDE IN ACTION

In 2013, ANDE grew to 190 active members engaged in every emerging market in the world. ANDE strengthens the global sector and also supports local ecosystems to grow. Here is a snapshot of our work in 2013



NUMBER OF MEMBER ORGANIZATIONS SIGNED UP TO REGIONAL CHAPTERS

2013 BY THE NUMBERS

300 individuals from 182 organizations attended ANDE conferences in Washington, London and New York in 2013

ANDE gave out **$49,000** in scholarships

797 people from 211 organizations belong to ANDE's 7 active working groups: Capacity Development, Capital Aggregation, Legal, Metrics & Research, Sustainable Agriculture, Women's Entrepreneurship, and Youth Entrepreneurship

NEARLY **100** PEOPLE FROM 42 ORGANIZATIONS ATTENDED ANDE'S TRAINING PROGRAMS HELD IN NEW YORK AND NAIROBI IN 2013.

The Capacity Development Fund awarded **$300,000** to 6 projects that spark collaboration and innovation among ANDE members, with a particular focus on women's entrepreneurship and invention-based entrepreneurship.

ANDE Member Types:

- 34% Capacity Development Providers
- 28% Investors
- 9% Corporations and Corporate Foundations
- 9% Foundations
- 9% Research and Advisory Service Providers
- 6% Academic Institutions
- 4% Development Finance Institutions and Donor Agencies

APPENDIX: ANDE MEMBERS

As of May 2014

Accion
Actis
Acumen
Africa Enterprise Challenge Fund
Aga Khan Foundation
Agora Partnerships
Aliança Empreendedora
Alitheia Capital
Amani Institute
Angel Venture Fund Honduras
Anglo American
Anthos Asset Management B.V
Appfrica
Argidius Foundation*
ARTEMISIA*
Aspen Institute
ATMS Foundation/AMSCO
Fundación AVINA
Babson College
Bamboo Finance
Banorte
Fundación Bavaria
BDS Africa (an Engineers without Borders Venture)
Bernard van Leer Foundation*
BiD Network
B Lab
Blue Haven Initiative
Fundación Bolivar Davivienda
Bpeace (Business Council for Peace)
The Bridge Fund
Business Call to Action*
C&A Foundation
CapitalPlus Exchange
CARE
Center for Advancement of Sustainable Enterprise at Colorado State University
Center for International Private Enterprise
Cherie Blair Foundation for Women
China Impact Fund/New Ventures China
Christian Aid
CIIE Initiatives
Citi Foundation*
CREA
Cuso International
DOB Equity
Dalberg Global Development Advisors
Dasra
Dermalogica's FITE
DESUS
Deutsche Investitions und Entwicklungsgesellschaft (DEG)
eBay Foundation*
Echoing Green
EcoEnterprises Fund
edge
The Tony Elumelu Foundation
Emerging Markets Private Equity Association
Emerging Stars
Enablis
Enclude
Endeavor
Enterprise Development Centre of Pan-Atlantic University
Entrepreneurs' Organization
Equity Group Foundation
EY
Fair Trade USA
FATE Foundation
Feleman
Fonkoze
Ford Foundation
FSG Social Impact Consultants
Fundación Capital
Fundación IES
Fundación para la Producción
FundaSistemas
Fundemex
Global Alliance for Clean Cookstoves
Global Alliance for Improved Nutrition
Global Partnerships
Global Social Benefit Institute at Santa Clara University
Social Enterprise at Goizueta, Emory University
GOAL
Golden Mean Capital Partners
Goldman Sachs - 10,000 Women Initiative *
Grameen Foundation
Grand Challenges Canada
Grassroots Business Fund
Gray Ghost Ventures
GreaterCapital
GrowthAfrica
Haitian Hometown Associations Resource Group
Halloran Philanthropies*
Heifer International
HSBC Mexico
IADB - Multilateral Investment Fund*
ICE (Entrepreneurial Citizenship Institute)*
IDEO.org
I-DEV International
Impact Amplifier
Impact Hub
Impact Finance
Imprint Capital
Inotek
Insitor Management
Instituto Inspirare
Intellecap
InterMedia
International Diaspora Engagement Alliance (IdEA)
International Finance Corporation
Inversor
Investeq Capital
Invest2Innovate
Investor & Partner for Development
Jacana Partners
Jibu
JP Morgan Chase
Kauffman Foundation
Kenya Feed the Future Innovation Engine
Koltai & Company
Lagos Business School, Pan-Atlantic University
Land O'Lakes, Inc.
Lang Entrepreneurship Center, Columbia Business School
Latin American Venture Capital Association
LGT Venture Philanthropy
The Lemelson Foundation*
Low Carbon Enterprise Fund
Lundin Foundation
The MasterCard Foundation
MasterCard Worldwide*
McKinsey
Media Development Investment Fund
Mennonite Economic Development Associates
Mercy Corps
MetLife Foundation
Middle East Investment Initiative
Monitor Deloitte
National Entrepreneurship Network
Naya Jeevan
Nesa Capital
NESsT
Nestlé
New Markets Lab
New Ventures Mexico
NOTS Impact Entrepreneurs
Omidyar Network
Omnivore Partners
Open Capital Advisors
Overseas Private Investment Corporation
Oxfam*
Partners in Food Solutions
Pearson Affordable Learning Fund
Pershing Square Foundation
Peru Opportunity Fund
Pipa
Pomota Impact
Potencia Ventures*
The Prince's Youth Business International
Promotora Social Mexico
PUM Netherlands Senior Experts
Quintessa
Rainforest Alliance
Raizcorp
Re-Action!
Regain Paradiso Initiatives
RegCharles Finance and Capital Ltd
responsAbility Social Investments
Rianta Capital, Artha Initiative
The Rockefeller Foundation*
Root Capital
Root Change
SAP AG - Global Communications
SCOPEinsight
Shared Interest/Thembani International
Shell Foundation
Skoll Centre for Social Entrepreneurship
Skoll Foundation
Small Enterprise Assistance Funds
Small Scale Sustainable Infrastructure Fund
Social Entrepreneurship Accelerator at Duke (SEAD)
Solidaridad Network
Stanford University
Synergy Social Ventures
TechnoServe Inc.
Thunderbird School of Global Management
TriLinc Global
United Nations Capital Development Fund
United States African Development Foundation
U.S. Agency for International Development*
Universidad de Los Andes
University of Cape Town
UnLtd India
Value for Women
Varhad Group
Venture Institute
Verb, Inc.
Village Capital
VillageReach
Villgro Innovations Foundation
Vital Voices Global Partnership
Vox Capital
Voxtra
Walmart
WEConnect International
Wildlife Conservation Society
William Davidson Institute at the University of Michigan (WDI)
Women for Women International
Youth for Technology Foundation

These members provided additional grant funding for ANDE in 2013

ENDNOTES

1. Between 2010 and 2013 total early-stage entrepreneurial activity increased an average of 25 percent globally. José Ernesto Amorós and Niels Bosma, "Global Entrepreneurship Monitor 2013 Global Report" (report, Global Entrepreneurship Research Association, London, 2014).
2. In 2012, donor spending on the SGB sector was $0.5 to $1.5 billion. Monitor Deloitte, "Growth and Opportunity: The Landscape of Organizations That Support Small and Growing Businesses in the Developing World" (working paper, Aspen Network of Development Entrepreneurs, Washington, DC, 2013).
3. Harvey Koh, Ashish Karamchandani, and Robert Katz, "From Blueprint to Scale: The Case for Philanthropy in Impact Investing" (report, Monitor Group, Monitor , 2012).
4. Monitor Deloitte, "Growth and Opportunity: The Landscape of Organizations That Support Small and Growing Businesses in the Developing World."
5. Alla Khodakivska, "Establishing a Baseline for Lending to Women-Owned SMEs Among IFC-Financed Financial Institutions" (fact sheet, International Finance Corporation, Washington, DC, 2012). http://www.ifc.org/wps/wcm/connect/d94af5004efbe3b18f07cf3eac88a2f8/IFC_Factsheet_Gender_Baseline_Brief.pdf?MOD=AJPERES (accessed May 15, 2014).
6. Hannah Schiff, Rebecca Fries, and Tim Chambers, "Beyond the Threshold: Investing in Women-Led Small and Growing Businesses" (report, Value for Women, 2013).
7. Peter Roberts, Sean Peters, and Saurabh Lall, "The Impact of Entrepreneurship Database Program: 2013 Year-End Data Summary" (data summary, Social Enterprise at Goizueta, Atlanta, 2014).
8. Musta Chironga, Jacob Dahl, Tony Goland, Gary Pinshaw, and Marnus Sonnekus, "Micro-, Small and Medium-Sized Enterprises in Emerging Markets: How Banks Can Grasp a $350 Billion Opportunity" (banking practice report, McKinsey and Company, New York, 2012).
9. Deal size data available from the Emerging Market Private Equity Association and MIX Market research.
10. For some investment vehicles, $2 million represents the minimum deal size; their maximum deal size might be up to $60 million. But these represent the minority of investment vehicles in this sample. Of these SGB investors, over 75% report an average deal size of $2 million and below.
11. We used "launched" to indicate "inception year," or the year the vehicle was legally incorporated.
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Thanks to all the members who submitted vignettes, data and photos for this report.