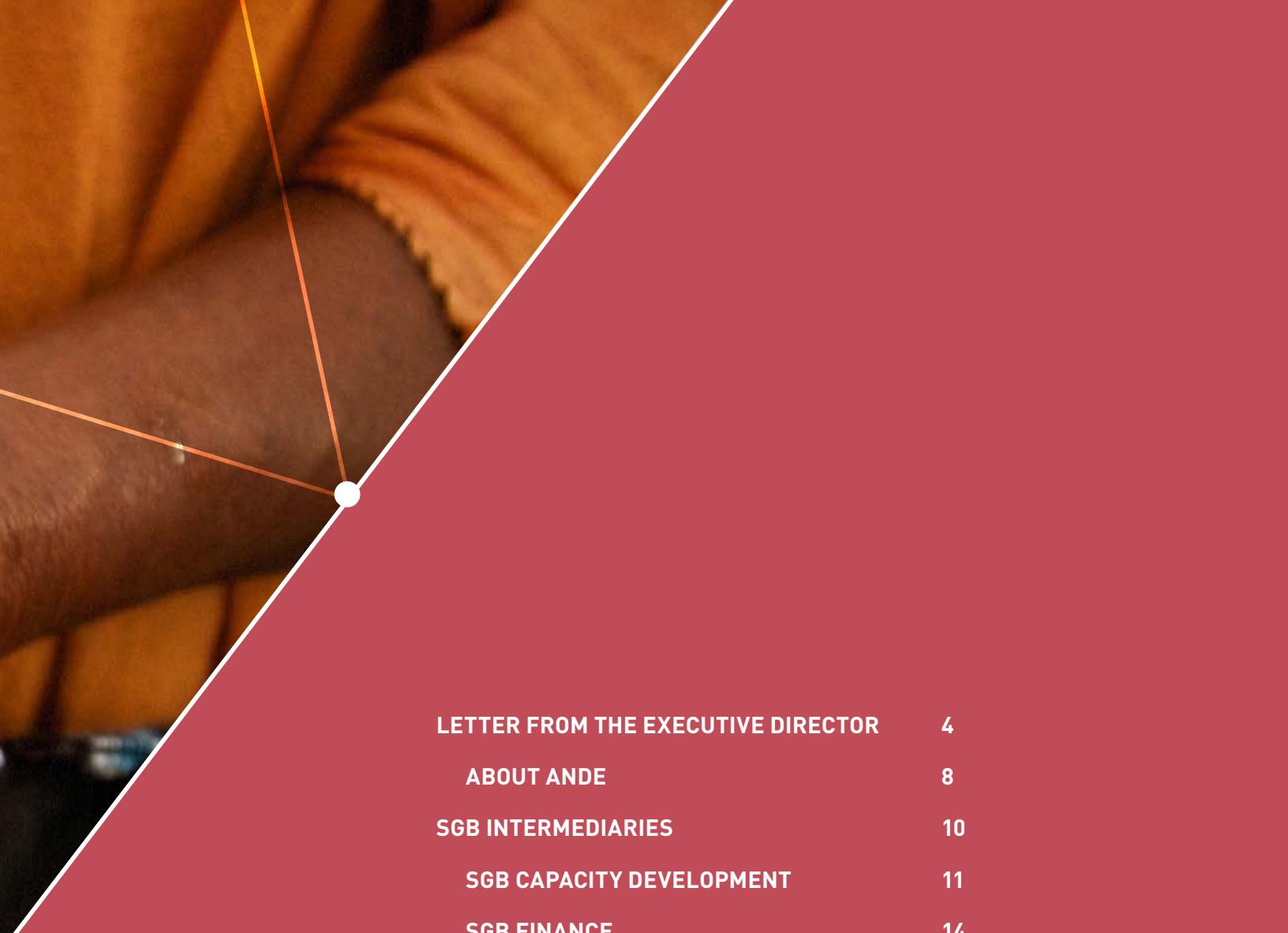




2014 IMPACT REPORT: STATE OF THE SGB SECTOR



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LETTER FROM THE EXECUTIVE DIRECTOR

Dear ANDE Friends and Colleagues,

I am excited to report that in 2014, ANDE membership grew to surpass 200 members. This was a welcome and important milestone, but building a thriving small and growing business (SGB) sector is about a lot more than the quantity of committed stakeholders. During the past year, our collective knowledge about what works—and what doesn't—to support emerging market entrepreneurs has deepened. So, too, has the intensity of on-the-ground collaboration among members.

Increasingly, diverse entrepreneurial support organizations are partnering to solve challenges at a sector level—focusing on issues that impact many organizations that operate in the field. Through our ever-expanding regional chapters, ANDE shares both global trends and region-specific insights to support this work.

These ongoing activities also have helped ANDE and our members identify and act on important barriers and opportunities for the sector. Key issues we have identified include:

- **How can we recruit and retain talent in the SGB sector?** The talent challenge continues to hold back SGBs. It is a root cause of the inability of many SGBs to access finance and grow. Potential investors cite the lack of skilled managers as a barrier to placing capital into SGBs. SGB intermediaries have difficulty hiring and retaining the experienced managers and top-quality talent they need to best support SGBs. Firms struggle with finding and paying for on-the-job training programs. In response, ANDE members are convening in multiple regions to build the sector's collective capacity to attract top talent that will enter and stay in the sector.
- **How can we improve entrepreneurial acceleration?** The popularity of the accelerator model for capacity development has grown enormously since ANDE launched. While financial support has increased for these programs, insight on whether they are actually effective has not kept pace. ANDE is working with Emory University's Social Enterprise @ Goizueta Center and dozens of accelerator programs to collect data that will assess the overall impact of acceleration programs and identify which program elements are most effective at supporting emerging-market entrepreneurs.
- **How can we convince more donors that SGBs are an effective means of delivering development services?** As additional research about the SGB sector is conducted, we have become increasingly convinced that SGBs are an important means for addressing development goals, including providing access to health care, offering smallholder farmers better income opportunities, and connecting isolated off-grid communities to new energy sources. SGBs represent long-term mechanisms for change that can best adapt to each local context. Yet support for small and medium enterprises represents only a tiny fraction of the global development budget and global investment dollars.



As a sector, we need to better advocate for SGB support. ANDE is rising to this challenge by convening donor agencies, corporations, investors, and foundations to make the case for small business entrepreneurship—and to catalyze the implementation of well-designed entrepreneurship initiatives. Along with our members, we help corporations design strategies to better incorporate SGBs in their supply chains. We encourage investors to explore nontraditional fund and investment structures. We help donor agencies to develop entrepreneurial support programs.

Throughout these efforts, we promote an ecosystem perspective to propel entrepreneurship. We believe that SGBs will thrive when stakeholders within sub-national areas develop integrated strategies for strengthening the entire system that supports entrepreneurs.

This report focuses on the state of the global SGB sector and also dives into regional trends. First, we provide an overview on intermediaries in 2014, including data on capacity development services, direct investments into SGBs, and donor funding. Next, we highlight trends and activities at ANDE's five most established regional chapters: Brazil, Central America/Mexico, East Africa, India, and South Africa.

We are excited to document the progress made in the sector since ANDE's launch in 2009, and we commit to continue our efforts to positively impact the sector's growth.

Sincerely,

A handwritten signature in black ink, appearing to read "Randall Kempner".

Randall Kempner
Executive Director
Aspen Network of Development Entrepreneurs



We believe that small and growing businesses will thrive when stakeholders develop integrated strategies for strengthening the entire system that supports entrepreneurs.



● ABOUT ANDE

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of more than 220 organizations that propel entrepreneurship in emerging markets. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) 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.

About Small and Growing Businesses (SGBs)

SGBs are commercially viable businesses with between five and 250 employees that have strong potential for growth. The ambition to grow is key to this definition. It is what differentiates SGBs from the broader term micro, small, and medium enterprises (MSMEs).

Unlike the vast majority of microentrepreneurs, entrepreneurs who start SGBs have the ambition to scale. Not only do they create income for their families, but they create jobs for the local economy, make connections to regional and global markets, and often increase access to critical goods and services for underserved communities. In contrast to more established, larger enterprises, SGBs often lack access to the financial or knowledge resources they need to grow.

About SGB Intermediaries

Intermediaries work to fill the resource gap for SGBs. Intermediaries include organizations that work directly with SGBs, such as investors and capacity development providers. They also include 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: access to capital, access to talent, access to markets, and the broader business environment.

Snapshot of the Sector 2014



SGB INVESTING

- **33** SGB investment vehicles were launched in 2014.
- Median target fund size was **\$40 million**.
- **22** investment vehicles confirmed they reached a first close.
- 14 of those with a first close reported a total of **\$347 million** in committed capital.
- ANDE estimates the entire sector has **raised \$10 billion** since 2010.



DONOR ASSISTANCE

- In 2013, the latest year for available detailed data on disbursements from donors:
- Donor funding for projects related to small and medium enterprises (SMEs) was just **over \$2 billion**, or 1 percent of total development assistance.
 - Donor funding for entrepreneurship-specific projects was **\$645 million**, 0.3 percent of total development assistance.



ANDE MEMBERS

- In 2014, 217 members operated in more than 150 countries. They had collectively supported nearly 350,000 entrepreneurs to date. Between 2012 and 2014: :
- **70 members** supported SGBs with nearly **\$260 million** in capacity development services.
 - **39 members** directly invested just over **\$600 million** into SGBs.



**Unlike the vast majority of
microentrepreneurs, entrepreneurs who
start SGBs have the ambition to scale.**



SGB INTERMEDIARIES



SGB CAPACITY DEVELOPMENT

Entrepreneurs consistently cite lack of access to finance as a major obstacle to growing their businesses. Indeed, data show that smaller firms are more likely to be credit constrained than larger firms.¹ But the inability to access financing is not necessarily due to capital availability. Often, a venture's lack of investment readiness hinders its access to available funding. Organizations that provide SGBs with nonfinancial support, such as mentoring, skill building, and connections to financial providers, are critical to their success.

Accelerators

There are many models for providing capacity development, but recently there has been an increasing emphasis on accelerators. Broadly defined, accelerators are cohort-based programs that run for a set amount of time, include mentorship and education components, and typically culminate in a public pitch event or demo day.²

Although accelerators are most often associated with Silicon Valley, the model has spread globally. ANDE has identified more than 600 programs that we believe meet the definition outlined above. Of these programs, about 200 are based in emerging markets, with an even larger number accepting applicants from emerging market countries.

This coalescence around a model for providing capacity development services means there is huge potential to begin performance measurement to benchmark, track effectiveness, and assess impact. Preliminary results from a research partnership between ANDE and Emory University show **revenue and employee growth for accelerated enterprises was three times faster than growth for nonaccelerated enterprises.**

These results suggest, at the very least, that accelerator programs are good at selecting companies with strong growth potential to participate in their programs. What is not clear is whether this difference in growth rates is a result of the acceleration programs themselves. Our ongoing research will provide much greater clarity on this question. Further, it will offer insight on which accelerator models and specific program elements are most effective in emerging-market environments.

An Entrepreneur's Path to **GROWTH**

There are thousands of entrepreneurs with great ideas, but only a handful take those ideas and establish businesses that grow, become profitable, and create positive social, economic, and environmental impact. What happens along that journey to scale?



EARLY STAGE ENTERPRISES

The Entrepreneurship Database at Emory University collected data on 1,355 emerging market ventures that applied to participate in acceleration programs. Typically, these businesses are just starting out.

1
\$12,000

3

TOP 5 SOCIAL IMPACT OBJECTIVES



ENTERPRISES THAT HAVE ALREADY RECEIVED INVESTMENT

ANDE investor members shared IRIS-aligned performance data from over 400 portfolio companies. Typically, these businesses use investment from ANDE members to move into the next level of scale.

YEARS
OLD

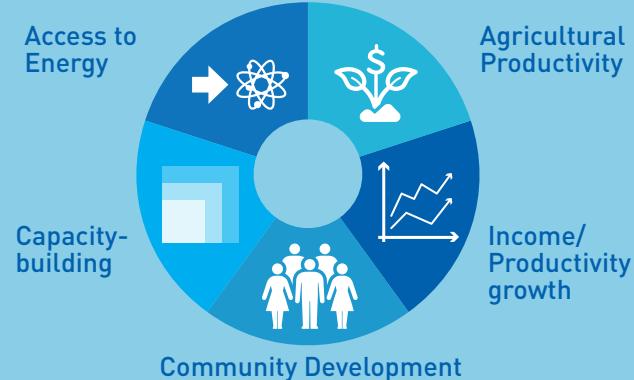
ANNUAL
REVENUE

FULL TIME
EMPLOYEES

7
\$1,300,000

16

TOP 5 SOCIAL IMPACT OBJECTIVES



What happens to entrepreneurs along this journey?

**ANDE will explore this question in partnership with the
Entrepreneurship Database program at Emory University**

Follow our progress at www.andeglobal.org/accelerators



"The Cherie Blair Mentoring Women in Business Programme has offered me so much more than I could have imagined, it really empowers women and I found it to be like having an invisible friend walking next to you."

- MENTEE
from South Africa

Online Learning

Increasingly, intermediaries and funders are turning to web-based methods of capacity development. For intermediaries, an online approach allows them to reach more entrepreneurs in more diverse locations and to connect mentors and mentees across great distances. For funders, online training is a step toward scaling entrepreneurial education.

Among ANDE members that provide capacity development services, 28 percent report using online or mobile channels to deliver those services. This is a small, but growing, segment compared to the 61 percent of ANDE members that provide classroom or seminar training.

The online courses offered by the **African Management Initiative** are one example. The courses are accessible to anyone with internet access, they are free or at very low cost, and they are designed to support individual career building as well as entrepreneurs' businesses. African professors teach the classes, and case

studies from African businesses are used. In a region where only five percent of the population has access to postsecondary education this style of learning has the potential to transform the sector.

The **Cherie Blair Foundation for Women** offers another example of web-based learning with its Mentoring Women in Business Programme. This online platform matches women entrepreneurs in developing and emerging economies with mentors around the world. Mentors and mentees spend a year working one-on-one to achieve key business goals while building confidence, networks, and business skills. They meet at least two hours per month and regularly correspond via email and shared documents.

Both programs also create online communities where entrepreneurs and those entering the SGB sector as employees can build the networks that can be so critical to success.

● SGB FINANCE

A \$10 Billion Sector

ANDE identified 432 investment vehicles launched in the past 10 years that include a target deal size between \$20,000 and \$2 million. We estimate that the more than 200 vehicles launched since 2010 raised \$10 billion to invest in SGBs.³ But \$10 billion is a drop in the bucket compared to the \$2 trillion credit gap SMEs face globally.⁴ Also, it is a fraction of the amount raised for emerging market private equity (\$209 billion) and of total private equity fundraising (\$1.3 trillion) over the same period.⁵



SGB Investor Targets

INVESTMENT FOCUS

During the past ten years, the top sectors for investment focus have consistently been tech, agriculture, and financial services. However, in the past three years, investors increasingly have been targeting businesses in the next most common sectors: energy, education, and water.

Energy jumped from 11 percent of investment vehicles launched between 2006 and 2008, to 30 percent of vehicles launched between 2012 and 2014. Education focus jumped from 13 to 28 percent, and water from 7 to 18 percent.

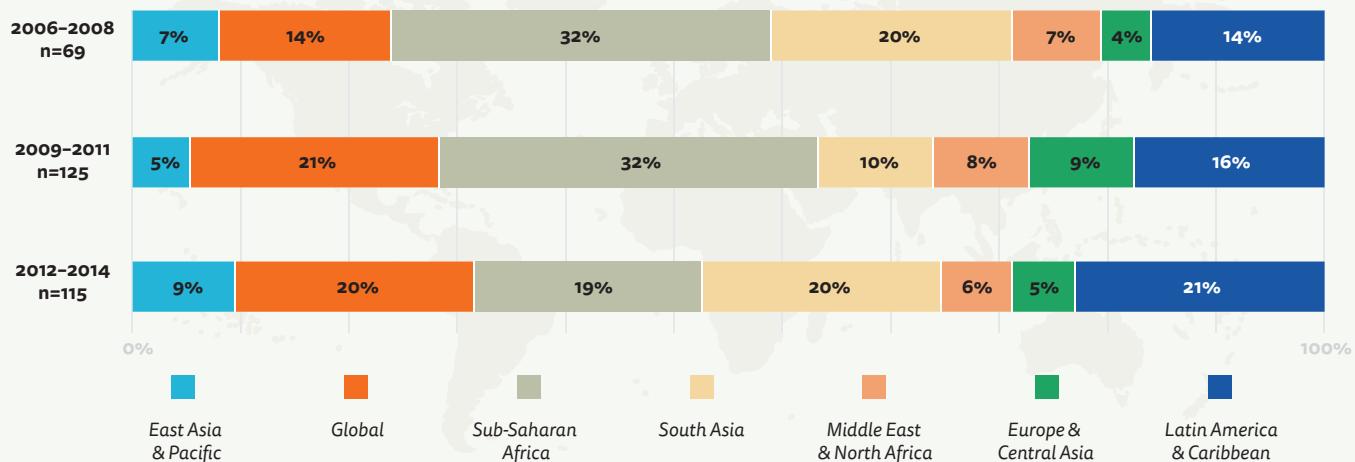
Target Sector Focus, 2005-2014



A third of vehicles launched from 2005 to 2014 targeted sub-Saharan Africa. But in recent years, the focus on Latin America has risen, while the percentage of new vehicles focused on Sub-Saharan Africa have decreased. Among private equity funds that target large deals, interest in Sub-Saharan Africa has grown dramatically in 2014. The proportional decrease in Africa focused SGB funds may be a result of the regional shift in fundraising to large funds, including several larger than \$500 million.

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 (GIIN) ImpactBase, the Emerging Markets Private Equity Association (EMPEA), and the Latin American Private Equity and Venture Capital Association (LAVCA). Funds qualified for inclusion in this dataset when they met three criteria: (1) the investment target included emerging-market countries, (2) target deal sizes were from \$20,000 to \$2 million, and (3) the focus was not exclusively on microfinance institutions.

Figure 1: Target Regions of SGB Investment Vehicles



Source: ANDE's SGB Investment Vehicles Database

WHY ENERGY?

Two billion people globally lack access to reliable electricity. Off-grid energy solutions have the potential to serve these communities, and also provide a clean energy alternative. But despite promising positive impact, these solutions have been slow to scale. According to the Shell Foundation "it can take six to ten years and anywhere from \$5 to \$20 million for a breakthrough innovator to build a sufficiently strong customer based to achieve a net positive cashflow... Each and every one of our partners has been constrained by a lack of appropriate finance at every stage."⁶

ANDE members are among those investors working to fill this gap. For example, the **Insitor Seed Fund** has invested early stage equity in two companies focused on the distribution of solar systems. **Global Partnerships** offers working capital loans to social enterprises that manufacture, distribute, and provide end-user financing for solar systems. And the **Small Scale Sustainable Infrastructure Development Fund** has developed a revolving fund structure in local commercial banks to facilitate debt financing so that entrepreneurs can access energy technologies.

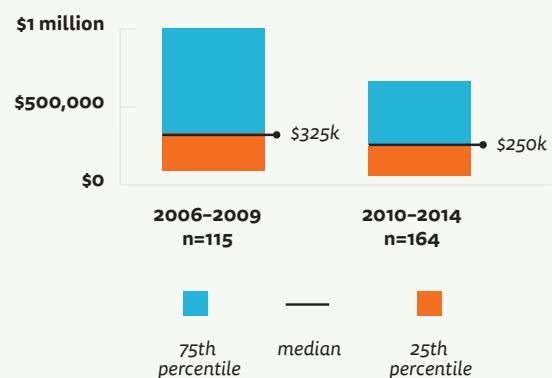
Target deal sizes vary widely among investment vehicles. Some focus exclusively on deals below \$2 million, while others only occasionally make deals in that range.

Among the investment vehicles that have reported average deal size, about 30 percent target average deals of \$500,000 or less, while nearly 30 percent target average deals of more than \$2 million.

Encouragingly for SGBs seeking early stage capital, in the past five years the target minimum deal size has shifted lower (Figure 2).

Three-quarters of investors had a minimum deal size of \$674,000 or less. By comparison, from 2005 to 2009, most investors had a minimum deal size of \$1 million or less.

Figure 2: Distribution of Minimum Target Deal Sizes



Source: ANDE's SGB Investment Vehicles Database



Trends in 2014

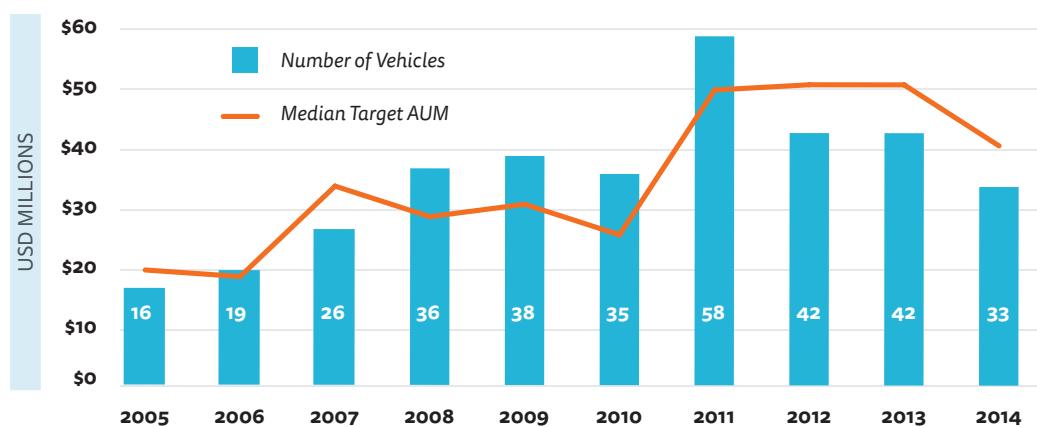
Globally, 2014 was a strong year for venture capital and private equity. Global private equity raised \$499 billion in capital commitments.⁷ Emerging market private equity fundraising increased 16 percent to \$45 billion.⁸

However, that fundraising success was consolidated into a few, very large regional funds—11 funds held 56 percent of the total capital raised. Only 32 small funds (with target sizes of less than \$100 million) hit a final close—the lowest number since 2008. Typically, investment vehicles that target SGBs are small (their average target size is about \$50 million), so this fundraising environment likely negatively affected the SGB segment in particular.

In 2014, 33 investment vehicles launched or hit a first close (Figure 3), with about \$350 million in reported committed capital as of January 2015. Among these, the median target fund size was \$40 million—a decrease from previous years, and perhaps a sign of a tougher fundraising environment.

While fundraising may have posed a challenge, investment activity has been rising. From 2013 to 2014, EMPEA tracked a 14 percent increase in the number of deals that were less than \$2 million. As a share of total emerging market private equity, deals less than \$2 million have climbed from just 10 percent of total deals in 2010 to 22 percent of total deals in 2014 (Figure 4).

Figure 3. Number and Target Size of SGB Investment Vehicles, by Inception Year

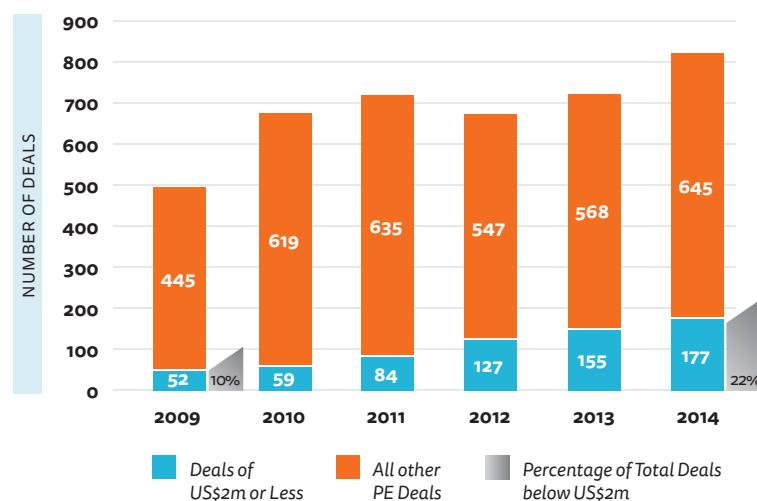


Source: ANDE's SGB Investment Vehicles Database

At a regional level, LAVCA recorded an increasing number of deals at lower investment levels in Latin America. In 2014, three times the number of deals were completed at a \$500,000 or less investment level compared to 2013. Of these deals, 28 percent were seed investments of \$100,000 or less, primarily made by accelerators with investment funds. This dramatic increase in early-stage support in the region was fairly concentrated in three countries: 68 percent of investments were split evenly among Argentina, Brazil, and Mexico.

Indian early-stage investments climbed at a 25 percent compound annual growth rate from 2011 to 2014, and they increased dramatically from \$69 million in 2013 to \$109 million across 280 deals in 2014. These smaller investments were not necessarily made by seed funds; instead, larger funds moved into the space in an attempt to build a pipeline for later-stage deals.⁹ In the impact investing sector, most deals historically have been on the small size, less than \$1 million, and that trend continued in 2014.¹⁰

Figure 4. Emerging Market Private Equity Deals



Source: EMPEA Research



Early Stage Investing

While target minimum deal size has shifted from \$325,000 to \$250,000 in the past five years, that size may still be too large for many entrepreneurs who are seeking their first investment. These very early stage businesses need much smaller amounts of capital than what most investors are able to provide. ANDE members are developing new models to serve this critical segment. They are finding that making successful investments of \$50,000 and below requires significant investment in capacity development, and often works best in partnership with philanthropic capital.

“Our goal is to catalyze greater collaboration in such investments, and our match funding is a signal to peers that we are willing to put our skin in the game.”

—AUDREY SELIAN
Director, Artha Initiative

The Artha Venture Challenge, a competition run by the **Artha Platform/Rianta Capital Zurich** in partnership with **Villgro**, identifies early stage social entrepreneurs in India with the potential to scale. Entrepreneurs receive up to \$50,000 in matching funding alongside capacity development support for about a year.



"We believe that WISE's holistic approach is a valuable model for addressing the obstacles women-run businesses face while at the same time supporting broader social change."

— NICHOLAS COLOFF
Executive Director, Argidius Foundation

Oxfam, with funding from the Argidius Foundation, launched the Women in Small Enterprise (WISE) initiative in Guatemala. WISE supports women emerging from microfinance-lending programs whose businesses show growth potential. Core components include the WISE Fund, which will guarantee loans of around \$20,000 to entrepreneurs in partnership with local banking institutions, combined with leadership training programs and broader advocacy for gender inclusive cultural and policy changes.

"At Upaya, we can afford to be patient and experiment in the early stage, and we face little to no competition at this end of the funding continuum. We have invested nearly \$200,000 in our portfolio, but our investments have attracted 5X that amount from other impact investors as co-investments or follow-on investments. Extending a small amount of equity early can catalyze the rest of the market to act."

— SACHI SENHOY
Executive Director Upaya Social Ventures

Upaya Social Ventures raises philanthropic capital which it invests as equity in very early stage businesses, alongside capacity development support.

● DONOR FUNDING FOR THE SGB SECTOR

Despite the growing recognition that entrepreneurs can create lasting economic and social impact in their communities, the international donor community has not increased financial commitments to entrepreneurship or SME-related development programs.

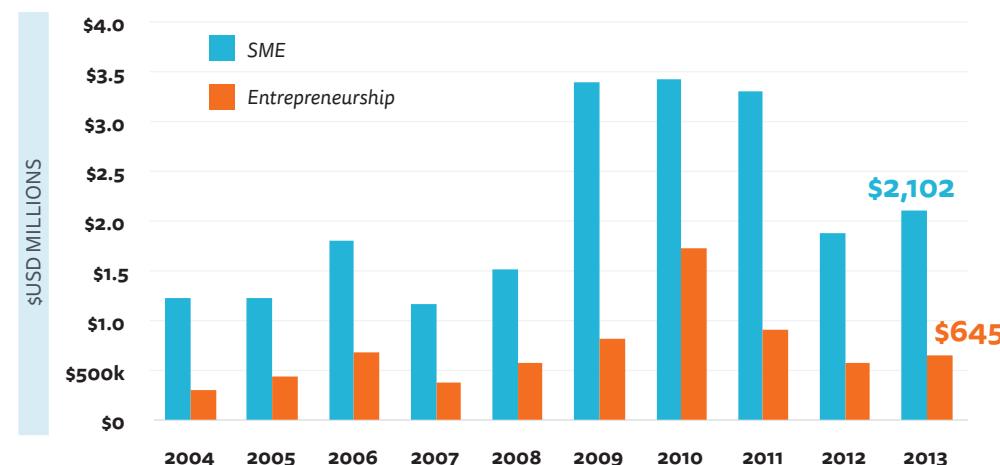
In 2013 (the latest year for detailed data on disbursements from donors), total development assistance to SME-related projects reached just over \$2 billion, and disbursements to entrepreneurship-specific projects was just \$645 million (Figure 5). These amounts represented a share of 1 percent and 0.3 percent, respectively, of the \$217 billion total disbursement.

Some donors allocate a higher percentage of their development assistance to SMEs. For example, the Inter-American Development Bank gave the highest single amount (\$358 million) and highest percentage of total giving (4 percent) to SMEs (Table 1).¹¹ Compared to the \$24 billion disbursed to health-related projects in 2013, or to the \$22 billion to transport and storage, the amount that donors allocate to SME-related projects is low relative to their potential impact.

Support levels for entrepreneurship have been higher in the past. Donor funding for SME-related projects jumped 125 percent between 2008 and 2009 to about \$3.3 billion a year (about 2 percent of development assistance). Funding remained at those higher levels until 2012, when disbursements fell back to previous levels.

This spike and subsequent drop may be related to the emphasis on job creation and entrepreneurship that swept governments in the wake of the global financial crisis. But SGBs should not be relegated to “fad” status. This sector should be seen for what it is: a powerful mechanism to achieve a range of development goals. SGBs can not only increase incomes, but they can also reduce global hunger, empower women, and provide access to energy, for example.

Figure 5. Development Assistance for SME-Related and Entrepreneurship-Specific Projects



Source: OECD Creditor Reporting System, ANDE analysis

Table 1. Top 10 Donors for SMEs, 2013

DONOR	SME-RELATED DISBURSEMENTS (U.S. DOLLARS, IN MILLIONS)	PERCENT OF DONOR'S TOTAL DISBURSEMENTS
Inter-American Development Bank	\$358	4%
International Bank for Reconstruction and Development, World Bank	\$312	2%
European Union Institutions	\$218	1%
United States	\$198	1%
Asian Development Bank	\$130	2%
Canada	\$120	3%
Japan	\$101	1%
Germany	\$100	1%
United Kingdom	\$89	1%
International Development Association, World Bank	\$76	1%
Asian Development Bank Special Funds	\$51	2%

Source: OECD Creditor Reporting System, ANDE analysis

Currently, entrepreneurship and SME-related projects in development sectors such as education, energy, and health are a tiny fraction of overall development assistance to SMEs (Table 2).¹² But these sectors represent significant target areas for SGB investment vehicles. If donors increase entrepreneurship-related support in key sectors, the investment will help build the pipeline of companies that can create significant development impact.

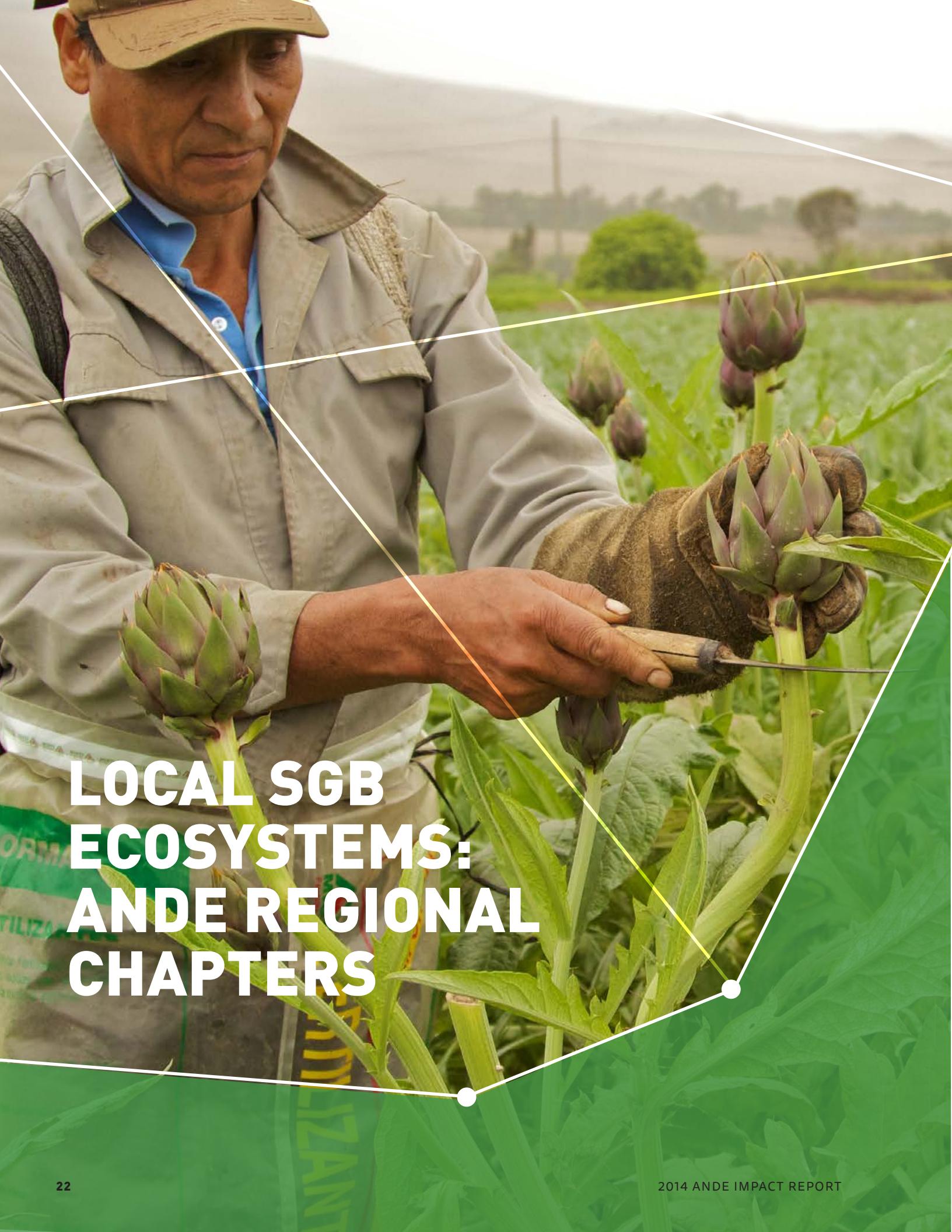
In 2014, the Social Impact Investing Taskforce established by the G8 identified several key areas where donors can further development goals by collaborating with the impact investing sector.¹³ In particular, donors can support early-stage enterprises that are still too risky for commercial capital, and they can support building ecosystems. By filling critical gaps in SGB development, donors can use these two support strategies to reach development goals in sectors such as energy, water, and health.

Table 2. Sample of SME-Related Disbursements, by Sector

SECTOR	SME-RELATED DISBURSEMENTS (U.S. DOLLARS, IN MILLIONS)	PERCENTAGE OF SECTOR'S TOTAL DISBURSEMENTS TO SME-RELATED PROJECTS
Agriculture	\$110	1.37%
Education	\$65	0.43%
Energy	\$3	0.02%
Water and sanitation	\$3	0.03%
Health	\$2	0.01%

Source: OECD Creditor Reporting System, ANDE analysis

Note on the methodology: Data presented in this section come from ANDE analysis of the Organization for Economic Cooperation and Development Creditor Reporting System, a database of commitments and disbursements made by donor countries and multilateral institutions. ANDE searched the database for key words and codes that most likely relate to the SGB sector, specifically: small and medium-sized enterprises development, entrepreneur, small business, small enterprise, and start-up. Any disbursement that was a positive match with any of the terms above was categorized as "SME-related." Those that matched "entrepreneur" were categorized as "entrepreneurship-specific." We aggregated disbursement amounts (in current U.S. dollars) for all donors in the database, and we included both "overseas development assistance" and "other official flows."

A photograph of a man in a tan jacket and cap harvesting artichokes in a field. He is using a long-handled tool to cut the plants. The background shows more artichoke fields and hills under a cloudy sky. The image is framed by a white triangle.

LOCAL SGB ECOSYSTEMS: ANDE REGIONAL CHAPTERS

ANDE IN ACTION

ANDE strongly believes in the importance of fostering local entrepreneurial ecosystems. One way we do that is by supporting regional chapters that allow our members to connect in specific geographic locations. Regional chapters promote collaboration and knowledge sharing among local ANDE members, serve as a conduit to global ANDE activities, and directly support regional activities and advocacy efforts that support SGBs in the region. ANDE manages seven chapters: Brazil, Central America/Mexico, East Africa, East and Southeast Asia, India, South Africa, and West Africa.

In 2014, ANDE grew to **217 active members** engaged in every emerging market in the world. ANDE strengthens the global sector and also supports the growth of local ecosystems. Here is a snapshot of our members' global activity in 2014.



MEMBERS ENGAGED BY REGION

Members Headquartered

72% Sub-Saharan Africa

34% USA and Canada

ANDE Staff Presence

65% Latin America

32% Europe

56% Asia

14% Oceania

Brazil

Social Enterprise in Brazil

Brazil's middle class has been expanding. Yet the country remains one of the most unequal nations globally. Most of the population (80 percent) earns less than \$9 a day. Among school-aged children, the dropout rate is 73 percent. And 64 percent of the population does not have access to banking services.¹⁴

Members active in the Brazil chapter tend to focus on social enterprise. They believe that socially focused SGBs have the potential to reduce inequality and provide disadvantaged populations with access to education, financial services, health care, and other basic services.

In August 2014, the Brazil chapter released a mapping of impact investing in Brazil with collaborators **LGT Venture Philanthropy**, **EQOM**, and the University of St. Gallen. The study found that since 2012, the impact investing market has been rapidly evolving with a significant number of new investors entering the market. Between 2003 and 2009 only seven impact investors were investing in Brazil. After 2012 the number of investors tripled from seven to 20 by the end of 2013.

A total of USD \$177 million in assets is managed by local Brazilian impact investors. This does not include the estimated \$3 billion managed by international investors active in the country. However, investors bring a limited track record to Brazil. Since 2003, only 68 deals were made, representing \$76.4 million in allocated capital, reminding observers that impact investing is still a nascent industry. The average deal size was \$1.1 million.

11 investors are active in the Brazil chapter. They represent some of the first movers in impact investing alongside newer entrants to the region. These investors are ramping up deal-making in Brazil. In addition, 16 capacity development providers are active in the chapter. The connections they have to investors help create an investment pipeline and strengthen the capacity of potential investees to deliver financial returns and impact.

The chapter regularly hosts events that convene diverse organizations working in a single industry, such as health, technology, and housing. In 2014, the chapter hosted an event in partnership with **eBay Foundation** and **ICE** to discuss innovations in technology for the base of the pyramid. The tech sector is a major area of

Chapter Snapshot

Number of individuals signed up to the chapter	264
Members with staff on the ground	40
Members headquartered in the region	11

focus for several ANDE members based in the region. Conversation from the event highlighted a few areas where the SGB sector can act to take advantage of the growing access to computers, mobile phones, and the internet to solve critical social challenges. Key recommendations included the building better connections to potential BOP customers to understand their needs, engaging government, and linking entrepreneurs in different regions across the country.

The Brazil chapter is also focused on the broader ecosystem of players that supports social entrepreneurs. For example, in 2014, the chapter began participating in the Brazilian Social Finance Task Force. The group has been engaging key players from the local SGB sector to influence public policies that will foster the social entrepreneurship ecosystem in the country.

In addition, corporations are increasingly participating in the sector. In 2014, through grants and integration into their value chains, several large companies began supporting social businesses. For example, the **Telefônica Vivo Foundation** is the Brazil-focused foundation of the global Telefónica Group. The Foundation focuses on technology for social benefit, particularly around education, and has begun not only supporting social entrepreneurs but also ecosystem-building around access to finance and acceleration services. In 2015, the chapter will facilitate an ongoing dialogue focused on the role of corporations in the ecosystem.



Central America / Mexico

Mexico's Regional Leadership on Entrepreneurship

In Mexico, entrepreneurship has risen to the top of the national policy agenda. In 2012, the Ministry of Economy launched the National Institute of the Entrepreneur (INADEM). INADEM supports entrepreneurs through access to resources, including everything from government services to incubator programs and financing opportunities.

In preliminary research on accelerators, ANDE identified about 40 accelerators based in Mexico. That places Mexico third on the global list, behind only the United States and the United Kingdom.

In 2014, private equity fund managers invested \$1.3 billion into Mexican businesses, which is 17 percent of the total private equity investment in Latin America, up from 8 percent in 2013. In addition, of the 49 deals from which LAVCA collected data, 50 percent were at the seed or early stage.

These are all promising signs of growing opportunities for SGBs in Mexico.

Central America—Room for Growth

Entrepreneurs based in Central America have fewer resources and less financing activity than entrepreneurs in Mexico. For example, LAVCA reported \$172 million was invested in Central America in 2014 (which was 2 percent of the total deals in Latin America). None of these were early-stage or seed deals of less than \$1 million. In addition, ANDE identified only 10 accelerators based in Central American countries.

Yet donor support for entrepreneurship is high. In 2013, the two countries that received the highest proportion of funding for SMEs (in terms of overall development assistance received) were in Central America. Guatemala received \$164 million in assistance, which included a focus on SMEs. El Salvador received \$97 million. This represented 15 and 20 percent, respectively, of total development assistance for each country.

Although 80 percent of ANDE members on the ground in the Central America/Mexico chapter are based in Mexico, activity in Central America is rising. In 2014, for example, two members headquartered in Guatemala joined ANDE, and global members launched initiatives, such as Oxfam's Women in Small Enterprise program, in the region.



Chapter Focus 2014 and Priorities for 2015

Enabling opportunities for women entrepreneurs is a focus for many members of the CAM chapter. **Value for Women** and participants of the chapter's Mexico Women's Working Group conducted research on the ecosystem that supports women entrepreneurs in Mexico. They found that although resources are available to entrepreneurs, many women are unaware of what they can access, particularly financing options. Most women in the study used informal financing from friends and family rather than formal loans.

Another area that women indicated needed improvement was personal leadership. More inclusive business networks that serve the needs of both men and women entrepreneurs are needed. Supporting the creation of gender-inclusive business networks, training programs, and financing is a major focus area for the chapter in 2015, as it launches a gender sensitivity training initiative.

Agriculture is another primary focus for the chapter. The ANDE Mexico Agriculture Working Group, in partnership with Ashoka Mexico, convened a "Co-Creation Forum" in 2014 that led to the creation of a platform to develop more inclusive value chains in Mexico. In 2015, the Working Group plans to roll out the pilot platform, with leadership from Ashoka and **Root Capital** and seed funding from the **Ford Foundation**. The platform, called Nuup, the Maya word for "connection," will create greater transparency among all actors involved in the value chain, thereby building more trust among these actors. It also will provide a forum for transactions and collaboration among smallholders, large buyers, and nonprofits that support inclusive agriculture.

East Africa

Growth in East Africa

Activity in East Africa has grown dramatically since ANDE's inception. The number of member organizations active in the region more than doubled from 43 in 2012 to 93 in 2014.

Of all the SGB investment vehicles, 12 percent include East Africa as a target region. Research on the overall private equity industry shows the number of deals in East Africa is rising compared to the rest of sub-Saharan Africa. East Africa deals were 18 percent of total transactions in 2011 to 2014, compared to 13 percent in 2007 to 2010. The median deal size in the region is \$5 million—much less than the overall African median deal size of \$14 million.¹⁵

Chapter Focus 2014 and Priorities for 2015

With this growth in activity, the chapter has served as an anchor point for global organizations entering the region, and for local organizations finding connections to the global ecosystem. For example, in 2014, the chapter hosted ANDE's first Africa Meeting. 55 percent of participants were based in the region, while the remainder came to the event from other parts of the continent, the Americas, and Europe.

Ensuring that investees have access to high-quality business development services was one area where several members felt the group could come together to improve. Members submitted recommended service providers to the chapter, which compiled this into a directory for quality accounting services, business planning, and human resources management.

"When edge decided to revise its business model, we saw a need to support other intermediaries and start-ups with recruitment. To gain input on the new strategy and to disseminate information about product offerings, we leveraged the ANDE network. Participation in ANDE events helped us build new relationships with future clients. Now we are working with other ANDE members, such as Growth Africa and CTC International, to support talent recruitment."

Chapter Snapshot

Number of individuals signed up to the chapter	579
Members with staff on the ground	81
Members headquartered in the region	13



Talent management has also emerged as a key challenge in the region for both SGBs and ANDE members. They both have difficulty recruiting and retaining the talent needed to effectively manage organizations. In 2015, the chapter is deepening its focus on talent development. In partnerships with **edge** and **Amani Institute**, East African members are hosting a series of conversations that will allow members to share their practices, learn from one another, and collaborate. The first session focused on strategies for developing a long-term talent pool from which companies can recruit.

— MANUELA MUELLER

edge



India

Chapter Focus 2014 and Priorities for 2015

In 2014, the SGB sector in India saw growing interest from government and mainstream media. In part, this interest has developed because of an overall reenergized focus on economic development, increased visibility of the broader start-up ecosystem, and recognition that entrepreneurial solutions can solve some of the major challenges India faces. ANDE members in India typically emphasize this latter theme: They focus on entrepreneurship as a means of achieving a specific social or environmental purpose.

The increased visibility of the SGB sector in India has happened alongside the growth of the ANDE India chapter. The number of members active in India increased from 65 in 2013 to 86 in 2014, an increase of about 32 percent.

The growth of the ANDE India chapter has served as an entry point for many global ANDE members to connect with local members and establish partnerships. For example, the **American Society of Mechanical Engineers** used the India chapter to connect with **Villgro**, which led to a partnership to run IShow, a global competition for entrepreneurs developing hardware-based physical products that will have significant social impact.

Impact Inventing

A few months before India's government kicked off the Make in India Campaign (a national program to promote India as a manufacturing hub), ANDE and The Lemelson Foundation brought together more than 35 leading stakeholders to discuss solutions to facilitate the growth of product-based entrepreneurs in India. Some of the findings and key challenges highlighted by workshop participants were lack of funding, lack of an enabling ecosystem, and the need to recognize, champion, and support product entrepreneurs. In 2015, the chapter will continue to promote manufacturing in India by collaborating with the Delhi-NCR chapter of Indus Entrepreneurs, which has made impact inventing part of its 2015 ecosystem building agenda.



Corporations and SGBs: Creating Stronger Partnerships

Corporate and corporate foundation members of ANDE have pioneered creative local partnerships to support entrepreneurs who are aiming for social impact and whose businesses have the potential to scale up. For example, SAP AG has been working with Acumen to recognize and mentor entrepreneurs capable of high social impact. Similarly, Mahindra Finance is supporting social enterprises through Villgro and Centre for Innovation, Incubation and Entrepreneurship, which as incubators can receive and invest Corporate Social Responsibility funds.

In 2015, the India chapter will focus on advocating for greater corporate engagement. It will advise corporations on how to fulfill regulatory requirements by supporting SGBs, and it will help forge mutually beneficial new partnerships with members.

South Africa



Mapping the South African SGB Ecosystem

South Africa represents a challenging environment for SGBs. The SME failure rate in this region is one of the highest in the world—as many as 70 percent fail in the first year.¹⁶ In fact, in 2014, more small businesses closed than started.

However, a large number of organizations that support entrepreneurs are active in South Africa. The ANDE South Africa chapter identified more than 200. There were 89 capacity development providers, 71 direct finance providers, and 53 other ecosystem supporters. Chapter research also showed that these resources are fragmented and leave critical support gaps. For example, there is no alignment between funding and the capacity development support available. A gap also exists in early-stage risk financing.

In addition, the new Broad-Based Black Economic Empowerment (B-BBEE) codes require large enterprises to rethink existing supplier and enterprise development programs. Currently, small businesses find the procurement systems and processes complex and confusing. From the perspective of large enterprises, there is an under-supply of competitive black-owned enterprises.

One major development for the ecosystem in 2014 was the creation of the Small Business Development Ministry. The South African government recognizes that small businesses are important for the strength of the economy. It created the ministry to coordinate previously fragmented government efforts.

Chapter Focus 2014 and Priorities for 2015

The ANDE South Africa chapter prioritizes supporting key local initiatives and convening diverse stakeholders around specific issue areas. For example, the chapter collaborated with **GreaterCapital** and the **University of Cape Town's Bertha Centre for Social Innovation and Entrepreneurship** to host the Southern African Impact Investing Network (SAIIN) conference in

Chapter Snapshot

Number of individuals signed up to the chapter	326
Members with staff on the ground	27
Members headquartered in the region	10



February 2015. The conference aimed to bring the ideas of impact investing to a wider audience, particularly to mainstream investment institutions, government, and development finance institutions. One of the key themes at the conference was the disconnect between supply and demand for impact capital. ANDE members and others plan to build solutions to this disconnect in 2015 and beyond, strengthening the pathways for entrepreneurs to access financing.

Impact Inventing

During the past decade, a growing segment of SGBs has emerged that harnesses the power of invention to improve the lives of poor people around the world. However, these entrepreneurs' ability to succeed is largely determined by factors outside their control, such as intellectual property rights or the available talent pool. If emerging-market countries hope to unlock the potential social and economic impact of invention, they must build vibrant ecosystems that support this kind of business.

One important step in building entrepreneurial ecosystems is creating a cohesive community where actors from different sectors can talk about this topic and establish ways they can better work together. In 2014, ANDE, with the support of The Lemelson Foundation, convened a series of roundtable events in Brazil, India, Kenya, South Africa, and the United States. These events convened experts, policymakers, and practitioners to explore the specific elements that foster strong ecosystems for invention-based entrepreneurs and to identify areas where additional work is needed.

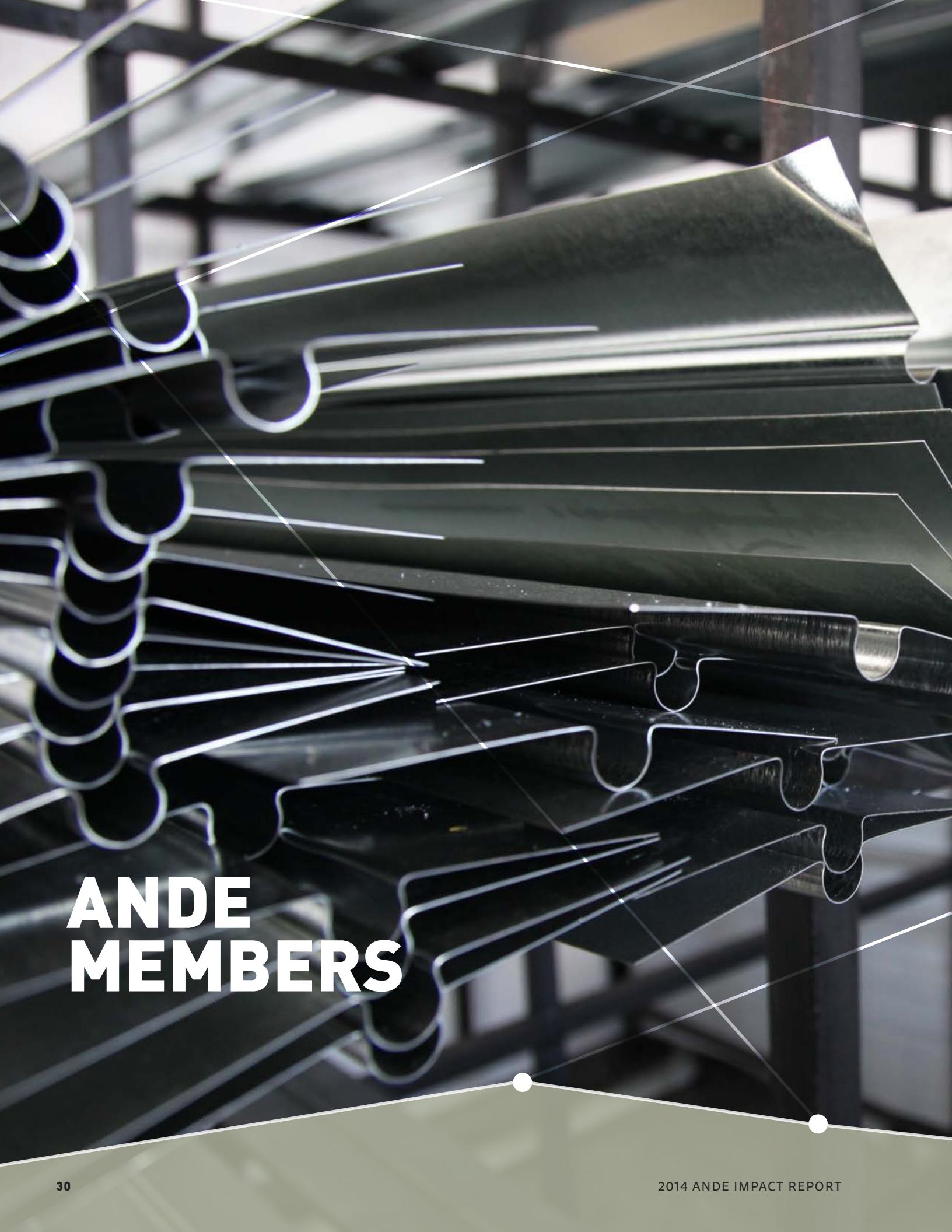
These conversations revealed five key areas that must be addressed to build entrepreneurial ecosystems that can support impact-related technology development. They are:

1. Expanding access to physical capital and prototyping equipment.
2. Inspiring and educating the next generation of emerging-market inventors.
3. Streamlining the process of accessing markets.
4. Increasing understanding of local laws and regulation.
5. Unlocking patient capital to support early-stage inventions.

During the Brazil roundtable, participants identified an opportunity to use the country's strong incubation infrastructure for traditional technology-based entrepreneurs to address social challenges. This sparked a conversation between ANDE members Instituto de Cidadania Empresarial (ICE) and ARTEMISIA, along with World-Transforming Technologies (WTT) and Fundação Certi.

Fundação Certi runs one of Brazil's most prestigious business plan competitions and incubation programs for invention-based entrepreneurs. By incorporating ARTEMISIA and ICE's experience with supporting social businesses, and with the financial support of WTT, the group decided to build a social business track onto Certi's existing program. The new program aims to identify high-potential impact inventors and accelerate their businesses by providing a wide range of support. The program currently is being piloted in the state of Santa Catarina, but the group hopes to scale the program to a national level.

In addition to the roundtable series, ANDE is strengthening the ecosystem for invention-based entrepreneurs through the Capacity Development Fund. For example, ANDE is supporting its members NESsT and Santa Clara University's Global Social Benefit Institute (GSBI), which both recognized that a lack of talent is one of the biggest barriers to growth for invention-based entrepreneurs. To overcome this barrier, the two organizations are collaborating by leveraging GSBI's global incubation platform and NESsT's deep in-country expertise to develop a talent assessment tool that allows ANDE members and entrepreneurs to quickly map an inventor's entrepreneurial skill sets and identify the best method of improving skills.



ANDE MEMBERS

ANDE Executive Committee

Mildred Callear*	Leslie Johnston	Neera Nundy
Vice President for Financial and Portfolio Management, OPIC	Executive Director, C&A Foundation	Managing Partner, Dasra
Carol Dahl	Randall Kempner	Peter Reiling
Executive Director, The Lemelson Foundation	Executive Director, ANDE (Chair)	Executive Vice President, Aspen Institute
Sasha Dichter	Olivier Lafourcade	Laurie Spengler
Chief Innovation Officer, Acumen	Chairman of the Board, I&P	President and CEO, Enclude
Nicole Etchart	Graham Macmillan	Andrew Stern*
Co-Founder and Co-CEO, NESsT	Director, Corporate Social Responsibility, Citi Foundation	Partner, Dalberg Global Development Advisors
Willy Foote	Saadia Madsbjerg	Rodrigo Villar
Founder and CEO, Root Capital	Managing Director, The Rockefeller Foundation	President, New Ventures Global Network and Director of New Ventures
Lisa Hall, Managing Director*	Paul Malherbe	Simon Winter
Impact Investing, Anthos Asset Management	CEO, AMSCO	Senior Vice President of Development, TechnoServe

ANDE Members (as of May 2015)

Accion	The Bridge Fund	Ebay Foundation
ACDI/VOCA	British Council	Deutsche Investitions und Entwicklungsgesellschaft (DEG)
Actis	El Buen Socio	EchoingGreen
Acumen	Business Call to Action	EcoEnterprises Fund
Africa Enterprise Challenge Fund	C&A Foundation	edge
African Management Initiative	CapitalPlus Exchange	Education Development Center
African Private Equity and Venture Capital Association	CARE	Emerging Markets Private Equity Association
Aga Khan Foundation	Catholic Relief Services	Emzingo
Agora Partnerships	Center for Advancement of Sustainable Enterprise at Colorado State University	Enablis
Alianca Empreendedora	Center for International Private Enterprise	Enclude
Alitheia Capital	Cherie Blair Foundation for Women	Endeavor
Allan Gray Orbis Foundation	China Impact Fund/New Ventures China	Engineers Without Borders Canada
Alterna	Christian Aid	Ennovent
Amani Institute	CIIE Initiatives	Enterprise Development Centre of Pan-Atlantic University
American Society for Mechanical Engineers (ASME)	Citi Foundation	EQOM
Angel Venture Fund Honduras	The Coca-Cola Company	Equity Group Foundation
Anthos	Columba Leadership	EY
APPFRICA	Cordes Foundation	Fair Trade USA
Argidius Foundation	CreaComunidades de Emprendedores Sociales, A.C.	Farm Africa - Kenya
Artemisia	CrossBoundary	FEMSA
Asian Venture Philanthropy Network	CTC International	Fetola
The Aspen Institute	Cuso International	Finance Alliance for Sustainable Trade
ATMS Foundation/AMSCO	d.o.b	Fonkoze
B Lab	Dalberg Global Development Advisors	Ford Foundation
Babson College	Dasra	FSG Social Impact Advisors
Banorte	Department of Foreign Affairs, Trade and Development Canada (DFATD)	Fundaçao Telefônica Vivo
BeadforLife	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	Fundación Bavaria
BiD Network		Fundación Bolívar Davivienda
Blue Haven Initiative		Fundación Capital
Bpeace (Business Council for Peace)		Fundación IES
		Fundación para la Producción
		FundaSistemas

*concluded tenure in 2014

Fundemex	LAVCA (Latin American Venture Capital Association)	Shared Interest/Thembani International
GAG Investimentos	The Lemelson Foundation	Shell Foundation
Global Alliance for Clean Cookstoves	LGT Venture Philanthropy	SITAWI
Global Alliance for Improved Nutrition	Linked Foundation	Skoll Centre for Social Entrepreneurship
Gobal Innovation Fund	Low Carbon Enterprise Fund	Skoll Foundation
Global Partnerships	Lundin Foundation	Small Enterprise Assistance Funds (SEAF)
Global Social Benefit Institute at Santa Clara University (GSBI)	The MasterCard Foundation	Small Foundation
GOAL	MasterCard Worldwide	Small Scale Sustainable Infrastructure Development Fund (S3IDF)
Social Enterprise at Goizeta Business School, Emory University	MCE Social Capital	Social Entrepreneurship Accelerator at Duke (SEAD)
Golden Mean Capital Partners	McGraw Hill	Solidaridad Network
Goldman Sachs-10,000 Women Initiative	McKinsey & Company	Spark
Grameen Foundation	Media Development Investment Fund	The SROI Network
Grand Challenges Canada	Mennonite Economic Development Associates (MEDA)	SSG Advisors
Gray Ghost Ventures	Mercy Corps	The Stanford Institute for Innovation in Developing Economies (SEED)
GreaterCapital	Middle East Investment Initiative	Swisscontact
GrowthAfrica	Monitor Institute	Synergy Social Ventures
Habitat for Humanity	MOV Investimentos	TechnoServe Inc.
Haitian Hometown Associations Resource Group	Nacional Monte de Piedad	Thunderbird Emerging Markets Laboratories at the Thunderbird, School of Global Management
Heifer International	National Entrepreneurship Network	TLcom Capital LLP
IADB-Multilateral Investment Fund	Naya Jeevan	Toniic
ICE(Entrepreneurial Citizenship Institute)	Nesa Capital	TriLinc Global
IDEO.org	NESsT	Trillium Asset Management
I-DEV International	Nestlé	Triple Jump
Impact Amplifier	New Markets Lab (Including TransFarm Africa)	United Nations Capital Development Fund
Impact Business Leaders	New Ventures	United States African Development Foundation (USADF)
Impact Finance	NOTS Impact Enterprises	United States Agency for International Development (USAID)
Impact Hub	Omidyar Network	Universidad de Los Andes
The Innovation Hub	Omnivore Partners	University of Cape Town
Inotek	Open Capital Advisors	UnLtd India
Insitor Management	Overseas Private Investment Corporation	Upaya Social Ventures
Instituto Inspirare	Oxfam	Value For Women
Intellecap	Partners in Food Solutions	VentureWell
InterMedia	Pershing Square Foundation	Verb, Inc.
International Diaspora Engagement Alliance (IdEA)	Peru Opportunity Fund	Village Capital
International Finance Corporation	Pomona Impact	Villgro Innovations Foundation
Inversor	The Prince's Youth Business International	Vox Capital
Invest2Innovate	Promotora Social Mexico	Capital
Investeq Capital	PUM Netherlands senior experts	Voxtra
Investing in children and their societies(ICS)	Rainforest Alliance	WEConnect International
Investisseurs & Partenaires	Raizcorp	Wildlife Conservation Society
J.P. Morgan Chase & Co.	Regain Paradiso Initiatives	World Vision
Jibu, L3C	RegCharles Finance and Capital Ltd	Youth for Technology
Karmany	responsAbility Investments AG	
Kauffman Foundation	Rianta Capital, Artha Initiative	
Kenya Feed the Future Innovation Engine	The Rockefeller Foundation	
Land O'Lakes, Inc.	Root Capital	
	SAP AG - Global Communications	
	SCOPEinsight	



ENDNOTES



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