

ANDE Research Initiative: Overview

The Need for Research on Small and Growing Businesses

As the Small and Growing Business¹ (SGB) sector continues to grow, there is increasing interest from impact investors, foundations and other stakeholders in answering critical research questions on the effectiveness of supporting SGBs as a strategy for poverty alleviation in emerging markets. Recognizing the need to build this capacity, ANDE plans to launch a new research initiative with the support of Rockefeller Foundation that aims to move this conversation forward by focusing on a key question:

“Does growth in SGBs lead to growth of prosperity for poor people in emerging market countries?”

While there are a number of public and private organizations dedicated to supporting entrepreneurship as a mechanism for poverty alleviation, there is limited evidence on the ultimate impact of these businesses on various dimensions of poverty. The majority of evaluations of small business support programs focus on measuring firm level outputs and outcomes such as wages, sales, productivity and number of jobs created, but do not measure the broader impacts on poverty at the household level of employees and customers of these businesses². ANDE aims to fill this gap in the literature by funding rigorous evaluations and the development of new datasets to study the longer term impacts of SGBs through a two-pronged approach that focuses on the following broad research questions:

- Do jobs provided by SGBs lead to improved incomes and quality of life for families and households, compared to other available employment opportunities?
- Do beneficial products or services (energy, water, health care, etc.) provided by certain SGBs lead to improved quality of life and/or income?

ANDE’s Role in the SGB Space

We recognize the magnitude of these questions is considerably larger than what we can achieve on our own. However, ANDE is uniquely positioned to drive this research agenda, as the only global intermediary organization focused on SGB development. ANDE members include impact investors, capacity development organizations, foundations, international development institutions and research institutes. Through this initiative, we can act as a conduit between researchers who are seeking inputs and our members who are generating data and findings that need to be aggregated and analyzed. We expect to spur increased academic research on the impact of SGBs by overcoming some of the key constraint noted by researchers. Ultimately, we expect the research produced through this initiative to inform and influence impact investors, policy-makers, development banks and foundations on the social benefits of supporting small businesses.

¹ Small and Growing Businesses are defined as commercially viable businesses with 5 to 250 employees that have a significant potential and management desire for growth. Typically, SGBs seek growth capital from \$20,000 to \$2 million.

² See Mole, et al. (2008), Sarder, et al. (1997), Tan & Lopez-Acevedo (2007 and Lopez-Acevedo & Tan (2010 for examples of firm level studies

ANDE Research Development Fund

ANDE's Research Development Fund will support research that examines the effectiveness of SGB support as a tool for poverty alleviation in developing countries. Specifically, we will implement a two-pronged strategy to facilitate and fund new and innovative research on the following broad research questions:

1. **Research and Evaluation:** ANDE will facilitate and fund research projects (that may include collaborative proposals between academics and practitioners) in three categories:
 - a. **Impact Evaluations:** We will support rigorous evaluations that aim to answer our core research questions, using experimental or quasi-experimental designs.³ Projects developed in collaboration with ANDE members may be given priority.
 - b. **Portfolio Analyses:** We expect to fund studies in which researchers collaborate with ANDE members and use their existing datasets to answer relevant research questions. We encourage a regional or sector focus to be able to generalize findings.
 - c. **Ongoing research:** ANDE will also provide small supporting grants for ongoing research and analysis that is research relevant to ANDE's core research questions, as part of our effort to build a broader evidence base for SGB support.

2. **Filling the Data Gap:** Recognizing the lack of poverty data in this sector, we will invest in a longer-term strategy of building a series of datasets that link household level poverty indicators that can be linked to firm activity and outputs. As part of this process, we will conduct the following activities:
 - a. Develop a standardized set of research design protocols for data collection that are compliant with the Impact Reporting and Investment Standards (IRIS).
 - b. Fund pilot tests of innovative data collection mechanisms such as mobile survey platforms that will enable more efficient household and firm level data collection.
 - c. Facilitate and fund collaboration between researchers and practitioners to design interventions using these platforms and protocols (Phase II).
 - d. Make datasets generated through these platforms available to researchers (Phase II).

Studies at the regional, national, state and micro (community/municipal region) levels in *Latin America and the Caribbean, Sub-Saharan Africa, and South Asia* will be prioritized.

Next Steps

ANDE intends to launch the new Research Initiative in Spring 2012 and will announce further details shortly. Please email our Research Director, Saurabh Lall (Saurabh.lall@aspeninstitute.org) for more information.

³ Studies in this category must include a significant level of primary data collection.