

# 2010 Impact Report





**Cover Photos (John-Michael Maas/Darby Communications):**

A woman gathers jatropha which will be used to generate biofuel by Nandan Biomatrix Limited. New Ventures India supports Nandan by providing mentoring and technical assistance.

A toolmaker at Dramco Tooling CC works on a thermo-forming mold. Swisscontact is helping Dramco increase their competitiveness in the South African tool and die market.

A resident of Cheshire Homes harvests lettuce from a FoodTent. Heart Capital has over 70 sites with FoodTents, 3 GrowZones (agri-businesses), and feeds over 3,000 people per month in Cape Town, South Africa.

A lab technician at Biovac develops vaccines for the South African market. ATMS Foundation/AMSCO has supported Biovac by bringing in an international bioengineer to help develop local capacity for vaccination production.



Dear ANDE Friends and Colleagues,

I am pleased to present you with the second annual Aspen Network of Development Entrepreneurs (ANDE) Impact Report. As was the case in our inaugural year, the growth of ANDE has surpassed our expectations. Today, our membership exceeds 110 organizations that operate in 150 developing countries. Our members truly span the world.

More importantly, they are deeply committed to working together to promote entrepreneurship in emerging markets. All of our events, including our annual conference, investment manager training, London summit, metrics conference, and orientation training, continue to exceed attendee projections (and sometimes capacity). At the 2010 Annual Conference in New York, more than 140 participants from 70-plus organizations and 17 countries convened to share experiences, forge new alliances, and advance ongoing ANDE initiatives and working groups.

This year, we have made a concerted effort to push programming into the field. As the primary mechanism for this effort, we launched regional chapters in four regions: Brazil, Central America/Mexico, East Africa, and South Africa. Each chapter has started hosting quarterly meetings of local ANDE members to discuss regionally relevant issues in the small and growing business (SGB) space. In 2011, we expect to add additional chapters and support the existing chapters as they initiate more comprehensive programs and services for members.

We'd like to think that much of the interest in ANDE is due to the depth of our network and quality of the programs and services we provide our members. But, it's clear that ANDE is hot in part because the overall SGB sector is hot.

As you'll read in the attached report, the sector flourished over the past year. 2010 saw significant growth in new SGB fund creation as well as new field-building initiatives, like the G20 SME Finance Challenge and the US Government's Global Entrepreneurship Program. ANDE has played a role in shaping many of these new public-sector initiatives and we are looking forward to strengthening our education and advocacy role in 2011.

The SGB sector and ANDE are growing, gaining increased credibility in the eyes of investors, foundations, multinational corporations, and development agencies. We look forward to working with you to propel this expansion in 2011 and the years to come. Millions of poor in the developing world are depending on our work.

Sincerely,

A handwritten signature in black ink, appearing to read "Randall Kempner", with a long, sweeping horizontal line extending to the right.

Randall Kempner  
Executive Director  
Aspen Network of Development Entrepreneurs (ANDE)

## ANDE Glossary of Terms

**CDF** – Capacity Development Fund, ANDE’s internal \$1 million re-granting facility.

**Impact Investing** – Investments that are designed to address social or environmental challenges while generating some level of financial profit.<sup>1</sup>

**IRIS** – Impact Reporting and Investment Standards, an initiative of the Global Impact Investing Network (GIIN) to develop and promote a common framework for reporting the performance of impact investments.

**SMEs** – Small and medium enterprises, or formal enterprises whose financial needs go beyond simple microcredit, usually employing 10 to 300 people.<sup>2</sup>

**SGBs** – Small and growing businesses, or commercially viable businesses with 5-250 employees that have significant growth potential and a management desire for growth. Typically, they seek expansion capital between \$20,000 and \$2 million. Learn more about the definition of SGBs on page 4.

**Capacity Development** – Supporting the development of small and growing businesses through a variety of services. There are many variations of this term, including business development services and technical assistance. See page 20 to learn more about the different types of capacity development services provided.

### ***ANDE Member Types***

**Investor** – Funds that invest capital in SGBs in developing countries (many Investor members also provide capacity development services).

**Capacity Development Provider** – Organizations that provide business development and advisory services to SGBs, but do not provide direct capital investments.

**Foundation** – Foundations, high net-worth individuals, and other organizations that invest in funds or technical assistance providers that support SGBs.

**Corporate/Research/Academic** – SGB sector conveners, experts, consultants, universities, service providers, and corporations which are supportive of SGBs.

**Strategic Partner** – Government agencies and bilateral or multilateral development agencies who join ANDE. These partnerships are established on a case by case basis and they are able to participate in limited membership activities.

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1. As defined by the Global Impact Investing Network

2. As defined by the International Finance Corporation (IFC)



# Aspen Network of Development Entrepreneurs

## 2010 Impact Report

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# Introduction

*“When it comes to creating jobs and opportunity, oftentimes, it’s the small- and medium-sized enterprises that make all the difference in people’s lives.”*

– President Barack Obama,  
2010 G-20 Summit, Seoul, South Korea

Members of the Aspen Network of Development Entrepreneurs (ANDE) share a common goal: to increase the prosperity of poor people in the developing world. We also share a common belief about how to do it: supporting small business entrepreneurs. Like President Obama, we are convinced that small business entrepreneurs are a critical component of long-term economic growth and social equity in emerging markets.

Over the past two years, ANDE has grown to more than 100 organizations that provide critical services, including capacity development services, training, and investment capital, to small and growing businesses (SGBs) in developing countries. We help our members improve their productivity, measure their social impact, and obtain new resources to grow programs and services. Further, we work closely with development institutions, philanthropic organizations, and investors to encourage increased support for the SGB sector. Ultimately, ANDE seeks a thriving global field that supports entrepreneurs and thereby stimulates increased economic, social, and environmental benefits for local communities.

As the president’s statement above represents, investing in SGBs is increasingly recognized as a critical tool in addressing today’s development challenges. In 2010, aid agencies, development financial institutions, and investment advisors launched new initiatives to support the sector. The US Department of State, for example, launched its Global Entrepreneurship Program (GEP), an effort to develop strong entrepreneurial platforms primarily in Muslim-majority countries. Development agencies throughout the world, including the International Financial Corporation (IFC) and the Inter-American Development Bank

## **“Small and Growing Businesses” (SGBs) are high-growth, high-impact businesses.**

While the definition varies by country, ANDE defines SGBs as commercially viable businesses with 5 to 250 employees that have a significant potential for growth and whose managers desire to grow them. Typically, SGBs seek growth capital from \$20,000 to \$2 million.

SGBs are different than the more traditional characterization of small and medium enterprises (SMEs) in two fundamental ways. First, SGBs are different from the livelihood-sustaining small businesses (included in the SME definition), which start small and are designed to stay that way. Second, unlike many medium-sized companies, SGBs often lack access to the financial and knowledge resources required for growth.

*Note: For standardization purposes, in this report, we will consistently use the term SGB, even in situations where the data comes from a report that uses the term SME. If a quote specifically mentions SMEs we retain that terminology.*

(IDB), expanded efforts to support “inclusive businesses” that focus primarily on smaller firms. And mainstream investment bank JP Morgan released its first research report on the impact investing sector.

One of the largest collaborative efforts in the sector was the launch of the SME Finance Challenge by the G-20 group of nations. The G-20 developed the SME Finance Challenge to find and scale sustainable solutions for financing small enterprises globally. Participating countries signaled their support for this program with the launch of the SME Finance Innovation Fund, which will channel over half a billion US dollars to the 14 Challenge winners as well as

other organizations in this sector. Recognizing the potential impact of the Challenge and the resources it could unleash to support SGBs, ANDE advised the G-20 team on program implementation and actively marketed the Challenge to our members.

*“ANDE has been an active network partner of the G-20 SME Finance Challenge. Its staff offered guidance in both the design and promotional phases of the Challenge. We look forward to leveraging the diverse global network of ANDE members as the G-20 moves to implement its broader SME initiative.”*

– Senior US Treasury Department official

LATCO, a sesame-seed producer and exporter, represents the powerful impact one SGB can have on a local market. Based in Bolivia, where over 80 percent of the rural population lives in poverty and the majority rely on subsistence agriculture, LATCO works to increase small-scale farmers' incomes and improve their livelihoods. By sourcing alternative crops from local farmers, LATCO provides a stable and growing income to those who have traditionally depended on growing corn, rice, and sorghum for the volatile local market.

Grassroots Business Fund (GBF), one of the G-20 Finance Challenge winners and a founding ANDE member, contributed to LATCO's growth by providing investment capital and, along with ANDE member FUNDES, implementing a Supplier Development Program to expand the farmer base and increase the number of hectares for cultivation. Thanks to this support, LATCO is now the largest exporter of sesame seeds in Bolivia, working with over 1,000 farmers and directly impacting the lives of more than 5,500 people. They currently export sesame seeds to 18 clients in nine countries. According to GBF analysis, every \$1 invested in LATCO generates \$16 in total socioeconomic impact for farmers—and this figure does not include the ripple effects on local communities from increased purchases by these farmers with their newfound cash.

When SGBs thrive, they become a critical employer in places like Bolivia. The social and environmental outputs of their operations, products, and services are pervasive within their

communities and throughout the markets they serve. LATCO is just one example of the more than 11,100 SGBs that ANDE members currently support. However, there are millions of SGBs with growth potential that atrophy due to a lack of access to technical assistance or financial investment.

In most developing countries, SGBs are too large to benefit from microfinance initiatives but too small to attract commercial investment. They are caught in the “missing middle.” Innovative models of financing and capacity development services are needed to elevate these institutions to their full potential. In emerging markets, small businesses can become the backbone of economic growth and are key to expanding prosperity for the poor. In 2010, we saw increasing recognition on the part of global institutions, investors, and foundations of the potential impact of SGBs. As this report will show, they are on to something.

## SGB Sector in 2010: By the Numbers

### SGB Sector

- 199 funds in emerging markets are in the process of raising a collective \$1.5 billion to invest in SGBs.
- 31+ funds launched in the last year that include SGBs as target investments
- 11% of total emerging market private equity fundraising amounts were SGB-focused in the first half of 2010.

### ANDE Members

110 ANDE members collectively operate in 150 developing countries.

- 63 SGB-focused funds are managed by ANDE members. Since inception, these funds have invested more than \$900 million in over 2,500 investments.
- 11,100 SGBs have received direct capacity development services and/or investment from ANDE members.
- \$80 million dollars have been provided in capacity development activities in 2010.

# The State of the SGB Sector

*“We are on the cusp of a historic shift from a donor mentality focused on relieving suffering to a partner mentality focused on working with the very best local entrepreneurs to create long-term change.”*

– Ben Powell, Managing Partner, Agora Partnerships



A member of the Mama Rosie cooperative tends to lettuce in a FoodTent which is supported by Heart Capital in Cape Town, South Africa.  
(John-Michael Maas/Darby Communications)



Last year brought high hopes and staggering predictions for the growth of the impact-investing field. Impact investments intentionally seek to generate social and environmental impacts, in addition to financial return.<sup>1</sup> The Money for Good Initiative, funded in part by an ANDE Capacity Development Fund grant, researched public perception of impact investing and found that impact investing could mobilize \$500 billion annually within ten years.<sup>2</sup> In partnership with the Rockefeller Foundation and the Global Impact Investing Network, JP Morgan's report, "Impact Investing: An Emerging Asset Class," suggested that the amount of invested capital in the broad sector could reach \$1 trillion in the next ten years.<sup>3</sup> It appears that the demand for debt capital by SGBs may justify such growth. The International Finance Corporation and McKinsey & Company estimate that SMEs in emerging markets have an unmet demand for credit of between \$750 to \$850 billion.<sup>4</sup>

Underlying these projections is an emerging, but fundamental, shift in the global approach to philanthropy and development. The idea that investment, not traditional grants and donations, is a better method to drive sustainable prosperity has taken hold. Increasingly, the development community is recognizing that market-based approaches offer a viable model for providing key products and services to disadvantaged populations. Meanwhile, the traditional investment community is recognizing the potential of making financial returns while improving society. SGBs are at the epicenter of this convergence. Small businesses densely occupy the business landscape in almost every emerging-market country. However, they are not, in most cases, operating in a local environment that fosters their growth or recognizes their potential to address critical social challenges. ANDE is dedicated to improving the ecosystems that support SGBs in developing countries around the world. If we are successful, this movement will create thriving marketplaces for our world's poorest people to access and contribute to local, regional, and global economies, ultimately improving their own livelihoods.



A client of WaterHealth, an Acumen Fund portfolio company.  
(John-Michael Maas/Darby Communications)

## The Case for Supporting SGBs

There are compelling reasons to believe that SGBs are critical to poverty alleviation in the developing world. In developed countries, SGBs contribute to over half of gross domestic product and 57 percent of total employment.<sup>5</sup> In the United States alone, SGBs have been the backbone of new employment, contributing 60-80 percent of net new employment since the mid-1990s.<sup>6</sup> Looking at the same indicators in developing countries provides a stark contrast. In the developing world, SGBs only contribute 16 percent to GDP and 18 percent of total employment.<sup>7</sup>

The experience of Small Enterprise Assistance Funds (SEAF), which has been investing in SGBs for over 20 years, demonstrates that when properly supported, SGBs have significant employment and wage impacts. Firms in SEAF's portfolio experienced an average 26 percent annual employment growth and 25 percent average wage growth. Significantly, SEAF analysis shows that 72 percent of newly created jobs went to unskilled or semi-skilled employees. In addition, these SGBs tend to promote from within, providing upward mobility for the poor and increased wages throughout the population living in poverty.

In addition to this economic impact, SGBs can generate significant social and environmental benefits in the communities they serve.

Many SGBs design products and services that, when widely distributed, lead to significant community improvements. In countries like Kenya, where there is a serious lack of basic infrastructure sanitation services, the risks of waterborne diseases skyrocket. Diarrheal disease is a top cause of death in Kenyan children under age five. However, over the past 30 years, the Kenyan government has not significantly invested in Nairobi public sanitation services. Ecotact, an SGB in Kenya and an Acumen Fund investee, saw a tremendous opportunity in this market failure and built high-quality, pay-per-use toilets and shower facilities throughout Nairobi. Showing a true commitment to reuse, Ecotact is developing a line of agricultural fertilizers that utilize the “donated” human waste. In addition to improving sanitation, Ecotact has been able to grow their customer base exponentially, with 4.3 million users in 2009 growing to 6 million in 2010. Out of 700 customers recently surveyed at the seven most visited facilities, 40 percent said they earned less than \$4 a day.

E+Co is a clean energy investment fund that provides services and capital to SGBs to reduce the impact of climate change and energy poverty. These SGBs enable their customers to move up the clean energy ladder, taking them from “dirty” fuels such as kerosene and firewood, to “cleaner” technologies, such as solar and efficient cookstoves. The amount of greenhouse gases reduced by this transition is significant: to date, more than 200 SGBs have avoided the release of 4.6 million tons of carbon dioxide equivalent. E+Co has earned Gold Standard carbon finance certification for two cookstove SGBs in Ghana and Mali, and sold the resulting carbon offsets to Goldman Sachs, a transaction that has made clean stoves both cheaper and more ubiquitous in that region.

Like E+Co, the World Resources Institute’s New Ventures program supports firms that address environmental challenges. One such firm, Nandan Biomatrix, is a sustainable-energy SGB in India that works with local farming communities to develop reliable access to clean and safe energy. They work with local farmers to produce the jatropha plant, which grows easily in areas

deemed unsuitable for traditional agricultural products. Once cultivated, Nandan converts the jatropha to biofuel. This model provides a steady income and reliable energy to more than 15,000 households. Nandan has sequestered .4 million tons of carbon to date, and with a targeted production of 800,000 acres of jatropha, will reach 3.2 million tons by 2017. Through the New Ventures Investor Network, Nandan was linked to Yes Bank, who provided a \$1.2 million loan in 2009 to help Nandan expand its operations.

These examples give a brief glimpse into the powerful antidote SGBs provide to address social calamities in the developing world.

## What challenges do SGBs face?

SGBs typically need outside support in order to scale this social and environmental impact due to the significant challenges currently hindering the growth of the SGB sector.

Even in well-developed capital markets, the majority of companies fail. The challenges faced by entrepreneurs in emerging markets are exponentially greater. At the core, there are three critical ingredients that come together to create and sustain new companies: talented people, great ideas, and capital to invest in transforming ideas into profitable companies. For many businesses in the developing world, there are major hurdles to access these key ingredients.

### Talent

There is no lack of entrepreneurial spirit and innovation in the emerging markets. However, in many markets, skilled professionals tend to be drawn toward opportunities to work in larger companies or abroad. In many countries, the educational infrastructure is simply not sufficient to generate enough talent at the right levels to meet the needs of growing companies. Those who actually do start businesses often find it highly challenging to build a qualified management team to help them grow. In developed markets, education systems, small-business consulting, and specialized government programs provide business training. Access to

this sort of technical and business support is critical for developing country SGBs as well.

### *Access to Knowledge and Information*

Turning a brilliant idea into a sustainable business is a significant challenge in any country. The challenge may lie in the idea itself, the technology required, the market research to identify the most attractive opportunities, or the network of relationships to enable strategic partnerships. These specialized knowledge resources are often either unavailable or too expensive in small economies. As a result, most SGBs are not creating the knowledge, insights, and unique skill sets required to enable them to compete locally, regionally, or globally. Fostering the connections to access markets and the development of resources to retain knowledge is crucial to growing small businesses.

### *Capital*

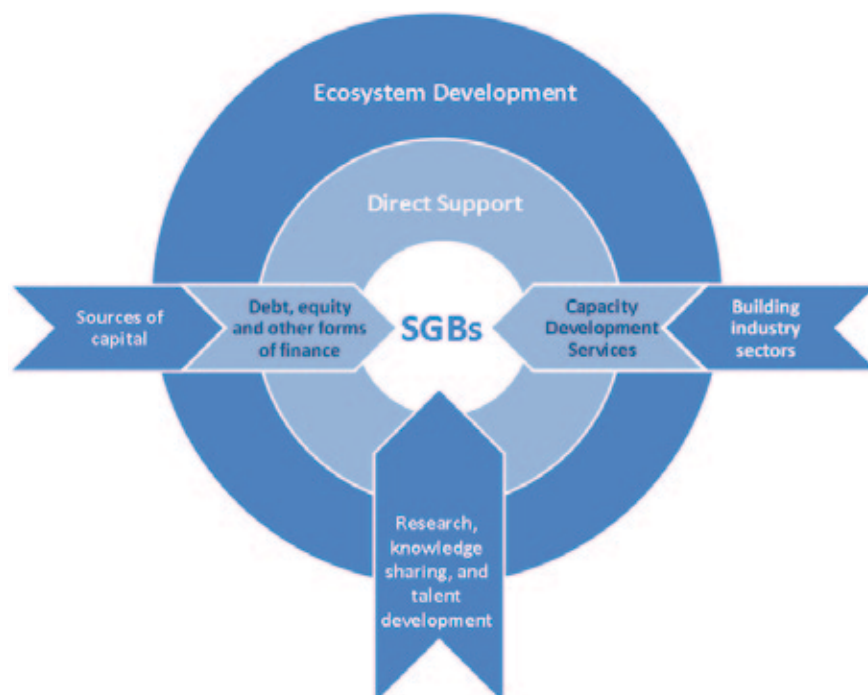
SGBs fall into what many refer to as the “missing middle”—they are too large to leverage the significant investments being funneled into microfinance institutions but are too small to

access commercial banks and traditional private equity investments. Local bank funding is difficult to access due to high interest rates and often impossibly strict collateral requirements. (Emerging-market banks shy away from more aggressive cash-flow-based business lending.) International funding, while growing, is still constricted due to the tight credit following the global financial crisis. The median ratio of SGB loans to GDP in high-income countries is 13 percent, compared with only 3 percent in developing countries.<sup>10</sup> Finding innovative financing structures for SGBs will be critical to overcoming these challenges.

### **Organizations that Support SGBs**

Organizations that support SGBs offer solutions to these challenges, including investment capital, training programs, and market insights and linkages. The ANDE member base includes organizations that provide direct support to SGBs and organizations that support the development of a thriving SGB ecosystem. (See Figure 1.)

**Figure 1: How Organizations Support SGBs**



**Investors:** ANDE's investor members provide SGBs with debt, equity, and other forms of financing focused on transaction sizes between \$20,000 and \$2 million. These transactions are more challenging to source and execute on a purely commercial basis and often require unique financial structures. ANDE member funds have been pioneers in developing "quasi-equity" financing, or investments that mix the upside return opportunities of equity with the stable payments associated with debt. Such instruments align the desire of SGB owners to maintain majority ownership with the capital provider's need for management supervision. Investors receive their funds from various sources of capital, including foundations, institutional investors, private investors, and development finance institutions. Increasingly, there is a trend among investors to offer integrated-finance and capacity development packages either by themselves or by pairing up with another intermediary.

**Capacity Development Providers:** ANDE's capacity development members work with SGBs in a variety of ways. They provide direct capacity development, for example, by identifying budding entrepreneurs through business-plan competitions and then linking them to local mentors to help guide firm development. Many provide business and financial consulting, while academic institutions frequently develop and implement entrepreneurship training courses. Some large business development providers can actually help build industry sectors while assisting individual producers link to export and local marketplaces. For example, TechnoServe has helped invigorate the cashew industry in Mozambique by training farmers to produce higher-quality nuts and establishing viable processing plants. As suggested above, the traditional boundaries between capacity development providers and investment funds are blurring as more partnerships are emerging.

**Infrastructure Builders:** The ANDE network also includes organizations that focus on developing the infrastructure to support a vibrant global SGB sector. These organizations provide sources of capital, training, research, and/or

other types of support to SGB intermediaries. In 2010, there was a growing emergence of organizations building platforms to support the sector, including a number aimed at developing web-based investment marketplaces. Others are focused on building transparency and improved information flow. At this stage, most of these platforms are still in development with goals to launch in mid-2011.

One example of such a platform is the Global Impact Investing Rating System (GIIRS), which is being developed by ANDE member B-Lab. GIIRS is a ratings system that provides standardized, transparent social and environmental performance data on SGBs that are seeking additional investment capital. Interested SGBs can take a survey that assesses different areas of their operations and provides a rating of their performance and social and environmental impact to show to potential investors. They also receive suggestions on ways to improve various areas of impact. GIIRS will launch its assessment in early 2011 with 12 Emerging Market Pioneer Funds, nine of which are ANDE members.

Another example is the Innovation Scouts Initiative, a collaborative platform and field network built by Root Change with the support of a Capacity Development Fund (CDF) grant. Innovation scouts will provide a mechanism for identifying high-impact SGB investment opportunities in multiple emerging markets.

The Citi Foundation is yet another example of an organization that helps to create an ecosystem of support for ANDE members by investing in their institutional capacity and enhancing their access to capital. By supporting individual ANDE members, as well as ANDE's own regional expansion efforts, Citi is helping to build the infrastructure necessary to facilitate a thriving SGB community.

## SGB Sector Size and Recent Trends

Despite recent growth, the SGB investment segment is still in its infancy relative to other established emerging market asset classes. Over the past ten years, the targeted fundraising for the SGB sector represented less than 5 percent

of the fundraising targets for emerging-market private equity aimed at medium and large deals (those over \$2 million). The 2009 annual microfinance loan portfolio was at least five times larger than the total size of all SGB funds. (See Figure 2.)

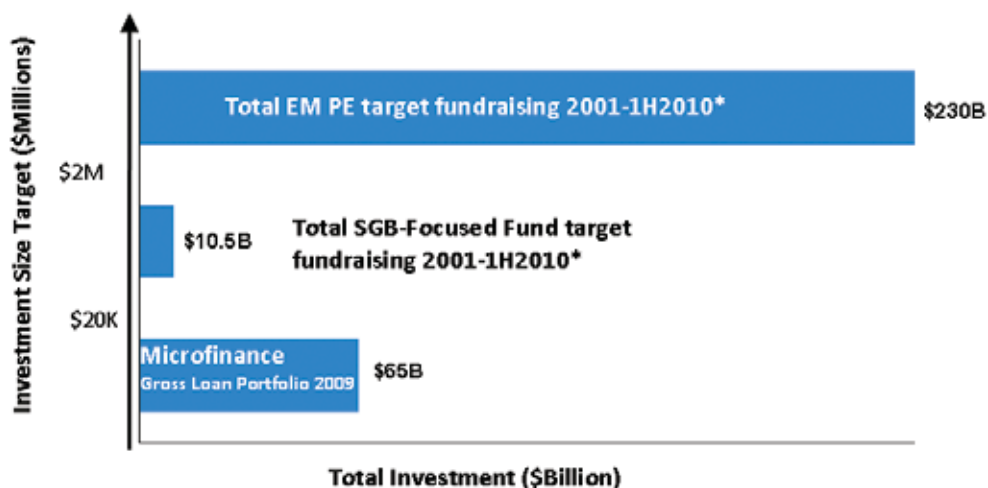
### Corporate Engagement with SGBs

Multinational corporations and large local firms have a unique opportunity to create positive social, environmental, and economic impact in the regions they serve while adding value to their business operations by working with SGBs in local markets. Incorporating SGBs into supply chains or distribution networks is an effective way of supporting the small business community in regions where corporations work. Oftentimes, however, the business case is not immediately clear and large corporations do not have the right internal structures in place to support the linkage with small businesses.

In 2010, General Mills became ANDE's first corporate member that provides support to SGBs

by linking the technical and business expertise of volunteer employees with developing world food processors. Through this initiative, called Partners in Food Solutions, SGBs are able to produce higher quality, safer, and more nutritious foods at affordable prices while driving increased demand for the crops of smallholder farmers. "We realized that by using the core skills of our employees to engage small businesses in Africa, we were able to make a positive social impact in the area of food security," stated Peter Erickson, SVP of R&D at General Mills. "Through our involvement with ANDE, we have already formed meaningful partnerships that are enabling and enhancing our own efforts."

Figure 2: SGB Target Fund Size versus Emerging Market Private Equity and Microfinance Sectors



Source: Emerging Market Private Equity Association, Dalberg Analysis, Mix Market.

\* Figure is cumulative fundraising target amount from 2001-1H2010. Actual amounts raised will vary and will be lower than announced target fund size.



While the SGB sector is still quite small, it is growing rapidly. In the first half of 2010, 22 funds launched with a primary focus on SGB investments. (See Figure 3.) With signs of a global recovery, we are optimistic that more funds will launch in 2011.

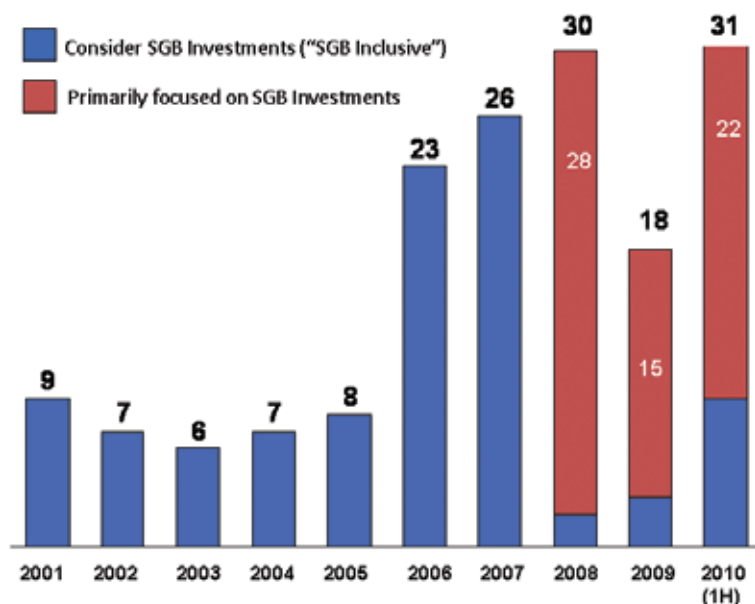
## Trends in Emerging Market SGB Funds

Assessing the amount of private equity investment that is reaching small and growing businesses in emerging markets is challenging due to a lack of publicly available data. However, we can triangulate key trends on the basis of leading indicators, such as the amount of money that fund managers are seeking to raise (also referred to as fundraising targets). While this amount is not always successfully raised, this metric can serve as a useful proxy for the appetite among investors to target opportunities in the SGB sector.

Analysis of fundraising targets indicates that, despite continued weakness in the global economy, the amount of funds targeting the SGB sector is growing, outpacing the growth in overall emerging-market private equity fundraising. In 2009, fund managers were seeking to raise \$22.6 billion for emerging-market private equity funds, of which 6 percent was targeting investments in SGBs. For the first half of 2010, that share had increased to 11 percent, suggesting that fund managers are seeing enhanced potential in investing in the SGB sector. (See Figure 4.)

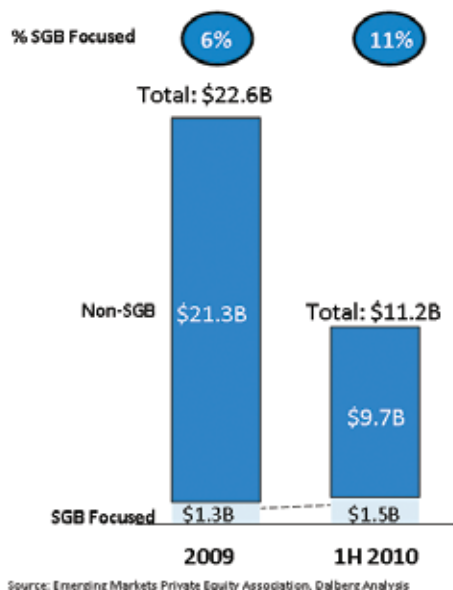
Figures in this section are from a global dataset of investment funds that invest in emerging market SGBs maintained by Dalberg Global Development Advisors. This database is composed of publicly available information compiled from press releases and an aggregation of listings of funds and their funders. Dalberg tracks two types of SGB funds. SGB-focused funds are primarily focused on investment sizes of between \$20,000 and \$2million. SGB-inclusive funds have a broader investment size spectrum, but consider investments in the \$20,000 to \$2million range. When the term “SGB- funds” is used, we include both types of funds.

**Figure 3: Number of New SGB Investment Funds by Vintage Year**



Note: Only includes funds with known vintage years. Some funds may no longer be in existence.  
Source: Dalberg and ANDIE analysis. Data is from public announcements.

**Figure 4: Emerging Market Fundraising: Total and SGB Focused Funds**



Fundraising amounts among SGB-focused funds outpaced growth of non-SGB fundraising.

In 2009, 6% of all EM PE fundraising amounts were SGB-focused while in 1H 2010, 11% of fundraising amounts are SGB-focused.

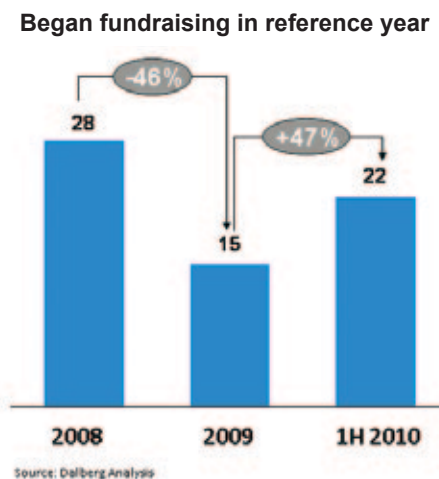
The total number of funds with planned fundraising is another indicator of the state of the SGB sector. After a drop in the number of new fundraising SGB-focused funds from 28 in 2008 to 15 in 2009, the number rose to 22 in 2010. (See Figure 5.) The new funds in 2010, as with most funds, are funded by two main sources: public (mostly development finance institutions, or DFIs) and private capital. Data collected for the first half of 2010 reveals that the new funds focusing on the SGB sector are sourced mainly from private capital.

### Where Are SGB Funds Active?

Funds that include SGBs in their investment strategy span the globe and are active in all emerging-market regions. From 2001 through the first half of 2010, Africa attracted the most attention with 43 percent of funds targeting the region. Latin America attracted 15 percent of these funds followed by East Asia with 13 percent and India with 11 percent. (See Figure 6.)

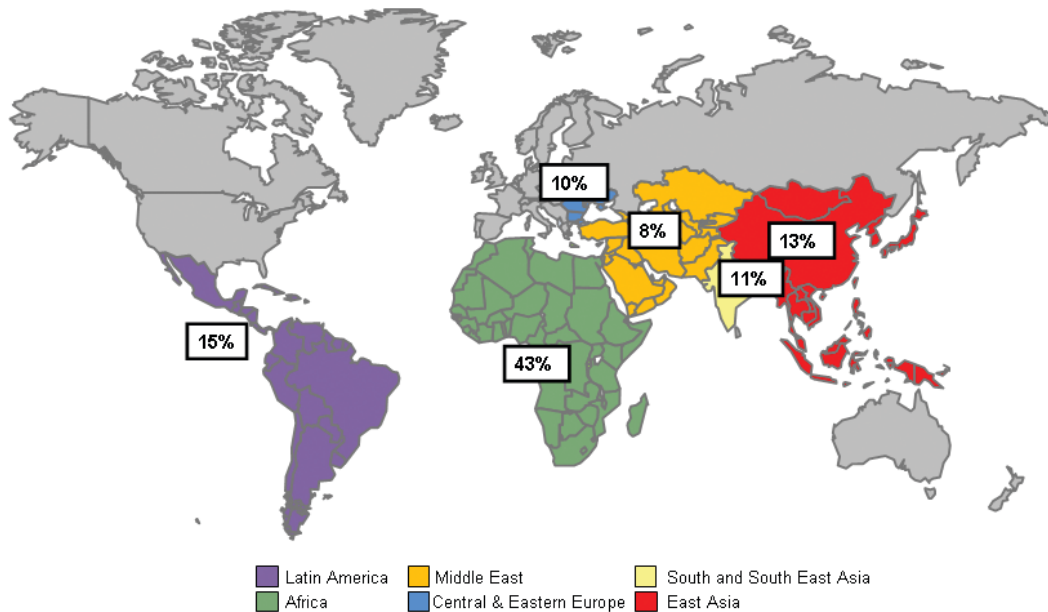
Although recent data shows Africa remains the region attracting the most attention in terms of target funds for the SGB sector, there has been some equalization of investment. In the past two years, the Middle East and Southeast Asia have

**Figure 5: Number of SGB Focused Funds**



- In 1H 2010, 22 SGB focused funds began fundraising compared with 15 funds that began fundraising in the full year of 2009.
- New and smaller target corpus funds are entering the market as optimism returns and credit loosens.

**Figure 6: Geographic Focus of SGB Funds 2001-1H2010**



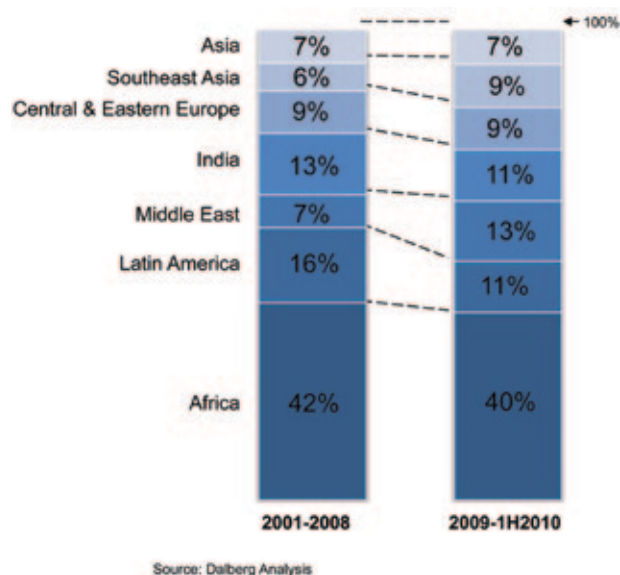
Note: N=217, does not include 3 funds with unknown investment regions.  
 9 funds investing in multiple regions are counted once for each region.  
 Data includes funds launched and publicly known to be fundraising between 2008-2010  
 Source: Dalberg analysis (2001-1H2010)

seen their shares of total investment funds increase, creating a cluster of regions that are targeted by approximately 10 percent of the SGB-inclusive funds. (See Figure 7.)

## Measuring Small Business Confidence

SGBs themselves offer a sense of optimism. The 2010 HSBC Small Business Confidence Monitor, which surveys more than 6,000 SGBs in 20 different markets to assess the outlook of SGBs on multiple factors—including local economic growth, capital-investment plans, and recruitment objectives—found that emerging-market SGBs were significantly more optimistic in their ability to attract capital and hire additional employees than developed-market SGBs.<sup>11</sup> The average index, which was calculated through a variety of indicators based on confidence in the

**Figure 7: Geographic Distribution of SGB Funds 2001-2008 vs. 2009-1H2010**



survey's areas, shows emerging markets had much greater confidence with an index of 121 over the developed markets' index of 106.

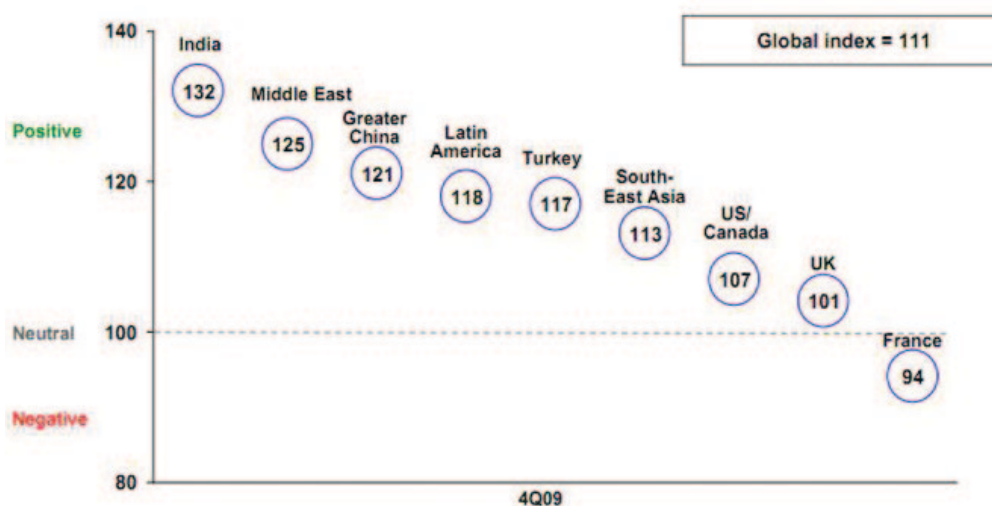
While confidence does not equate with actual success in receiving investment, the increasing confidence that SGBs have in their ability to raise funds is encouraging. (See Figure 8.)

## Making SGBs Attractive for Banks

Most SGBs lack access to debt capital since traditional banks perceive them to be too risky for lending. When traditional banks are willing to lend to SGBs, it is frequently at high interest rates with onerous collateral requirements. In the World Bank's "World Business Environment Survey," small businesses worldwide named financing constraints as the second most severe obstacle to their growth.<sup>12</sup> Even where there is interest in serving SGBs, local banks often lack the tools or resources necessary to both identify the market and determine best practices for serving this sector. CapitalPlus Exchange is meeting this challenge by launching the Small Business Banking Network (SBBN). A recipient of grant support from the ANDE Capacity Development

Fund, the SBBN is the first industry-wide initiative to provide resources, tools, and methodologies to small business banking institutions across developing economies. By increasing the exchange of knowledge and providing a forum for peer learning amongst financial institutions committed to serving this sector, the SBBN aims to ultimately increase capital to SGBs. Leading CEOs and senior bankers from Equity Bank (Kenya), Planters Development Bank (Philippines), BRAC Bank (Bangladesh), Diamond Bank (Nigeria), and Standard Bank (South Africa) sit on the Advisory Board of the SBBN. The SBBN launched in November and by the end of 2010, eleven banks from across the world had initiated membership.

Figure 8: Small Business Confidence Levels by Market



Source: HSBC Commercial Banking, Global Small Business Confidence Monitor, 2010

# ANDE Member Impact

*“The official development community has a tremendous amount of learning to do from the business models and the businesslike approach that [ANDE members] take in setting up [their] enterprises and pursuing [their] work.”*

– Dr. Rajiv Shah, Administrator of USAID, at the 2010 ANDE Annual Conference



An employee of Servals Automation Private Limited in India works on a component of a Venus kerosene burner. Villgro provided incubation services to Servals, including seed funding, business consulting, and support establishing marketing channels. (John Michael-Maas/Darby Communications).



ANDE members are leading the global effort to support small-business entrepreneurs. Using a diverse set of business models and engagement strategies, they craft dynamic partnerships with SGBs to help these firms grow and maximize social and environmental benefits. As the network itself grows, our members are increasingly collaborating to develop new tools and initiatives to support the sector.

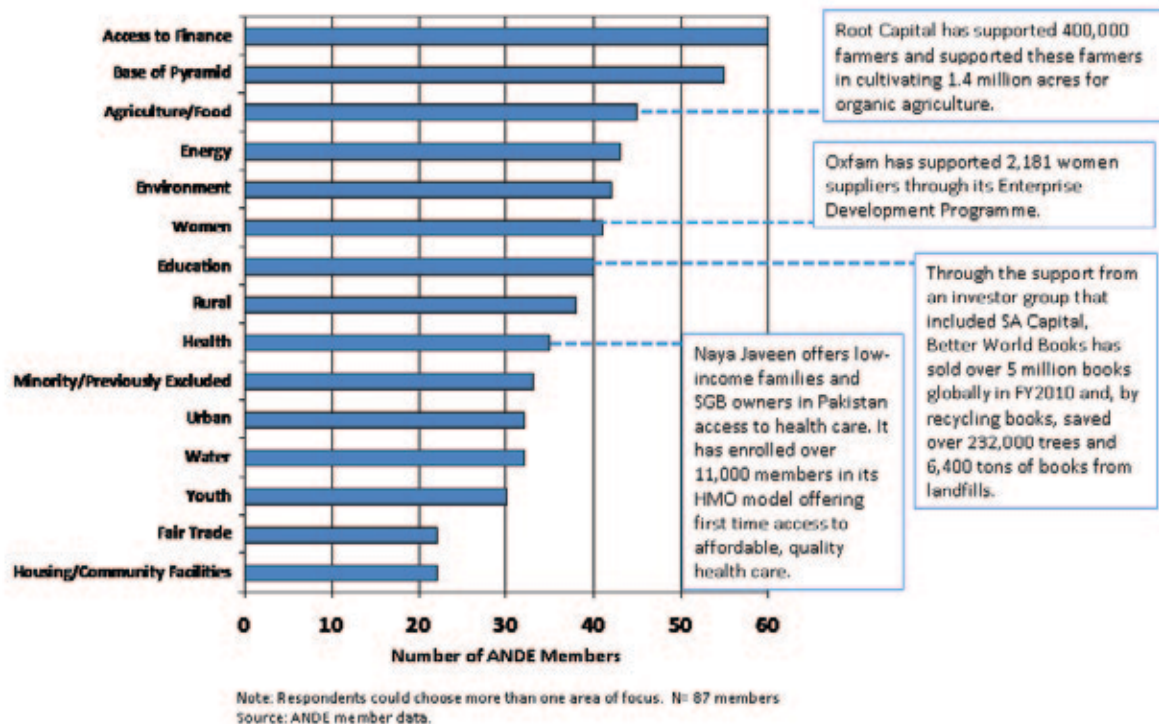
Over the past ten years, ANDE members have supported more than 11,100 SGBs by providing capacity development services and investment capital in a variety of sectors. (See Figure 9.) The SGBs catalyze this support into benefits for their local communities, employees, and suppliers. On average, ANDE members actively engage with SGBs over a two-year period.\*

## Investment

The 33 ANDE members whose primary engagement with small and growing businesses is to provide investment capital have collectively deployed \$900 million through more than 2,500 investments. ANDE investor members provide a variety of financial instruments to help the development of SGBs. (See Figures 10, 11.)

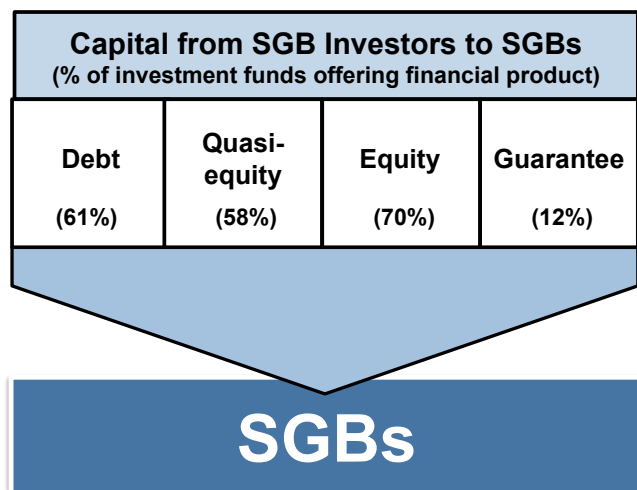
SGBs become more attractive investment targets when ANDE members invest in them. Members who track how much additional investment an SGB receives after their initial investment report an additional \$479 million mobilized to further support and scale investee companies.<sup>13</sup>

**Figure 9: Areas of Focus of ANDE Members**



\* "Active engagement" was defined as the time period beginning at the start of due diligence and concluding at the end of actively engaging in the investment cycle or end of capacity engagement.

**Figure 10: Types of Investment Capital**



Note: N=66 member investment funds  
Source: ANDE member data

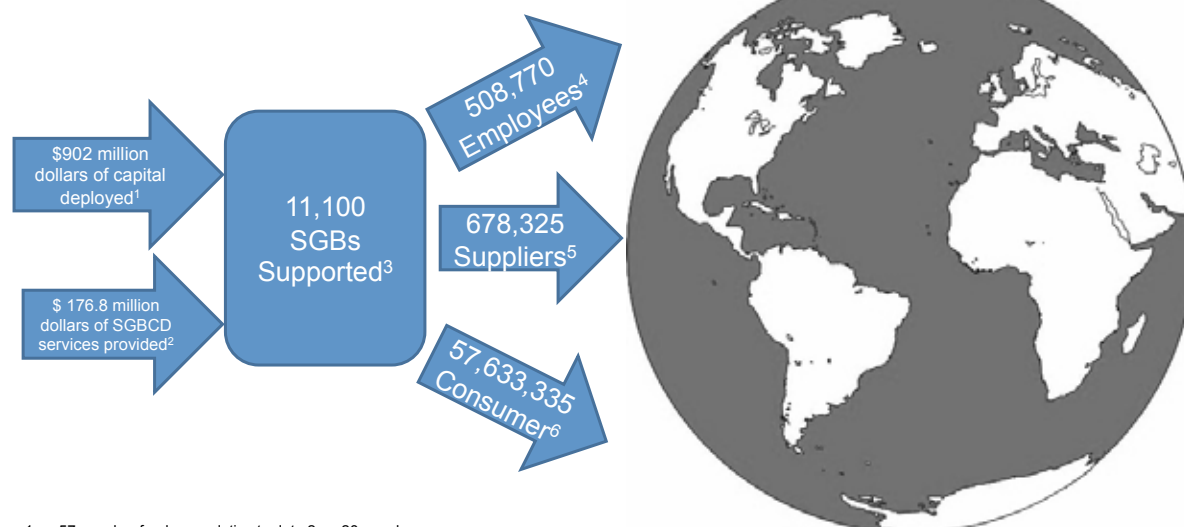
## Financial Performance of SGB Investments

The increased attention on impact investing in SGBs has brought heightened scrutiny on outcomes. Every ANDE investor member interviewed indicated the challenge of defining this sector to potential investors. Funds are often held to high financial and social-return expectations by those investors who base their performance expectations on both traditional investment markets and the social impact on traditional philanthropy models.

ANDE investor members fall across a broad spectrum when it comes to the types of financial returns they are seeking. As Figure 12 shows, a majority of the funds target returns in the 5-20 percent range.

Exit opportunities for SGB investments differ from standard venture-capital investments. It is rare that an SGB investment will result in an initial public offering (IPO), as local stock markets are underdeveloped or non-existent. Rather, our members see successful exits through owner buy-outs, debt repayment, or the sale of preferred shares.

**Figure 11: Impact of ANDE Member Support of SGBs to Date**



1. n=57 member funds cumulative to date 2. n=28 members reported over 2009-2010 3. n= 71 members cumulative to date 4. n=37 members as of the latest reporting period 5. n=18 members cumulative to date 6. n=19 members cumulative to date  
Source: ANDE member data



The owner of a CDI-Lan Internet Café in Brazil. CDI-Lan is a portfolio company of Vox Capital. (John-Michael Maas/Darby Communications)

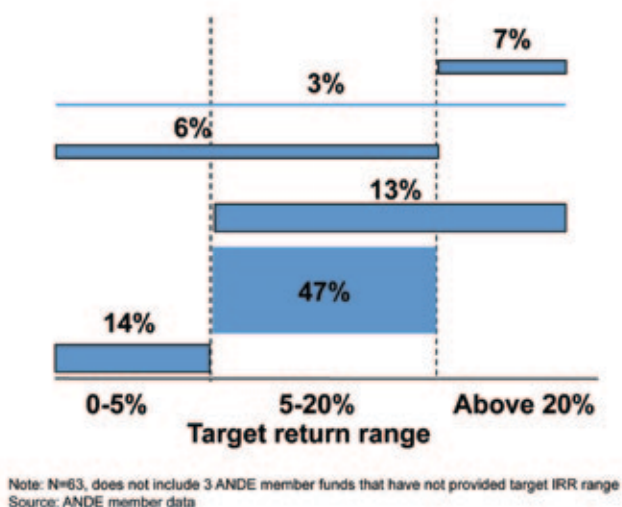
With the average member fund only four years old, many funds have not yet exited investments. For those funds that have exits, they collectively reported 266, representing 32.6 percent of their total investment portfolios. The average return is a difficult number for these members to track consistently across funds, as there are no standard valuation techniques for this sector. In addition, there is not yet a standard set of best practices around how to account for the costs of capacity development services and the overall cost of managing the investments when calculating Internal Rate of Return. As these challenges are discussed and standards are developed, ANDE is hopeful that transparent practices can emerge.

Investors frequently cite the lack of liquidity as one of the key impediments to investing in emerging-market SGBs or SGB funds. The creation of liquidity funds or other exit mechanisms—in effect, the creation of a secondary market—will be an integral building block for unlocking capital and achieving scale in the SGB arena. ANDE members universally cite the critical need for this secondary market for SGB investments, offering various suggestions for how development institutions and commercial investors could play a role.

To address this challenge, SEAF is launching a permanent capital vehicle (PCV) that will acquire select SGB assets and stakes in existing SGB funds, thereby providing liquidity and a vehicle through which existing investors might achieve exits. The PCV will also originate some new SGB assets and help accelerate the growth of those in its portfolio by providing expansion capital. The longer-term goal, after a period of successful operation, will be to list the entity on a recognized exchange. Once listed, a much broader base of investors will have an opportunity to invest their money in SGBs to achieve real impact—both financial and social—even if their investment time horizon is much shorter than the typical eight-to-ten-year fund life. Likewise, SGBs will be a few steps closer to accessing the capital they need to grow their businesses and achieve their potential without the artificial timeline imposed by limited life funds.

Investor members also report that it takes a minimum average of two years to see increasing revenues and sales in SGBs post-investment. These members noted a common trend. At the beginning of an investment, the priority for the member and the SGB is to make sure that the management and process structures are in place

**Figure 12: ANDE Member Target IRR Ranges**



to support the growth of the company, which can cause limited increases in revenues in the first period of engagement; however, once an SGB has received the support that is needed to scale and has utilized the additional capital, revenues increase.

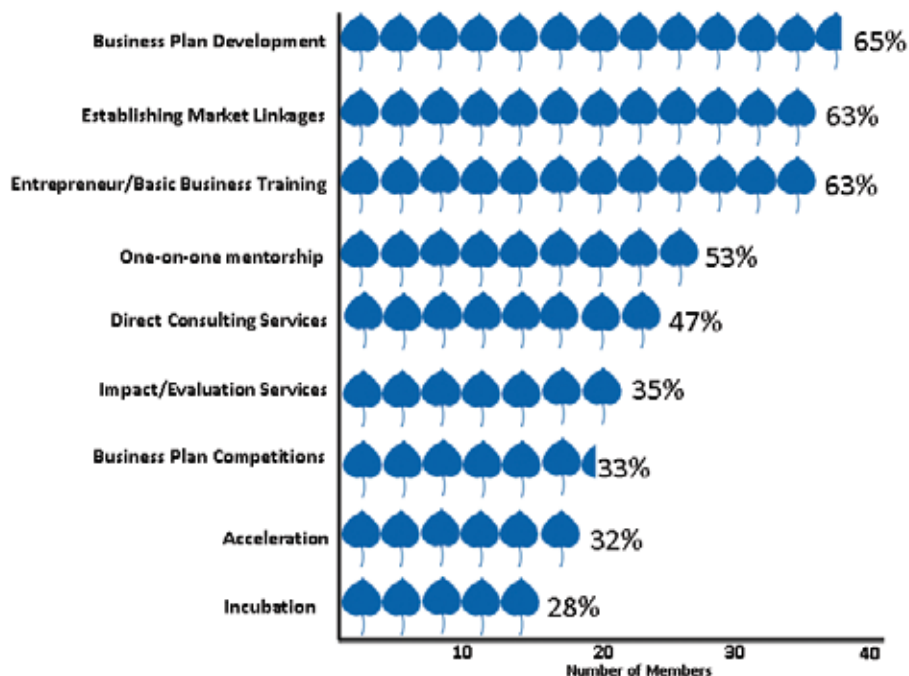
## The Impact of Capacity Development

In 2010, ANDE members spent \$80 million on capacity development to SGBs and provided a variety of capacity development services to help develop a robust sector. Our members provide a wide variety of capacity building services, with basic business training and business-plan development as the most common offerings. (See Figure 13.)

### Developing Women Entrepreneurs

The Center for Enterprise Development Services (EDS) at the Pan-African University has partnered with the Goldman Sachs 10,000 Women Initiative to provide a business and management education to underserved women entrepreneurs in Nigeria. The program has delivered a practical education, along with support services, such as mentoring and business advising, to over 140 women in Nigeria since 2008. According to Nneka Okekearu, center manager at EDS, “We have done the program for two and a half years, and already we are seeing women that have transformed lives—their own and others. For example, there is a woman who started with just two employees and today she has 30—all within 15 months. It’s unbelievable.”

**Figure 13: Capacity Development Services Provided to SGBs by ANDE Members**



Note: Respondents could select more than one answer. N=57: Capacity development and investor members who provide capacity development services  
Source: ANDE member data

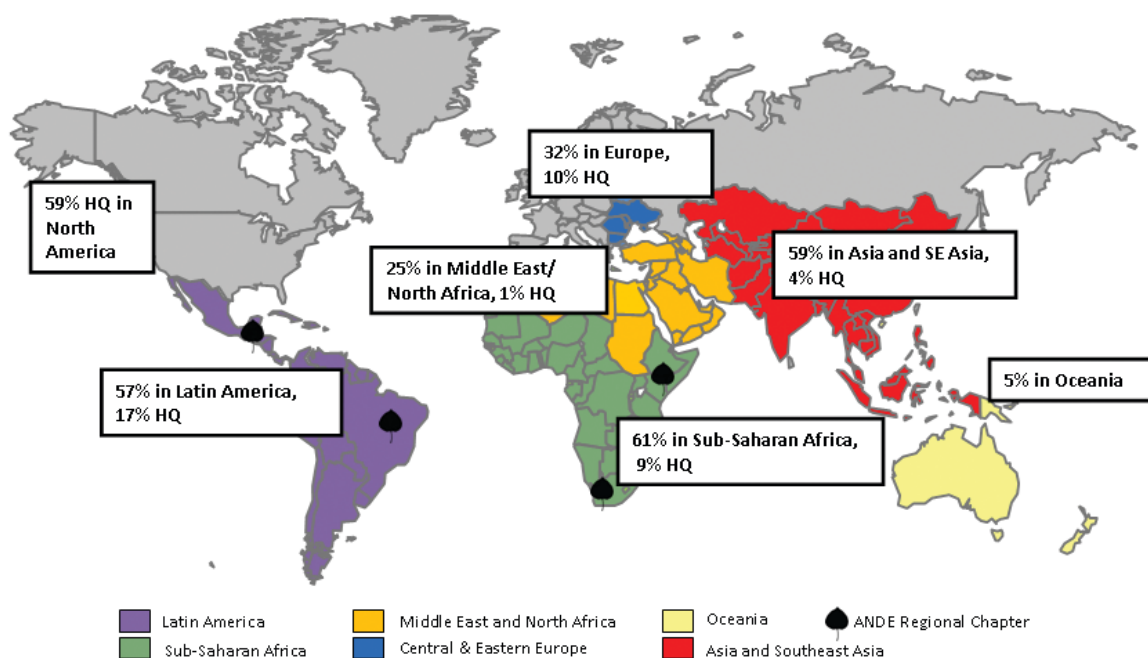
ANDE members are hard at work developing a set of common definitions for capacity development and a set of common standards for measuring its impact. In 2010, seven members came together through the Capacity Development Fund to articulate a consistent and compelling case for the provision of capacity development in helping SGBs grow. As one result of this work, ANDE has officially changed the way it refers to these services from “technical assistance” to “SGB capacity development.”

## ANDE Regional and Sector Focus

ANDE members work in every region of the world, crafting innovative responses to solve our planet’s deepest challenges. Africa has the largest number of active members, followed by Latin America and South Asia. 30 percent of our members are headquartered in Latin America, Africa, and Asia. (See Figure 14.) In 2010, ANDE launched a map that represents the regions in which our members work, their areas of focus, and the type of engagement they provide. This map can be found at [ande.force.com](http://ande.force.com).

**Figure 14: 2010 ANDE Member Global Footprint**

Percent of ANDE members supporting SGBs by region, percent by headquarters (HQ) location and locations of ANDE Regional Chapters



Note: Funds investing in multiple regions are counted once for each region;  
Source: ANDE member data, n = 93 members



## Disaster Response: How ANDE Members Address Natural Disaster

On January 12, 2010, the catastrophic earthquake in Haiti reverberated throughout the world. It brought to light the painful consequences of a natural disaster in an impoverished, under-equipped country with poor infrastructure and a lack of resources. Over 330,000 people were injured, 220,000 killed, and 1.3 million displaced. Within ANDE, it became quickly apparent that a variety of organizations were on the ground already working to help small businesses recover from the disaster. Spearheaded by OTF Group, the ANDE Haiti Working Group was developed in response to the crisis as a mechanism both for members already involved in Haiti and those wishing to be helpful on the ground to collaborate and educate one another. To highlight a few:

- Appropriate Infrastructure Development Group (AIDG) has provided engineering and business-support services to small businesses in Haiti since 2007. Post-earthquake, AIDG expanded its business-incubation strategy to include enterprises specializing in disaster-resistant housing and trained masons in sturdy reconstruction.
- CHF International, active in Haiti for the past 15 years, began exploring the construction and tourism sectors post-earthquake to determine how they could help rebuild the economy.
- Dalberg Global Development Advisors quickly engaged with the USAID mission in analyzing cross-sector development strategies to determine where the U.S. government was best positioned to help, with investment in SGBs targeted as high-priority.
- Mercy Corps began emergency response immediately post-earthquake and has to date helped 340,000 Haitians with trainings on cholera prevention and through cash-for-work programs.
- OTF Group participated in the Presidential Working Group on Competitiveness to create a value-chain strategy for Haiti in addition to running the Pioneers of Prosperity program to identify high-performing SGBs in Haiti.
- Root Capital won a \$1million investment from the Clinton-Bush Haiti Fund to focus on investing in the coffee, cocoa, mango, and artisan sectors in Haiti.
- TechnoServe leads a public-private partnership called the Haiti-Hope Project to assist 25,000 mango farmers to improve their productivity and incomes over the next four years, and ran a business-plan competition that trained 80 high-potential SGBs in how to grow their businesses.

While this just touches on the critical work being done in-country to date, it clearly demonstrates the different ways ANDE members rise to the challenge in the worst of circumstances. Establishing a space where these organizations could communicate and determine possible synergies proved worthwhile on many levels.

Under CHF International's cash-for-work emergency response program, local Haitian workers construct steel transitional shelters. These steel shelters can last up to twenty years and are hurricane and earthquake-resistant. CHF International has helped build over 4,500 to date. (CHF International)



# ANDE in Action

*“ANDE’s highly interactive annual meeting fosters the collaboration and camaraderie that distinguish this membership organization from many others; it is not to be missed.”*

– Jan Piercy, Executive Vice President, ShoreBank International



A worker at Atlantic Solar in South Africa applies protective coating to solar panels. E+Co has made two rounds of investments in Atlantic Solar. (John Michael-Maas/Darby Communications).



ANDE identifies common challenges and opportunities facing SGBs and, based on these findings, implements field-building initiatives for those involved in supporting SGBs. Our members are at the nucleus of these activities. We act as a trusted advocate for the SGB sector, educating investors and policymakers about the extraordinary opportunity this sector represents. Since our formal launch in March 2009, ANDE's membership has grown to 110 members. We have proved that ANDE membership is valuable, with an 86 percent retention rate in 2010 and a reported 92 percent satisfaction rate with overall membership.<sup>15</sup> Our five key program areas, described below, help increase the efficacy of our members and the SGB sector.

## Knowledge Sharing and Creation

ANDE manages a variety of forums to facilitate connections among members. Throughout 2010, we held monthly sector-update calls in which various members presented on more than 30 topics, ranging from micro-leasing practices in Kenya to a SGB-acceleration program in Colombia. Of all participants surveyed, 89 percent stated that they learned something new from a call. Dipak Patel, Global Sector Head at the International Development Group of Standard Bank, remarked: "We recently participated in a sector-update call where CapitalPlus Exchange presented on the Small Business Banking Network. It was the first we had heard of the SBBN, but we have since connected with them and now sit on the board. ANDE helped to make that connection." Making connections like this one are critical components to ANDE's member services.

The second ANDE Annual Conference, held September 29-October 1, 2010, brought more than 140 participants from 70-plus organizations and 17 countries to Glen Cove, New York, for an intensive three days of networking, collaborating, and problem-solving. Participants had the unique opportunity to discuss the different ways they could facilitate greater support of SGBs via small group discussions and conversations with a variety of stakeholders, including speakers Dr. Rajiv Shah, Administrator

of USAID; Elizabeth Littlefield, CEO of the Overseas Private Investment Corporation; and Carl Schramm, CEO of the Kauffman Foundation.

We doubled our efforts in 2010 to ensure that member services were accessible to all members despite the geographic hurdles that a global network presents. In November, we launched the ANDE Member Portal 2.0 – an online platform providing opportunities for ANDE members to share and collaborate with one another virtually in a common effort to build the SGB sector while improving effectiveness. This portal includes a searchable directory of member funds and SGB capacity development providers, contact directory, knowledge library, and online collaboration workspaces.

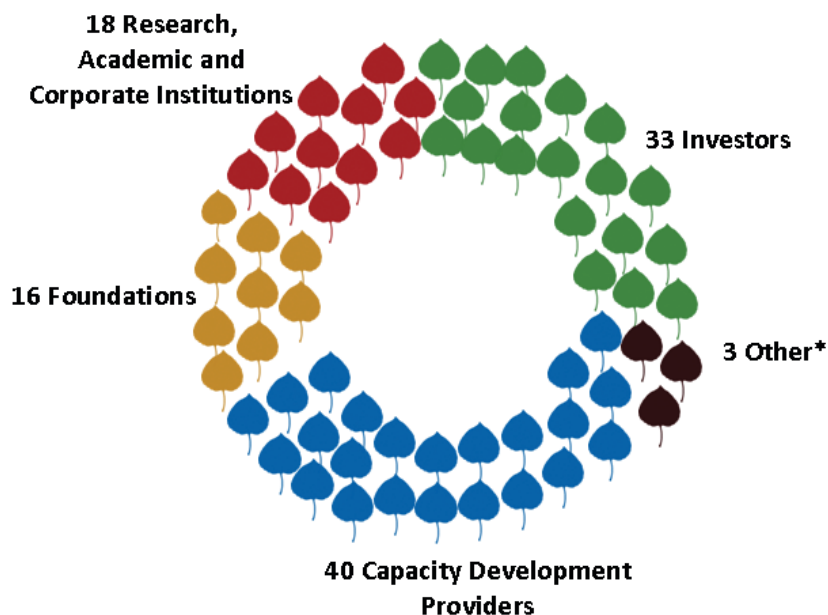
ANDE also pioneered a regional chapter model to help enable collaboration and knowledge-sharing amongst our members at a local level, to serve as a conduit to global ANDE activities, and to support regional activities and advocacy efforts that support SGBs in that region. ANDE launched chapters in South Africa, Brazil, East Africa, and Central America/Mexico through the leadership of local ANDE members. These pilot chapters have laid the groundwork for future chapters and created successful partnerships among local members.

### ANDE Brazil

The Brazil chapter hosted its official launch event during the Kauffman Foundation's Global Entrepreneurship Week in November 2010.

The event—which focused on business models to reduce poverty—included panel discussions about global trends and about building the SGB sector in Brazil. Members of the chapter are working together to identify existing entrepreneurial support programs in Brazil and to determine optimal ways of collaborating to build the sector. Specifically, the chapter members have launched a Brazilian edition of *NextBillion.net*, a leading blog for BoP enterprise, and are mapping the key players in the Brazilian inclusive business sector, an initiative led by Artemisia International and the AVINA Foundation.

**Figure 15: 2010 ANDE Members**



\*Includes individual and strategic partner members.  
Data as of Feb 2011

## Talent Development and Training

*"I am leaving [this ANDE Investment Manager Training] a better manager than I came in and would like to thank ANDE for a job well done. The blend of experienced participants and terrific resources have been remarkable. ... I henceforth declare myself an ANDE evangelist!"*

– Marindame Kombate, E+Co, inaugural ANDE Investment Manager Training participant

In March, ANDE launched its first Investment Manager Training in Nairobi, Kenya. Thirty-five participants from 12 countries attended one of two five-day sessions that covered the entire investment process—from deal-sourcing to exit

strategies. The training focuses on the nuances of investing in SGBs and the unique skill set that fund managers need to make these investments. Training participants appreciated the global diversity of attendees at the training; the unique experiences that each attendee brought made the program multifaceted. Six months after the training, multiple attendees reported using both the skills and connections they made in the daily management of their organizations.

In May, ANDE held our second training for new hires and summer associates. This Orientation Training is geared to help members reduce training costs by covering the basics of supporting SGBs in an intensive, two-day training. McKinsey & Company opened their offices to us as we brought 50 attendees from 20 organizations together to review deal-structuring, organizational models, and approaches to capacity development services.





Trust for Urban Housing Finance,  
a GreaterCapital portfolio company in South Africa.  
(John-Michael Maas/Darby Communications)

One participant mentioned that “a real highlight was the opportunity to network with other interns and current staff of ANDE member organizations. The content, speakers, and readings were excellent.” Of those surveyed, 90 percent found the training useful and would recommend it to others.

Through the Capacity Development Fund (CDF), ANDE enabled multiple members to develop a common curriculum to disseminate through trainings. The Center for Creative Leadership received a grant for their proposal to tailor their *Leadership Beyond Boundaries: Train the Trainer* workshop to ANDE members. Nineteen attendees participated in the training and will be demonstrating their newfound knowledge by facilitating two-day Leadership Essentials trainings in the field throughout 2011.

The CDF also funded a Root Capital and TechnoServe Financial Literacy Training Project, which enabled these two organizations to develop a toolkit to effectively train SGBs in basic financial management, providing them with tools and capabilities necessary to be investment-ready. Two levels of this training—beginning and advanced—have been piloted and will be available in early 2011.

## Metrics and Evaluation

Demonstrating the environmental, social, and financial impact of investing in and providing capacity development to SGBs is critical for ANDE. Currently, the lack of standardized reporting hinders potential investors from accurately understanding the SGB landscape.

Under the leadership of our new impact assessment manager, ANDE partnered with the Impact Reporting and Investing Standards (IRIS) initiative to improve metrics and evaluation strategies within the membership and become one of the first partners to promulgate the standards across the impact investing arena. ANDE has engaged with a core group of members to adopt IRIS and we expect over 500 investments from ANDE members will be contributed to the IRIS data repository by early 2011.

*“ANDE is a truly valuable partner for IRIS. The value of a universal reporting language and framework for tracking social and environmental performance is exemplified by ANDE’s need to understand the total impact of its diverse members. ANDE’s commitment to IRIS has ensured that the standards benefit from the input of the SGB community, which spans multiple sectors and corners of the globe. As the ANDE community furthers its adoption of IRIS, we are excited to see the aggregated data that shows the real social and environmental benefits of small and growing businesses, and to work with ANDE to use this new information to ultimately drive more capital to the sector.”*

- Sarah Gelfand, Director of IRIS



Nandan Biomatrix Limited, a New Ventures India portfolio company.  
(John-Michael Maas/Darby Communications)

ANDE continues to convene metrics leaders together for regular dialogues on emerging practices in the sector. Throughout 2010, the ANDE Metrics Working Group met to discuss various topics critical to the work of impact assessment, including discussions on member impact frameworks and training on calculating greenhouse gas emissions. In June, ANDE held its second annual Metrics and Evaluation Conference at our Washington, DC, headquarters. During this two-day conference, co-hosted with Grassroots Business Fund, leading experts on metrics and evaluation discussed various challenges of collecting, measuring, and reporting in the impact investment space. Approximately 125 attendees participated in this event, representing a wide breadth of ANDE members and other leaders in the field.

## Capacity Building: The Capacity Development Fund

In 2010, ANDE completed the second disbursement of funding from our CDF, a \$1 million re-granting facility. Raised in 2008 with generous grants from the Lemelson Foundation,

the Bill & Melinda Gates Foundation, and the Shell Foundation, the first round of funding disbursed \$522,000 across eight proposals in 2009. In April 2010, ANDE announced the second round of winners and released \$460,000 to fund seven grants. In total, 22 organizations received CDF funding for one or more proposals.

The goal of the CDF is to promote collaboration and innovation to benefit the sector as a whole. For example, Fundación Bavaria, Universidad de los Andes, and New Ventures received a grant to grow the entrepreneurial eco-system in Colombia. Over the past year, they have worked together to develop local entrepreneurs, culminating with an Investors Forum and pitch session in August. African Agricultural Capital and SNV Netherlands Development Organisation collaborated to develop the “Corporate Governance Toolkit for SGBs in East Africa.” Released in early December 2010, this free guide on business management and governance is being distributed throughout the region. These are just two examples of the work that has come out of the CDF. Many projects are just hitting mid-stride and the true impact will be apparent in the months to come. See the Appendix for a full list of CDF grants.

## Education and Awareness

In addition to supporting our members directly, ANDE also works to grow the sector as a whole. In 2010, we continued to build partnerships with key bilateral, multilateral, and government agencies. To inform this work, we commissioned a new report, “Mapping the Policies of International Development Donors and Investors,” to give us a landscape view of how various bilateral and multilateral organizations are working within the SGB space. The report has helped to educate our members on how best to engage development agencies. Throughout the year, we also cultivated a number of significant partnerships to advance the development of the SGB sector.

At the Presidential Summit on Entrepreneurship in April, Secretary of State Hillary Clinton announced the launch of the Global Entrepreneurship Program (GEP), which is a US State Department-led effort to promote entrepreneurship around the world. ANDE has been a critical advisor to the development of this program and has hosted several roundtables with the GEP team and ANDE members to provide input on the program.

*“ANDE was the first major group we worked with when starting the Global Entrepreneurship Program. As we work to make promoting entrepreneurship a key tenet of US foreign economic policy, ANDE continues as one of our most important partners. The timing couldn’t be better, as ANDE continues to build momentum for the SGB movement at the same time that we are expanding this new initiative.”*

– Steven Koltai, Senior Advisor,  
Entrepreneurship, US Department of State

In addition, ANDE hosted meetings with FMO—the Netherlands Development Bank, the Inter-American Development Bank, the International Finance Corporation, the Millennium Challenge Corporation, the Overseas Private Investment Corporation, the US Agency for International Development, and the World Bank, in an effort to support new initiatives emerging from these organizations.

## Strategic Partners

IFC, a member of the World Bank Group, joined ANDE in 2010 as our first official strategic partner.

IFC has been active in many of the areas in which ANDE members are working and recently established a new department to focus on inclusive business models and impact investment. Becoming a strategic partner is a natural progression for IFC’s extensive relationships with many ANDE members. It will allow IFC to continue to offer strategic support through different types of funding and advisory services. All successful businesses start out as SGBs, and IFC sees the importance of ANDE to help more companies thrive.

As a tenet of the partnership, IFC and ANDE have already worked closely on several initiatives to increase support for SGBs. For example, staff from IFC’s Inclusive Business Group participated in ANDE’s 2010 Annual Conference, and IFC’s Access to Finance staff attended our Metrics Conference. ANDE also formed part of the review committee for a recent G-20 report, “Scaling Up SME Access to Finance in the Developing World,” which was coordinated by IFC.



Arogyam Organics, a Villgro portfolio company.  
(John-Michael Maas/Darby Communications)



# Next Steps for ANDE and the SGB Sector

*“Only by letting millions of entrepreneurs try new ideas, to innovate, to create businesses that put those ideas to work in a competitive and open way—only by doing those things are we going to be able to tackle the world’s big problems.”*

– Angel Cabrera, Chair, World Economic Forum Council on Entrepreneurship, 2008



Agriculturalists at Nandan Biomatrix Limited inspect jathropa seedlings. Nandan is a portfolio company of New Ventures India.  
(John-Michael Maas/Darby Communications)

## Challenges to Sector Expansion

While there has been significant growth over the past year, the SGB sector continues to face a series of obstacles to sustained expansion.

A foundational challenge is understanding the true economic and social impacts of SGBs and SGB intermediaries and the mechanisms that drive them. We have made some progress in this arena. Today, significant impact data exists, but a large portion of the information is not accessible, nor is it comparable. Fund managers are willing to share investment-fund target sizes but not data on actual funds raised or dollars invested. We should strive for greater harmonization of terminology and definitions in the SGB sector and impact investing space. Further, with the incredible variety of interventions provided for SGBs, we still wrestle with the appropriate common metrics to measure collective impact. ANDE's partnership with IRIS is helping us move forward with standardization and transparency on the performance of investing in SGBs. However, wider adoption and deeper implementation of the standards is still required.

Secondly, we need to better understand the relationship between capacity development services and investment capital in supporting successful SGBs. What models of capacity development cultivate the most "investable" businesses? Are there cost-effective ways to provide post-investment capacity development that lead to business success and a solid financial return to investors? Different innovative models of collaboration between capacity development providers and investors should be documented and analyzed to better understand this issue.

Finally, we must find ways to unlock additional financial capital. Institutional attention to SGBs in emerging markets, especially from development financial institutions, is increasing. Yet, there are still millions of SGBs that lack access to the capital resources necessary for them to reach their full prosperity-creating potential. What hurdles must be surpassed to attract significant institutional and retail capital to the SGB space? Further, what kinds of secondary markets for SGB investments are

needed and can be supported? How can banks be persuaded to make additional credit available to SGBs in emerging markets?

The promise of SGBs as a tool for poverty alleviation correlates directly with our ability to identify responses and implement initiatives aimed at these issues. At ANDE, we are committed to partnering with our members and others engaged in the development of SGBs to address these challenges.

*"There is a lot of excitement right now about the potential of SGBs to address poverty and various social issues. There needs to be more research that convincingly shows that investments in SGBs are transformative. ANDE's member organizations on the ground have access to the information and data necessary to answer the important questions, making ANDE uniquely positioned to drive this research."*

— Robert Kennedy, Executive Director,  
William Davidson Institute at the University of Michigan

## ANDE in 2011

In 2011, ANDE will expand our efforts to build the SGB sector. We will continue to grow our global presence through our current chapters, the launch of at least two additional chapters, and an enhanced presence in Europe. We will leverage our new web-based platform to facilitate exchange amongst chapters, working groups, and throughout our membership.

In addition to facilitating knowledge-sharing, ANDE will play a more active role in generating new sector insights. We plan to launch a new research function within the organization in order to keep members more informed about leading research in the field and to implement our own research agenda. Our initial efforts will focus on issues related to our core mission, prioritizing a baseline assessment of the impact that the growth of SGBs has on the prosperity of poor people in emerging markets.



We plan to maintain and grow many of our annual events in 2011, including the metrics conference and annual conference. With more chapters operating, we expect to seed more regional events and training courses offered in the Global South. We will explore the development of new training programs to complement our Orientation and Investment Manager trainings, continuing to rely on our own members to point us toward new program areas.

ANDE will continue to cultivate a large and diverse membership base, with a special emphasis on attracting more emerging-market-based members, large corporations, and banks that serve the SGB market. Leveraging

our growing membership, we will continue to promote entrepreneurship as a tool to aid agencies and development financial institutions while promoting SGB-focused impact investing to institutional investors and foundations. We hope to solidify our growing reputation as a trusted source of insight and advice to the wide variety of players who participate in the sector.

In just two years, ANDE has become an effective and respected organization. However, we have much work ahead in order to make significant progress in unleashing the prosperity-creating power of SGBs throughout the globe. We look forward to working with you in 2011 and beyond to realize our collective vision.



ANDE Executive Director Randall Kempner speaks with participants at the Brazil Chapter launch.  
(John-Michael Maas/Darby Communications)

## Endnotes

1. This definition was developed from the definition found in "Impact Investments: An emerging asset class," JP Morgan, November 29, 2010, pg 5.
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11. HSBC Commercial Banking, Sandy Flockhart, February 2nd, 2010, pg 6.
12. "Beyond Microfinance: Getting Capital to Small and Medium Sized Enterprises to Fuel Faster Development," The Brookings Institution, Policy Brief 159, March 2007.
13. n=15 ANDE funds and capacity development providers, reporting in 2010.
14. n=42 ANDE funds, reporting in 2010.
15. Results from the 2009 ANDE Member Survey completed by Dalberg Advisors. Over half of respondents reported they were very satisfied. n=52.

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# Appendix

## ANDE 2010 and 2011 Executive Committees

**Mildred Callear**

Executive Vice President and COO,  
Small Enterprise Assistance Funds (SEAF)

**Maria Cavalcanti**

Chief Strategy Officer, Avina Foundation

**Christine Eibs-Singer**

Co-Founder and CEO, E+Co

**Willy Foote**

Founder and CEO, Root Capital

**Lisa Hall**

President and CEO, Calvert Foundation

**Randall Kempner**

Executive Director, ANDE

**Bob Kennedy**

Executive Director, William Davidson Institute,  
University of Michigan

**Stace Lindsay\***

Founder and CEO, Fusion Venture Partners

**Julia Novy-Hildesley\***

Executive Director, The Lemelson Foundation

**Graham Macmillan**

Program Officer, Citi Foundation

**Peter Reiling**

Executive Vice President, The Aspen Institute

**Andrew Stern**

Global Operating Partner,  
Dalberg Global Development Advisors

**Ricardo Teran**

Co-Founder and Managing Partner,  
Agora Partnerships

**Brian Trelstad**

Chief Investment Officer, Acumen Fund

**Chris West\***

Director, Shell Foundation

**Simon Winter**

Senior Vice President-Development  
TechnoServe, Inc.

\*Ended tenure at end of 2010

## ANDE Staff

**Jenny Everett**, Associate Director

**Joanna Herrmann**, Program Associate

**Randall Kempner**, Executive Director

**Ahmed Kodouda**, Program Coordinator

**Lindsey Yeung**, Impact Assessment Manager

## **ANDE Members (as of February 11th, 2011)**

Absolute Return for Kids (ARK)	East Meets West Foundation
ACCION International	Ebay Foundation
Actis	Emerging Markets Group Holding
Acumen Fund	Endeavor**
African Agricultural Capital	Energy Access Foundation
Africa Report	Enterprise Development Centre of Pan-African University
Agora Partnerships	The Bill and Melinda Gates Foundation*
Alcoa Foundation*	Finance Alliance for Sustainable Trade
Alitheia Capital	Financial Services Volunteer Corps
Appropriate Infrastructure Development Group	ForeFinance
Artemisia Brazil**	Forum Empresa
Mr. Mads Asprem	FSG Social Impact Advisors
Aspen Institute	Fundación AVINA**
ATMS Foundation/AMSCO	Fundación Bavaria
Avantage Ventures	Fundación Bolivar Davivienda
Ayllu Initiative	Fundación Bolivia Exporta
Bamboo Finance	Fundación IES
B Lab	FUNDES
The Bridge Fund	General Mills
Business Council for Peace	Global Business School Network
Calvert Foundation	Goldman Sachs*
CapitalPlus Exchange	Grameen Foundation
CDC Development Solutions	Grassroots Business Fund
Center for Creative Leadership	Gray Ghost Ventures
CHF International	GreaterCapital
Citi Foundation*	GrupoEcos
Dalberg Global Development Advisors**	Halloran Philanthropies
Dasra	Heart Capital**
E+Co	ICCO
Ernst & Young	



IGNIA Partners LLC	Rianta Capital, Artha Initiative
ImagineNations Group	The Rockefeller Foundation
InReturn Capital	Root Capital
International Finance Corporation	Root Change
Inversor	RTI International**
Kauffman Foundation	SA Capital Limited
Lang Entrepreneurship Center, Columbia Business School	Salesforce.com Foundation
The Lemelson Foundation*	Santa Clara Global Social Benefit Incubator
Lundin for Africa	Serengeti Advisers
Marmanie	Shared Interest
McKinsey & Company	Shell Foundation*
Media Development Loan Fund	ShoreBank International Ltd.
Mercy Corps	Skoll Foundation*
Monitor Institute	Small Enterprise Assistance Funds (SEAF)
MPOWER Ventures	SNV Netherlands Development Organisation
Ms. Ranji Nagaswami and Mr. Bo Hopkins	Standard Bank London
Naya Jeevan	Stephen Claire Associates
New Ventures Mexico	Swisscontact
New Ventures – World Resources Institute**	TechnoServe Inc.
NeXii	The William Davidson Institute at the University of Michigan (WDI)
Omidyar Network*	TriLinc Global
OTF Group	Universidad de Los Andes
Oxfam	VillageReach
Pershing Square Foundation	Villgro Innovations Foundation
The Prince's Youth Business International	Vox Capital**
PymeCapital	

\* These foundations have provided additional grant funding to ANDE. Goldman Sachs provided this additional funding through the Goldman Sachs 10,000 Women Initiative. In addition, Google.org was a founding funder of ANDE.

\*\*These organizations led the launch of pilot chapters in Brazil, Central America, East Africa, and South Africa in 2010.

## ANDE CDF Grantees

### Tools

SME Business Plan Competition Software	Appropriate Infrastructure Development Group (AIDG)	The BPC4D Resource Kit is a collection of resources designed to support business-plan competitions that promote development-oriented entrepreneurship in emerging markets.
Developing a Global Mentoring Platform for Small and Growing Businesses	Mercy Corps Agora Partnerships	Mercy Corps adapted the existing MicroMentor platform to the international SGB market, working with Agora Partnerships to pilot the new mentoring platform in Nicaragua. <a href="http://www.micromentor.org/central-america">www.micromentor.org/central-america</a>
Development of Corporate Governance Toolkit for SGBs in East Africa	African Agricultural Capital, SNV Netherlands Development Organisation	AAC and SNV researched and published a free guide on business management and governance for SGBs in East Africa, demonstrating the importance of corporate governance. Access the full guide: <a href="http://www.aspeninstitute.org/sites/default/files/content/docs/pubs/SMEs.pdf">http://www.aspeninstitute.org/sites/default/files/content/docs/pubs/SMEs.pdf</a>
Financial Management Toolkit	TechnoServe, Root Capital	TechnoServe and Root Capital developed a financial-management toolkit to enable staffs of organizations to effectively train SGBs in basic and intermediate financial management. These modules are being rolled out in sub-Saharan Africa and Latin America.

### Training

Leveraging the ANDE Network to Unlock Leadership Capacity in the SGB Sector	Center for Creative Leadership	CCL trained 19 participants from 13 ANDE member organizations in their five-day, intensive train-the-trainer program. Designed to enable members to incorporate leadership development in their efforts with SGBs, these participants will deliver the two-day Leadership Essentials program in the field throughout 2011.
Taking ANDE to Latin America: Regional Training and Stakeholder Education	Agora Partnerships, TechnoServe, Root Capital	Agora, TechnoServe, and Root Capital held the first ANDE Latin America Conference, March 23-26, 2010, in Granada, Nicaragua. Over 140 participations from 16 countries and 77 organizations attended the interactive blend of trainings and roundtable discussions. Participants reaffirmed their commitment to work together for sustainable economic development across the region.
Villgro Training Program	Villgro	Villgro conducted training programs for innovators to take their innovations from ideas to market and create an impact on the lives of the rural poor in India.

## Research

Analysis of Investor and Donor Demand for Opportunities to Support SGBs in the Developing World	IGNIA, ShoreBank, E+Co, VisionSpring, Endeavor, TechnoServe	Hope Consulting conducted the first market analysis since 1994 to obtain a comprehensive understanding of behaviors, attitudes, and motivations of affluent Americans with respect to impact investing and charitable giving. Summary report: <a href="http://www.aspeninstitute.org/sites/default/files/content/docs/ande/ANDE_MFGSummaryNote_15AUG10.pdf">www.aspeninstitute.org/sites/default/files/content/docs/ande/ANDE_MFGSummaryNote_15AUG10.pdf</a>
Common Ground, Common Case: Capacity Building in the SGB Sector	SNV Netherlands Development Organisation, SEAF, Root Capital, E+Co, Root Change, Grassroots Business Fund, and TechnoServe	Seven ANDE members hired Velocitas Partners to interview and survey the network about technical assistance, specifically the taxonomy, services, funding, and impact measurement. The study culminated with a series of findings and recommendations for the ANDE TA Working Group to carry forward, the first: to switch the terminology employed to SGB capacity development.
Horizontal Aggregation of Capital to the Global SGB Sector	Santa Clara Global Social Benefit Incubator	Santa Clara undertook a research project to accelerate the understanding of practices that lead to horizontal capital aggregation in the SGB sector and examine capital requirements across funding sources.

## Building Connections

Innovation Scouts: A Discovery Network for SGBs	Root Change	Root Change developed a collaborative platform and field network for identifying high-impact SGB investment opportunities. This platform consists of the Root Change Innovation Scouts website, which includes a Social Enterprise Stock Exchange, and the Scouts on the ground, who form a global network of BDS providers and indigenous social investment funds. <a href="http://www.rootchangescouts.org">www.rootchangescouts.org</a>
Small Business Banking Network	CapitalPlus Exchange	CapitalPlus Exchange created the first industry-wide membership-based organization for small-business banking institutions to finance resources, tools, and methodologies. The Small Business Banking Network is dedicated to increasing access to finance for SGBs. <a href="http://www.sbbnetwork.org">www.sbbnetwork.org</a>
Capacity Building in the Financial Marketplace	Finance Alliance for Sustainable Trade (FAST)	FAST extended their current Financial Marketplace to reduce application-related transaction costs between sustainable SGBs and financial-service providers participating in the Marketplace. <a href="http://www.fastinternational.org/en/node/492">www.fastinternational.org/en/node/492</a>

## Regional Entrepreneurial Eco-Systems

Strengthening the Entrepreneurial Eco-System in Nigeria	Alitheia Capital	Alitheia launched the Entrepreneurs' Ecosystem portal in order to create a sustainable environment for entrepreneurs in Nigeria. <a href="http://www.entrepreneursecosystem.org">www.entrepreneursecosystem.org</a>
Advancing the SGB Movement in Colombia: SGB Acceleration Program	World Resources Institute, Universidad de los Andes, Fundación Bavaria	WRI, Universidad de los Andes, and Fundación Bavaria collaborated to accelerate the SGB movement in Colombia through SGB Pipeline Development, Ecosystem Engagement (the Investor Forum), and Learning & Outreach Strategy.









