



ENGINES OF
PROSPERITY

IMPACT
REPORT 2012
Executive Summary

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of organizations that propel entrepreneurship in emerging markets. Our 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 social and environmental benefits. In essence, we believe that SGBs are an engine for prosperity in the developing world.

Why Small and Growing Businesses?

The majority of people in developing countries do not have a formal job with a steady paycheck. Formal employment is a potential pathway out of poverty: research shows that it allows people to earn more income for themselves and their families than they would through self-employment or informal jobs. The creation of these stable, quality jobs for the poor remains a huge challenge: the International Labour Organization (ILO) estimates current unemployment at about 200 million worldwide and projects the need for 600 million new jobs over the next decade. Small and growing businesses represent one of the most promising ways to create these new jobs.

- Jobs at small and medium enterprises represent 66 percent of fulltime permanent employment on average in developing economies.
- Emerging markets house fewer large firms than do developed markets; small businesses with the potential to grow into large firms represent an avenue for long-term job creation.
- Small businesses do not just create jobs, they create quality jobs. Workers at businesses with 10 employees earn up to 30 percent more than they would at microenterprises; workers at businesses with more than 50 workers earn up to 50 percent more. ANDE member data highlights SGBs that pay wages far above their countries' minimum wage rates, and, in many cases, above the average wage rate.

The growing recognition that SGBs are key to economic growth has spurred an increase of support for the sector. This 2012 Impact Report surveys the landscape of organizations and approaches that have become available to small and growing businesses in recent years.

Small and Growing Businesses Defined

ANDE defines small and growing businesses as commercially viable businesses with five to 250 employees that have significant potential, and ambition, for growth. Typically, SGBs seek growth capital from \$20,000 to \$2 million. SGBs differ from the more traditional characterization of small and medium enterprises (SMEs) in two fundamental ways. First, SGBs are different from livelihood-sustaining small businesses, 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.

2012 by the Numbers

SGB Sector

- ✓ 25 SGB funds launched in 2012; average target fund size was \$51 million
- ✓ 30 SGB funds reached a first close, and had raised \$413 million total in committed capital

ANDE Members

- ✓ 171 members operated in more than 150 countries
- ✓ 32 member-managed funds invested \$229 million
- ✓ 40 members provided \$95 million in capacity development services to 13,000 SGBs
- ✓ 14 members disbursed \$129 million in grants and PRIs to the SGB ecosystem

State of the Sector

Capacity Development

Most entrepreneurs require non-financial support before, during, and after acquiring capital because the key skills required to develop and grow a business often must be taught or transferred. Capacity development is critical to small business growth, and ANDE members provide a wide range of support services.

- Since 2009, ANDE members have leveraged \$400 million for direct capacity development support.
- These capacity development services are generally high-touch: the median annual portfolio consists of 30 SGBs, and members spend an average of \$11,000 per SGB. One-on-one mentorship and direct consulting services are the most common delivery methods for services.

In 2012, ANDE surveyed the landscape of accelerators and incubators focused on social businesses in emerging markets.

- 38 percent operate as for-profit organizations, 44 percent operate as nonprofit organizations, and the rest use a hybrid model. The average accelerator works with each cohort over the course of six months, and meets with the entrepreneurs at least twice a week.
- Higher success rates for accelerators (those whose companies have raised capital and/or are still operating after the program) are correlated with more selective application process and more connections to corporations and domestic commercial investors.

Number and Size of Funds 2003 - 2012

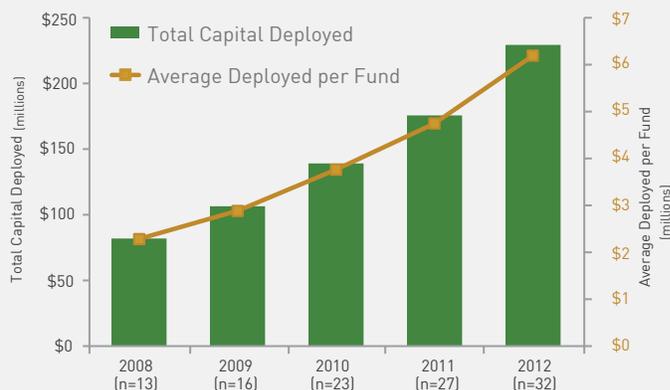
	2003-2007	2008-2012
Number of Funds Launched	75	145
Average Target AUM (millions)	\$45	\$53

Financing Small and Growing Businesses

The challenges that entrepreneurs face in the developing world both magnify their need for capital and also create more hurdles to accessing it. Compared with their larger counterparts, small businesses are more likely to list “access to finance” as a significant barrier to growth. But, a growing recognition that SGBs are key to economic growth has spurred an increase in finance available to this segment.

- ANDE identified 293 funds, including 73 managed by ANDE members, that invest in the SGB segment in emerging markets. 63 percent of these are closed-end funds. Average target fundraising per fund is \$52 million, and reported committed capital is \$28 million.
- 30 funds reached a first close in 2012. Over the past decade, the trend in this segment has been one of growth, albeit unsteady since the 2008 global financial crisis.
- Nearly 40 percent of funds target sub-Saharan Africa.
- Investment activity remains relatively low, with median 6 deals and 0 exits per fund. But among ANDE members, we see a steady increase in both the total capital deployed and average capital deployed per fund.
- Most funds target multiple sectors. The top three are Information and Communication Technology, Agriculture, and Health.

Capital Deployed—ANDE Member-Managed Funds (N=37)



Three Areas for Action

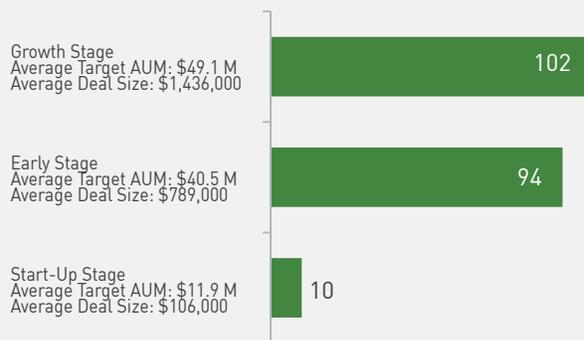
In 2012, ANDE explored three types of SGBs that face disproportionately high barriers to growth. Start-up stage enterprises, women-owned enterprises, and agribusinesses have a high level of potential impact but they require tailored support to grow and meet that potential.

Start-up Stage Financing

Even within the “missing middle,” there is an imbalance in support and funding options for those SGBs at the lower end of the divide. Seed and start-up stage enterprises (which are referred to as “start-ups” in this report)—usually looking for \$20,000 to \$100,000 of flexible capital—struggle to find funds that will invest the smaller amounts necessary. Enterprises at this stage have not yet proven their business model and are pre-revenue or cash-flow negative, presenting a higher risk for potential investors. At the same time, many fund managers targeting growth-stage SGBs find a small pool of investable enterprises and a crowded group of funds seeking to place capital.

This mismatch is what Monitor Inclusive Markets calls the “Pioneer Gap.” Monitor points to a structural problem as its cause: Because many impact investing funds use “traditional structures with traditional return expectations” where financial returns must drive investment decision-making, start-ups represent too much risk for these funds. This gap is mirrored in our scan of SGB funds: Only 6 percent of funds reported a focus on start-up stage businesses. One key to filling this gap in start-up stage financing is in the combination of flexible capital, often in the form of philanthropic grants or debt instruments.

Target Investment Business Stage—
Fund Sizes and Numbers.



Note: N=162; Fund managers could select more than one stage and 35% selected at least two.



Women Entrepreneurs

Women-owned businesses represent a significant portion of SGBs in emerging markets. However, their companies grow at slower rates than their male counterparts', they have smaller and less diverse networks, and they are more likely to struggle when seeking financing. The realization that women entrepreneurs face considerable systemic barriers to scale has prompted research and action by several ANDE members.

- Performance data from women-owned enterprises supported by ANDE members suggests that while they report lower median levels of revenue and new investment capital, they actually are able to employ a slightly higher number of full-time workers.
- Initial findings from “M4: The Most Missing of the Missing Middle,” a study conducted by a group of ANDE members, suggest that financial literacy programs for women, gender sensitivity training for investment managers, and long-term capacity development approaches could all play critical roles in getting women entrepreneurs the access to capital they need.

Investing in Agriculture

65 percent of ANDE members focus on agriculture, a reflection of agriculture's importance in emerging market economies and the sector's high potential for impact. Agribusinesses link smallholders to markets, provide them with seeds and other farm inputs, and add value to crops through processing and quality improvement. While these businesses are key to meeting global demand and driving economic growth in rural communities, they often face significant challenges in finding skilled managers, accessing finance, and linking to markets.

- Agriculture SGBs' impact on rural communities is significant: between 2007 and 2012, 189 agribusinesses supported by ANDE members made total payments of \$625 million to smallholder suppliers.
- As agriculture SGBs grow their revenues, they not only increase the total payments they make to smallholder suppliers, they grow the average payment made to each supplier.
- Smallholder farmers are often subject to low yields and poor quality production, barriers to high-premium markets that could be ameliorated through access to credit and capacity development services. Agriculture SGBs that link smallholders to markets, such as producer associations or traders that establish aggregation points, are high-potential pathways to provide smallholder households with the access to credit they need to generate higher incomes.



ANDE in 2012

In 2012, ANDE grew to more than 170 active members engaged in every emerging market in the world. Some of the key milestones for ANDE in 2012 were:

- ANDE strengthened our regional chapters, hiring four regional chapter coordinators based in Sao Paulo, Mexico City, Nairobi, and Johannesburg. In addition, the West Africa chapter launched in September 2012.
- ANDE disbursed over \$2 million in grants through our Capacity Development Fund, Research Fund, and Argidius-ANDE Finance Challenge. These grants went to support innovation and collaboration, research to understand the impacts of SGBs, and access to finance.
- ANDE created opportunities for knowledge sharing and collaboration through training programs, conferences, and other events. Nearly 600 individuals from 165 organizations participated in ANDE events in 2012.

ANDE Executive Committee and Staff

ANDE Executive Committee

Mildred Callear

Executive Vice President and Board Member

Small Enterprise Assistance Funds

Maria Cavalcanti

Managing Partner

FIRST Brazil Impact Investing Fund Advisor, Halloran Philanthropies

Christine Eibs Singer*

Co-founder, E+Co

Advisor, Sustainable Energy Finance

Willy Foote

Founder and CEO

Root Capital

Lisa Hall

President and CEO

The Calvert Foundation

Randall Kempner

Executive Director

ANDE (Chair)

Bob Kennedy*

Executive Director, William Davidson Institute

University of Michigan

Raj Kundra

CEO

Macquarie Partnership for Social Impact

Graham Macmillan

Senior Program Officer

Citi Foundation

Paul Malherbe

CEO and MD

ATMS/AMSCO

Neera Nundy

Managing Partner

Dasra

Peter Reiling

Executive Vice President

Aspen Institute

Andrew Stern

Partner

Dalberg Global Development Advisors

Rodrigo Villar

President of New Ventures Global Network

Director of New Ventures, Mexico

Simon Winter

Senior Vice President of Development

TechnoServe

** Concluded tenure in 2012*

ANDE Staff

Katia Dumont

Central America/Mexico Chapter Coordinator

Genevieve Edens

Impact Assessment Manager

Jenny Everett

Associate Director

Stella Hanly

Operations Associate

Joanna Herrmann

Senior Program Associate

Randall Kempner

Executive Director

Saurabh Lall

Research Director

Mary Mwangi

East Africa Chapter Coordinator

Nompu Ntsele

South Africa Chapter Coordinator

Rebeca Rocha

Brazil Chapter Coordinator

Daina Ruback

Program Coordinator

ANDE Members (as of April 1, 2013)

Accion

Actis

Acumen

Africa Enterprise Challenge Fund

African Social Entrepreneurs Network (ASEN)

Aga Khan Foundation

Agora Partnerships

Aid for Africa

Alitheia Capital

Argidius Foundation

Artemisia**

The Aspen Institute

ATMS Foundation/AMSCO

Fundación AVINA**

Bamboo Finance

Banorte

Fundación Bavaria

Bernard van Leer Foundation**

BiD Network

B Lab

Blue Haven Initiative

Fundación Bolivar Davivienda

Bpeace (Business Council for Peace)

The Bridge Fund

BRiIX (Brazil's Impact Investment Exchange)

Business Partners

Calvert Foundation

Fundación Capital

CapitalPlus Exchange

CARE

CDC Group

Center for Creative Leadership

Cherie Blair Foundation for Women

Citi Foundation**

d.o.b. foundation

Dalberg Global Development Advisors

Dasra

DESUS

Deutsche Investitions- und Entwicklungsgesellschaft (DEG)

eBay Foundation**

Echoing Green

EcoEnterprises Fund

ECSEL

edge

Emcor Securities Inc.

***These foundations provided additional grant funding for ANDE in 2012.*

Emerging Markets Private Equity Association (EMPEA)	Indus Basin Holding	RegCharles Finance and Capital Ltd
Emerging Stars	Instituto Hartmann Regueira	Relief International – EnterpriseWorks
Enablis	Intellectap	ResponsAbility Social Investments
Endeavor	InterMedia	Rianta Capital, Artha Initiative
Enterprise Development Centre - Pan-African University	International Finance Corporation	Root Capital
Entrepreneurial Finance Lab (EFL)	Inversor	Root Change
Entrepreneurs' Organization	Invest2Innovate	RTI International
Equity Group Foundation	Investisseurs & Partenaires	SA Capital Limited
Fair Trade USA	Jacana Partners	Sandler Trade LLC
FATE Foundation	Karisimbi Business Partners	Santa Clara Global Social Benefit Incubator
Finance Alliance for Sustainable Trade (FAST)	Kenya Feed the Future Innovation Engine	SAP AG—Global Communications
Ford Foundation	Land O'Lakes, Inc.	SCOPE <i>insight</i>
FSG Social Impact Advisors	Lang Entrepreneurship Center, Columbia Business School	Shared Interest/Themban International
Fundacion para la Produccion (FUNDA-PRÓ)	The Lemelson Foundation**	Shell Foundation
Fundemex	LGT Venture Philanthropy	SBI (ShoreBank International)
FUNDES	Low Carbon Enterprise Fund	Skoll Centre for Social Entrepreneurship
The Bill and Melinda Gates Foundation	Lundin Foundation	Skoll Foundation
Global Alliance for Improved Nutrition	Macquarie Infrastructure and Real Assets	Small Enterprise Assistance Funds (SEAF)
Global Business School Network	The MasterCard Foundation	Solidaridad Network
Global Catalyst Initiative	MasterCard Worldwide**	Stanford University
Global Center for Cultural Entrepreneurship	McKinsey	Synergy Social Ventures
Goldman Sachs—10,000 Women Initiative	Media Development Investment Fund	TechnoServe Inc.
Grameen Foundation	Mercy Corps	The Rockefeller Foundation**
Grand Challenges Canada	Monitor	The Tony Elumelu Foundation
Grassroots Business Fund	MOV Investimentos	The William Davidson Institute at the University of Michigan (WDI)
Gray Ghost Ventures	Movirtu	TransFarm Africa
GreaterCapital	National Entrepreneurship Network	TriLinc Global
GroFin	Naya Jeevan	U.S. Agency for International Development (USAID)
GrowthAfrica	NESsT	Unitus Impact
GVEP International	New Ventures Mexico	Universidad de Los Andes
Haitian Hometown Associations Resource Group	New Ventures – WRI	University of Cape Town Graduate School of Business
Halloran Philanthropies**	NOTS Foundation	Value for Women Ltd.
Heifer International	Omidyar Network	Venture Institute
IADB – Multilateral Investment Fund**	Open Capital Advisors	Village Capital
ICE (Entrepreneurial Citizenship Institute)	Overseas Private Investment Corporation	VillageReach
I-DEV International	Oxfam**	Villgro Innovations Foundation
Fundación IES	Partners in Food Solutions	Vital Voices Global Partnership
IGNIA Partners LLC	The Pershing Square Foundation	Vox Capital
Impact Amplifier	Potencia Ventures**	Voxtra
Impact Finance	Potential Africa	Walmart
Imprint Capital	The Prince's Youth Business International	WEConnect International
	Promotora Social Mexico	Wellspring Advisors
	PymeCapital	Wildlife Conservation Society
	Rainforest Alliance	Willow Impact Investors
	Raizcorp	

***These foundations provided additional grant funding for ANDE in 2012.*



THE ASPEN INSTITUTE

One Dupont Circle, NW, Suite 700
Washington, DC 20036

www.aspeninstitute.org/ande

Produced by the Aspen Network of Development Entrepreneurs © 2013.
Thanks to all the members who submitted vignettes, data and photos for this report.

Cover photo by TechnoServe