

Aspen Network of Development Entrepreneurs Pledges \$2 Million to Propel Small Businesses in Emerging Markets

Argidius-ANDE Finance Challenge 2012 – First Round Winner Summaries

Creating Bridges for Growth

George Mason University
Country Focus: Honduras

The main source of funds in the range of \$20,000-\$250,000 for small and medium-sized enterprises in Honduras is bank loans, once family sources of funding are used up. However, commercial banks are not willing to lend to such firms without either: (1) physical collateral such as land or machinery; or (2) a loan guarantee from some entity that has enough funds available to pay back the loan. The solution is to create bridges that will serve this SME market segment by mobilizing bank funding through non-traditional means and at the same time creating social venture funds. George Mason will work with the PYME (SME) division of BAC Honduras in creating the bridge for funding to firms that have been successful and growing clients of MFIs (micro-finance institutions). It will promote openness to more innovative forms of financing within that bank, which has been one of the most innovative in trying to serve the SMEs. We will couple this initiative with a second bridge, namely a social venture fund that involves putting together a group of 8-10 investors interested in taking part-ownership in selected companies in our relatively small category of businesses. The venture fund will have a minimum investment commitment of \$US 25,000 and will seek to fund four or five companies in the first year, followed by at least ten companies after that. We will partner with an existing local MFI network (Katalysis) for operational support and oversight for funded projects, and use the “prestamistas no bancarias” legal status to minimize restrictions in providing funds to growing small businesses.

I&P Sahel Enterprises (IPSE)

I&P
Country Focus: Burkina Faso and Mali

I&P SAHEL ENTREPRISES (IPSE) will create a local equity investment vehicle dedicated to small SMEs in Burkina Faso and Mali. It will be based in Ouagadougou and managed by a local African investment team. Based on a successful model in Niger, the team will be trained and supported by I&P, hence benefiting from a transfer of know-how and from I&P's experience. It will target equity/quasi-equity 5-years investments for amounts ranging EUR20,000 - EUR200,000. The investment methodology will include a strong mentoring/coaching of entrepreneurs and technical assistance. This vehicle will have financial profitability objectives. I&P will be the main financial sponsor of the project (EUR1-3M) alongside with others.

Seed Capital That Works “From Micro to Small”

Prosperitas Capital Partners, Banco G&T Continental and the Multilateral Investment Fund of the Inter-American Development Bank
Country Focus: Guatemala

A fund of US\$640,000 will provide a convertible loan for 10 startups in Guatemala. The fund will finance startups between US\$20,000 and US\$50,000 provided as a dollar denominated, unsecured loan of 7-year tenor,

with 10% annual rate, an option to be converted into equity whenever new investors take equity in the startups or at the end of 7th year, while repayment is quarterly, based on pre-determined percentage from 3% to 10% on the firms' revenue. The viability of this instrument has been proven in Uruguay, and the project will transfer such know-how to a local commercial bank, adopting a mechanism that can mitigate information asymmetries. Prosperitas Capital Partners, a venture capital fund management company based in Montevideo, Uruguay, will partner to manage this fund. In partnering with Banco G&T Continental in Guatemala, the proposed facility will help demonstrate how the local bank's know-how can be leveraged with the hopes that other banks and MFIs will then be motivated to invest in the segment "from micro to small". The MIF's role of facilitating "match-making" and filling in the existing knowledge gap by helping transfer the know-how from a small venture capital fund manager in Uruguay to a commercial bank that has been able to downscale and implement microfinance quite successfully.

Demand-Dividend Investment Vehicle: Modeling, Testing, and Mobilizing a New Capital Investment Instrument for Early-Phased Global Social Entrepreneurs

Center for Science, Technology and Society – Santa Clara University

Country Focus: Guatemala, Nicaragua, Honduras, Mali, Burkina Faso

Financing for SGBs in developing economies is constrained by the low level of return from investments already made to date. Achieving reliable and repeated returns will not only serve to re-cycle old capital to new investments but also improve investor confidence to commit new capital to what is now seen as difficult or 'frontier' markets. So far, debt and equity mechanisms have failed to offset the risks inherent in these markets with sufficient reward to encourage new investment. A successful pilot of our Demand Dividend structure in targeted economies seeks to improve investor confidence and provide suitable reward. The proposed Demand-Dividend Investment Vehicle will provide a new tool that improves the ability of impact capital providers to invest in early-phase SGBs – one that has a higher risk tolerance than loans and more liquidity than equity. Key features are: medium term debt structure, payable from free cash flow, cap on return multiple, abeyance period, and protective and governance provisions. This form of financing is ideal for SGBs who are spring-loaded for growth. CSTS has begun work on a financing model designed to allow a more reliable and rapid return of investment capital to impact investors and encourage new flows of capital support to SGBs in target countries. The work will include final design, a regression analysis on existing enterprises, and the creation of flexible term sheets, as well as the field-oriented phase -- preparing to test the new instrument with between four and six enterprises beginning in early 2013.

Creating a Mainstream Market for Agricultural Finance by Profiling Producer Organizations

SCOPEInsight

Country Focus: Central America

The majority of small and growing producer organizations are ignored by financial institutions because they are perceived as too risky and not profitable due to the small loan sizes. SCOPEInsight has developed a system of profiling the producer organizations on their professionalism and creditworthiness to serve as an efficient tool for pre-selection, pipeline generation, and turn-key due diligence of viable business prospects for banks. SCOPEInsight will profile 250 agricultural producer organizations (POs) in Central America (Guatemala, Honduras, Nicaragua and El Salvador), based on the SCOPE methodology. These assessments lead to a Profile and an Assessment Report. Profiling will be catalytic to create transparency towards the producer organizations themselves, their capacity development partners, and towards banks and other potential business partners.

ANDE Capacity Development Fund Round IV Grants: September 2012

Global Student Entrepreneur Awards (GSEA) Mentorship Pilot

Entrepreneurs' Organization and MicroMentor
Awarded \$37,500 Matching Grant

This project will expand Entrepreneurs' Organization's student/youth mentorship program via outreach to the skills-based volunteer CSR programs of internationally-based companies, to recruit mentors and increase the mentor pool for the SGB sector. A pilot program will match mentors with youth finalists in the EO Global Student Entrepreneur Awards competition whose businesses are operating in emerging markets, with the goal of increasing the students' business knowledge, resources, and networks; and increasing the revenues and job growth of the businesses they operate. EO will partner with MicroMentor to share youth mentoring best practices and technology resources, and to utilize the MicroMentor online matching program. The partners will disseminate pilot results of best practices for engaging mentor volunteers through CSR programs and for youth mentoring to ANDE members and other stakeholders.

YFE: Young, Female, Entrepreneur

Oxfam/Value for Women, Fundación Capital, Cherie Blair Foundation for Women, and ANDE Women's Working Group
Awarded \$69,600

Anecdotal evidence shows that as few as 10% of entrepreneurs in ANDE member initiatives are young women, and academic evidence shows that only around 35% of all entrepreneurs in developing countries are women and on average are only 80% as profitable as their male counterparts. Evidence also shows that women entrepreneurs face significant additional structural and cultural barriers, including discrimination and violence, to starting and growing a business. Several ANDE members and other organisations are already building funds and programmes providing support to women. This project will work with these and other members to better understand the underlying problems of underinvestment and the emerging opportunities for young female entrepreneurs (YFE's), collaboratively define ecosystem-based solutions and new leadership in regions, and build a body of knowledge and capacity within ANDE and its members to grow their impact through YFE's.

Developing Legal Tools Tailored to the East African Markets

Open Capital Advisors, TransFarm Africa, Acumen Fund, Grassroots Business Fund, Root Capital (ANDE Legal Working Group)
Awarded \$70,000

This proposal seeks to build on the work of the ANDE Legal Working Group to pilot development of a set of legal tools suited to the East African market which will assist ANDE members in addressing their legal needs on a mission-consistent basis and reduce the time and expense of understanding local market requirements and legal standards. The ANDE Legal Working Group (in particular TransFarm Africa, Root Capital, the Grassroots Business Fund, and Acumen Fund), in partnership with East Africa-based Open Capital Advisors, will initiate a process to identify the legal and regulatory implications in East Africa of different investment structures (including debt, convertibles, quasi-equity and equity), augment tools under development by the ANDE Legal Working Group to

add an East Africa focus and create a layman's guide to investment to help both investment teams and entrepreneurs understand the legal side of the process. Better understanding the requirements of the East African market and developing specific legal tools will present a significant resource for ANDE members working in East Africa, improve deal execution and hence increase funding opportunities for funding of deserving SGBs. It will also provide a model for tailoring the work of the ANDE Legal Working Group to other priority geographic regions, working in collaboration with local partner organizations and the ANDE regional chapters.

Enabling Youth-Led Social Ventures in Asia

Synergy Social Ventures

Awarded \$26,900

Compared to other regions of the world, Southeast Asia and China see much less youth activity in the areas of impact creation through social enterprise or economic development through small business activity. In a positive development, in the past two years national and local level organizations have been founded to provide more hands-on and ongoing support to local entrepreneurs. These organizations, however, are themselves new to the sector and face their own steep learning curve. This project aims to grow the support available to local, youth-led social ventures and small and growing businesses in Southeast Asia and China by expanding the reach of Synergy's support for youth entrepreneurs through national level partners. Focused on early-stage social ventures, Synergy works with primarily youth entrepreneurs and the organization's capacity building program has been developed with the needs of this category of entrepreneurs in mind. Support for high-potential young entrepreneurs in Asia is still minimal, and this project would expand the support available for this group by training national-level organizations to better support young entrepreneurs and by making available online and printed resources.

Crowd Funding Platform to Support Impact Investing Into Entrepreneurs

New Ventures India, China, and Indonesia

Awarded \$37,500 Matching Grant

This project will build a platform that would allow ANDE members to "sponsor" enterprises for crowd funding. Crowd funding is a very new innovation and has been restricted to the developed world and funding small and relatively fewer types of projects. To be able to harness this innovation and make it available to the world of social enterprises and impact investors will require careful understanding of the market, fine-tuning of the business model and understanding of the regulatory environment. The key aspect of this platform will be that only ANDE members can "sponsor" enterprises onto the platform which will ensure quality deal-flow. A focus will be on recruiting members of the diaspora to become more active impact investors. The first phase of the project will be implemented in India and then, on experience, be implemented in China and Indonesia.

Developing Standards for Effective Youth Entrepreneurship Programming

The Prince's Youth Business International, Kauffman Foundation/GEW, ANDE Youth Working Group, Alliance for International Youth Development

Awarded \$60,000

Two key barriers stand in the way of large-scale youth enterprise initiatives: limited insight into how to address the specific needs of youth entrepreneurs in starting SGBs and little understanding around the risk profile of young entrepreneurs. This project will develop quality principles and standards for the youth enterprise sector with a view to support and guide practitioners, donors/investors, and policy makers. To ensure on-going application and relevance, the project will define tools that are accessible to the sector and tailor-made for the

organisations submitting this proposal. In addition, the project will look ahead and develop a roadmap for future development of the standards.

Capturing Impact: Customized Training on Outcome Data Collection and Analysis for ANDE Members

William Davidson Institute at University of Michigan

Awarded \$49,617

The William Davidson Institute at the University of Michigan (WDI) will hold two workshops, one in New York and another in Johannesburg with in-kind support from the Acumen Fund, Citi Foundation, African Management Services Company and GroFin, to respond to ANDE members request for a training on outcome data collection best practices. At the workshop members will learn from a unique mix of case studies, participate in interactive activities, and engage in discussion-based lectures to gain a better understanding of what is involved in measuring impact. ANDE members will perform an initial assessment of their organization's outcomes, learn key issues to consider in developing and implementing a robust data collection strategy, and leave with a customized actionable plan to share with their team and implement to regularly collect impact data. Best practices from the workshop as well as examples of attendees' application of lessons learned at the workshop will be shared at the annual ANDE metrics conference in 2013.

Design and Delivery of an Online Learning Module for Social Entrepreneurs/SGBs

Intellectap

Awarded \$60,000

With support from GIZ, Intellectap is building an online 'gateway' that enables better access to resources, capacity building tools and connections amongst a larger number of social enterprises and related stakeholder groups, especially in regions that are currently not reached by existing offline interventions. Through this gateway, we are keen to offer online capacity building solutions to many SGBs who cannot access offline opportunities due to lack of awareness, costs and geographical constraints. However, the number of 'capacity building solutions' available online today catering to SGBs is significantly limited. Intellectap will (i) design and test the feasibility and efficacy of delivering an 'online learning' module focusing on the 'fundamentals of setting up a social enterprise' and (ii) share learnings from the pilot to promote similar participation and offerings by other service providers in future. The pilot will be carried out in four distinct phases and is expected to benefit 20-40 SGBs globally.

Making the \$-Valued Business Case for Incubator/Accelerator Services

I-DEV International

Awarded \$63,000

I-DEV will analyze the role and impact that accelerator programs have on the impact investing sector. This analysis seeks to develop a quantitative, financially-focused evaluation of the "value" incubators/accelerators are currently providing to the impact investment and social enterprise sectors, in addition to a framework for benchmarking accelerator programs and services offered. This project will provide ANDE and other impact investing constituents with a comprehensive framework for use in future benchmarking between incubation/acceleration programs, and greater insight into best practices for further enhancing existing accelerator programs and increasing the efficiency of the impact investing deal cycle. This project will build on the ongoing accelerator work within ANDE.

ANDE Research Initiative Grant Winners 2012

More Sweatshops for Africa? An Experimental Study of Firms, Factory Labor, and Poverty Alleviation

Country of Project: Ethiopia

Dr. Christopher Blattman, Columbia University, Innovations for Poverty Action

Dr. Stefan Dercon, Oxford University, Innovations for Poverty Action

Awarded \$120,000

This project seeks rigorous evidence on the effects of small and growing businesses on the workers they employ and, by extension, their households. The researchers ask: What is the effect of obtaining a formal sector, industrial job on the level, growth, and variability of income? Are industrial jobs stultifying and stupefying and unhealthy, or do higher and less risky incomes lower stress and raise health and happiness for workers and their households?

To examine these questions, they are conducting a randomized control trial of industrial labor in Ethiopia. Blattman and Dercon are presently collaborating with eight to ten small and medium size growing businesses in different sectors and regions, urban and rural. Each firm received many times more applicants to low-skill, low-wage positions than it could hire, and the firms agreed to select its new hires randomly from the pool of qualified applicants. The ANDE grant will help them expand the study to additional firms in Ethiopia, as well as neighboring countries in East Africa. They also actively seek collaboration with ANDE members in the region, to help them broaden the pool of firms that are included in the study.

The Effects of Small-Scale Electricity Systems on Rural Communities in South Asia

Country of Project: India and Bangladesh

David Wood (PhD) and Bharath Jairaj, Senior Associates, Sanjoy Sanyal, World Resources Institute (WRI)

Narasimha Rao (PhD), International Institute for Applied Systems Analysis (IIASA) 2011, Austria

Awarded \$120,000

Providing universal energy access is a widely acknowledged vehicle for poverty alleviation, and there are a growing number of SGBs providing electricity products and services across rural areas in South Asia. This project will assess the following question: How has the recent proliferation of small-scale electricity systems in South Asia improved the lives of communities that they serve? The researchers expect that communities and households that receive electricity access from these systems are likely to generate livelihoods and income, spend less time on household chores, and improve their health and education prospects. This study will focus on 4 districts in India, and 4 districts in Bangladesh, in which some communities are served by SGB electricity providers. The researchers will use a quasi-experimental research design to compare development outcomes for communities that receive electricity from SGBs, those that receive electricity from the grid, and those that rely on other sources of fuel, such as kerosene or diesel.

Evaluating Household Level Impacts of Small & Growing Business Creation and Impact Investing in Peru

Country of Project: Peru

Jason Spindler: Founding Partner of I-DEV International & Managing Director (based in I-DEV's South American Office in Peru)

Martin Benavides: Executive Director & Senior Researcher, Grupo de Análisis para el Desarrollo – GRADE, Peru
Awarded \$160,000

This study will focus on the impact of SGBs that employ the poor, primarily in the agricultural sector, in Peru. They will focus on 4 key areas of impact: Economic impact, impact on family health, children's education, and social welfare. The team will also examine the extent to which these SGBs reach the poorest populations in these regions, and the impact on these communities. The research team will select 3-4 agricultural SGBs in Peru, and analyze the direct and indirect impacts each SGB has had on the communities where they operate. The team will also identify communities which closely match the communities that SGBs currently operate in, to develop a comparison group. The researchers plan to follow a mixed-methods approach, which will combine quantitative analysis of survey data with a qualitative assessment the SGB and its beneficiaries.