

Executive Summary

2010 Impact Report



The Case for SGBs

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 and growing businesses (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 (GDP) and 57 percent of total employment.¹ 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.² In the developing world, however, SGBs only contribute 16 percent to GDP and 18 percent of total employment.³ Despite the hurdles they face, SGBs are producing significant social, environmental, and economic impact in the communities they work in. SGBs supported by the Small Enterprise Assistance Funds, a founding ANDE member, report that 72 percent of newly created jobs go to unskilled or semi-skilled workers who may not have access to other employment opportunities. In addition, SGBs can generate significant social and environmental benefits in the communities they serve and through the products and services they produce. SGBs have unique access to supply products and services to the poorest people in our world.

"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 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.

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 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 by ANDE members.
- **\$80 million** dollars have been invested in capacity development activities in 2010.

these institutions to their full potential. In emerging markets, small businesses are the backbone of economic growth and are key to expanding prosperity for the poor.

Challenges SGBs Face

Even in well-developed capital markets, the majority of new companies fail. SGBs typically need outside support in order to scale their impact due to the significant challenges currently hindering the growth of the SGB sector. 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.

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 are needed to elevate

¹ "Stimulating Investment in Emerging Market SMEs," Milken Institute, 2009, pg 7

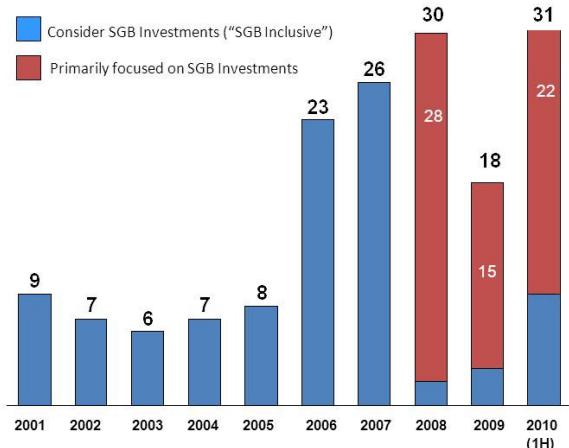
² Ibid.

³ Ayyagari, Beck and Demirguc-Kunt, "Small and Medium Enterprises across the Globe: A New Database," World Bank 2003.

The ANDE member base includes organizations that provide direct support to SGBs through the provision of capital and capacity development services. ANDE members also include organizations that support the development of a thriving SGB ecosystem including research, academic and corporate institutions, foundations, and banks. Over the past two years, ANDE has grown to 110 of such organizations that provide critical services to 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 economy that supports entrepreneurs and thereby stimulates increased economic, social, and environmental benefits for local communities.

Growth of the SGB Sector in 2010

This newly emerging sector is gaining public attention. 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 the 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 (IDB), expanded efforts to support “inclusive business” that focus primarily on smaller firms. And investment bank JP Morgan released its first research report on the impact investment sector.



While the SGB sector is still quite small, it is growing rapidly. Currently there are 199 funds that have collectively raised an estimated \$11 billion to invest in SGBs. In the first half of 2010, 22 new funds launched with a primary focus on SGB investments. As shown in Figure 1, the number of SGB funds has steadily grown since 2005.

Analysis of fundraising targets among fund managers in emerging markets indicates that, despite continued weakness in the global economy, the amount of funds targeting the SGB sector is growing. In fact, the SGB sector is outpacing the growth in

overall emerging-market private equity fundraising. In 2009, fund managers were seeking to raise \$23 billion for emerging-market private equity funds, of which 6 percent targeted investments in SGBs. By the first half of 2010, that share had increased to 11 percent, suggesting that fund managers are seeing more potential in investing in the SGB sector.

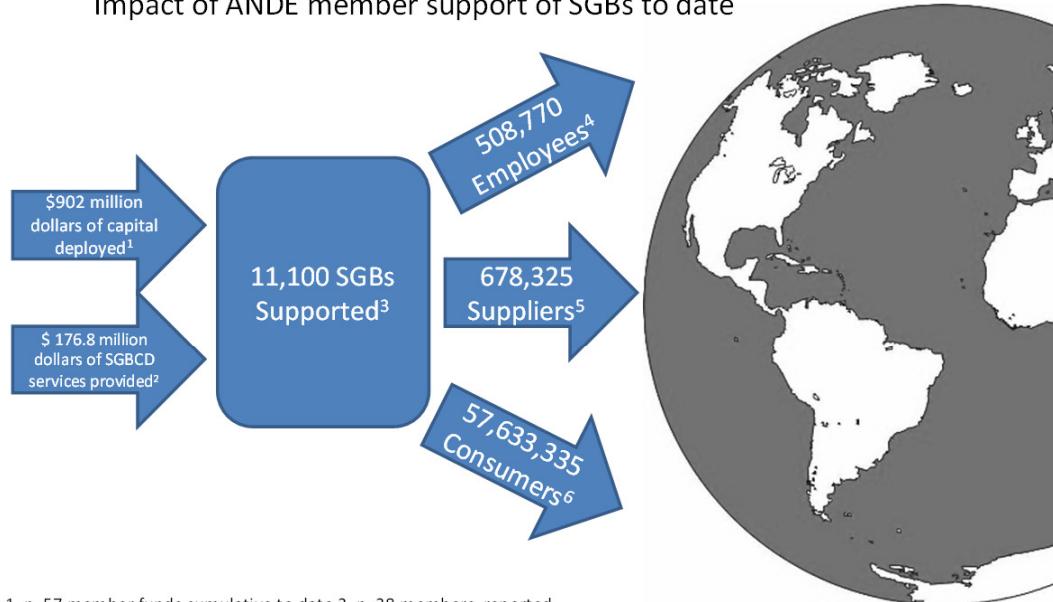
SGB funds are investing throughout the emerging markets, with Africa (43%), Latin America (15%), and Asia (13%), receiving the most attention. Although recent data shows that Africa remains the region attracting the most attention in terms of target funds for the SGB sector, there has been some equalization of funding. In the past two years, the Middle East and Southeast Asia have seen their shares of total investment funds increase, creating a cluster of regions that each attracts approximately 10 percent of the SGB-inclusive funds.

Impact of ANDE Members

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 them grow and maximize social and environmental impacts. 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 through the provision of SGB Capacity Development (SGBCD) services and investment capital in a variety of sectors. The SGBs catalyze this support into benefits for their local communities, employees, and suppliers.

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

Geographic focus: ANDE members work in 150 developing countries, catalyzing innovative responses to solve our world's deepest challenges. 30.5 percent of our members are headquartered in Latin America, Africa, and Asia. In 2010, ANDE launched regional chapters in Brazil, Central America/Mexico, East Africa, and South Africa with the objective of bringing the services ANDE provides to a regional and localized level and deepening our global footprint.

Financial Impact: The 33 ANDE members whose primary engagement with small and growing businesses is to invest capital have collectively deployed \$900 million through more than 2,500 investments. 47 percent of these members seek target returns between 5 and 20 percent.

SGB Capacity Development: In 2010, ANDE members spent \$80 million on capacity development services to SGBs and provided a variety of unquantifiable capacity development services to help develop a robust sector. Our members provide a wide variety of services, with basic business training and business-plan development as the most common offerings.

In the long run, a thriving, local SGB market – including banks, angel investors, investment funds, mentors, educational institutions, and local service providers – is required to bring a region out of poverty. ANDE members

believe that their direct and indirect work with SGBs will help build thriving companies. This, in turn, will stimulate the growth of local finance and service providers that support small businesses, as well as create a constituency to demand improvements in the overall business environment.

ANDE in Action – 2010 in Review

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 109 members⁴. We have proved that ANDE membership is valuable, with an 86 percent retention rate in 2010 and a reported 92 percent satisfaction rate⁵. Highlights from 2010 include:

Knowledge Creation and Knowledge Sharing

- Monthly sector update calls on more than 30 topics
- ANDE Annual Conference with participants from 70 organizations and 17 countries. Keynotes given by Dr. Rajiv Shah, Administrator of USAID, Elizabeth Littlefield, CEO of the Overseas Private Investment Corporation, and Carl Schramm, CEO of the Kauffman Foundation
- ANDE Pilot Regional Chapters launched in Brazil, Central America/Mexico, East Africa, and South Africa
- Launch of ANDE Member Portal with a searchable directory and public facing member map

Recruitment and Training

- First Investment Manager Training launched in Nairobi, Kenya with 35 participants from 12 countries
- Second Orientation Training for new hires and summer associates held in New York with 50+ attendees
- Additional leadership and financial literacy trainings and curriculum developed by members through the support of our Capacity Development Fund

Impact Assessment

- Developed a strategic partnership with the Impact Investing and Reporting Standards (IRIS) to promulgate the adoption of environmental, social, and financial standards across ANDE members
- Hired an Impact Assessment Manager who codified the IRIS adoption process and launched initial implementations with pilot members
- Second annual Metrics and Evaluation Conference held in June with over 100 attendees

Capacity Building - Capacity Development Fund

- In April 2010, ANDE announced the second round of winners of our Capacity Development Fund and disbursed \$460,000 to fund seven grants.

Education and Awareness

- Built partnerships with key bilateral, multilateral and government agencies and created the first strategic partnership between ANDE and the International Finance Corporation
- Commissioned a report "Mapping the Policies of International Development Donors and Investors" to understand how various bilateral and multilateral organizations are working within the SGB space

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.

⁴ As of February 4, 2011.

⁵ Results from the 2009 ANDE Member Survey completed by Dalberg Advisors. n=52

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

Partner, Dalberg Global Development Advisors

Ricardo Teran

Co-Founder and Managing Partner,
Agora Partnerships

Brian Trelstad

Chief Investment Office, Acumen Fund

Chris West*

Director, Shell Foundation

Simon Winter

Senior Vice President-Development
TechnoServe, Inc

*Ended tenure in 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)	Finance Alliance for Sustainable Trade	Naya Jeevan
ACCION International	Financial Services Volunteer Corps	New Ventures Mexico
Actis	ForeFinance	New Ventures – World
Acumen Fund	Forum Empresa	Resources Institute
African Agricultural Capital	FSG Social Impact Advisors	NeXii
Africa Report	Fundación AVINA	Omidyar Network
Agora Partnerships	Fundación Bavaria	OTF Group
Alcoa Foundation	Fundación Bolívar Davivienda	Oxfam
Alitheia Capital	Fundación Bolivia Exporta	Pershing Square Foundation
Appropriate Infrastructure Development Group	Fundación IES	The Prince's Youth Business International
Artemisia Brazil	FUNDES	PymeCapital
Mr. Mads Asprem	General Mills	Rianta Capital, Artha Initiative
Aspen Institute	Global Business School Network	The Rockefeller Foundation
ATMS Foundation/AMSCO	Goldman Sachs	Root Capital
Avantage Ventures	Grameen Foundation	Root Change
Ayllu Initiative	Grassroots Business Fund	RTI International
Bamboo Finance	Gray Ghost Ventures	SA Capital Limited
B Lab	GreaterCapital	Salesforce.com Foundation
The Bridge Fund	GrupoEcos	Santa Clara Global Social Benefit Incubator
Business Council for Peace	Halloran Philanthropies	Serengeti Advisers
Calvert Foundation	Heart Capital	Shared Interest
CapitalPlus Exchange	ICCO	Shell Foundation
CDC Development Solutions	IGNIA Partners LLC	ShoreBank International Ltd.
Center for Creative Leadership	ImagineNations Group	Skoll Foundation
CHF International	InReturn Capital	Small Enterprise Assistance Funds (SEAF)
Citi Foundation	International Finance Corporation	SNV Netherlands Development Organisation
Dalberg Global Development Advisors	Inversor	Standard Bank London
Dasra	Kauffman Foundation	Stephen Claire Associates
E+Co	Lang Entrepreneurship Center, Columbia Business School	Swisscontact
Ernst & Young	The Lemelson Foundation	TechnoServe Inc.
East Meets West Foundation	Lundin for Africa	The William Davidson Institute at the University of Michigan (WDI)
Ebay Foundation	Marmanie	TriLinc Global
Emerging Markets Group	McKinsey	Universidad de Los Andes
Holding Endeavor	Media Development Loan Fund	VillageReach
Energy Access Foundation	Mercy Corps	Villgro Innovations Foundation
Enterprise Development Centre of Pan-African University	Monitor Institute	Vox Capital
The Bill and Melinda Gates Foundation	MPOWER Ventures	
	Ms. Ranji Nagaswami and Mr. Bo Hopkins	

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



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