Dear ANDE Friends and Colleagues,

I am pleased to present the third annual Aspen Network of Development Entrepreneurs (ANDE) Impact Report. In 2011, ANDE’s growth and reach continued to exceed expectations. We began our network in 2009 with 34 founding members working in fewer than 100 countries. By the end of 2011, the network contained 143 active members working in more than 150 developing economies, supporting tens of thousands of small business entrepreneurs.

Our members are doing incredible things—from providing affordable health care to small business owners in the Middle East to helping thousands in Africa and India to light their homes without kerosene. Despite the varied approaches, sectors, and geographies, all ANDE members are working in some way to support small and growing businesses (SGBs) in emerging markets. Through this support, we hope to generate economic, social, and environmental benefits in developing economies.

In 2011, ANDE continued our efforts to push programming to the field by opening our fifth regional chapter in India and strengthening the existing chapters in Brazil, Central America/Mexico, East Africa, and South Africa. ANDE plans to invest even more in the regional chapters’ infrastructure in 2012.

We continued our annual events, including the London anniversary celebration, orientation training, and metrics conference, and held investment manager trainings in Mexico and India. More than 160 participants from 116 organizations in 20 countries attended ANDE’s 2011 annual conference.

This year, ANDE’s partnership with the Impact Reporting and Investment Standards (IRIS) initiative progressed to a new level, as twelve members of ANDE contributed standardized impact data to the IRIS repository. The resulting aggregated data will serve as a benchmark for the industry, and the preliminary results are highlighted in this report. Yet only when more firms adopt the IRIS taxonomy and contribute will we be able to paint a truly representative picture of the sector.

Three years into the development of ANDE, the promise of the network to promote high-value collective action is being realized. Accordingly, in this year’s report, you will notice a greater emphasis on collaborations among our members. The upcoming year promises to be an exciting one, as the appetite for SGB investment continues to grow, and new capacity development organizations, banks, and corporations enter the space. We are pleased that ANDE is in an increasingly strong position to both catalyze and facilitate the activities of this growing sector.

Sincerely,

Randall Kempner
Executive Director
ANDE Glossary of Terms

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 15 to learn more about the different types of capacity development services provided by ANDE members.

CDF – Capacity Development Fund, ANDE’s internal re-granting facility.

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

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.

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 6.

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

ANDE Member Types

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

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

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

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

Strategic Partner – Government agencies and bilateral or multilateral development agencies who join ANDE. Government entities are not able to access the ANDE Capacity Development Fund.

¹. As defined by the Global Impact Investing Network
². As defined by the International Finance Corporation (IFC)
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Why SGBs?

Ayo Megbope, a Goldman Sachs 10,000 Women graduate, prepares a meal at the catering business she owns in Lagos, Nigeria. Photo courtesy of Goldman Sachs.
Investing in the Missing Middle to Alleviate Poverty

The mission of ANDE is to increase the amount and effectiveness of capital and capacity development assistance for small business entrepreneurs in developing countries. With the right support, we believe that these entrepreneurs can generate jobs and address major social and environmental problems. Ultimately, we seek to significantly reduce poverty in the developing world.

More than 1 billion people across the world earn less than $1 a day, and more than 2.5 billion earn less than $2 a day. It is not only the amount of income but also the variability of income that characterizes the lives of the poor. Poor households earn their livelihoods from multiple, often unreliable, sources, such as smallholder agriculture, casual labor, or self-employment. The income from these sources is both low and uncertain, which affects these people’s health, education, early childhood development, and access to essential services like clean water and electricity.

Small and medium enterprises (SMEs) are the largest contributors (78%) to formal jobs in low-income countries. But most of these firms suffer from low productivity and contribute little to economic growth. Few will create jobs and economic prosperity on a significant scale. Indeed, they face significant barriers to growth and recently have been the focus of a growing number of impact investors, capacity development providers, development finance institutions, and government agencies which support firms through matching grants, business training, credit guarantees, and direct investment. ANDE believes that small and growing businesses (SGBs), a sub-segment of the SME sector characterized by its interest in obtaining growth capital from $20,000 to $2 million, offer a greater potential to impact poverty.

In 2011, ANDE undertook a comprehensive literature review of existing SME research. The review uncovered dozens of studies that considered the impact of policy and program interventions to support SMEs in developing countries. The overall findings were mixed, with several studies finding positive short- to medium-term effects on research and development, worker training, and quality control practices (see table 1). The longer-term effects on outcomes such as sales growth, wages, and labor productivity, however, were less clear.

Table 1: The Effect of Representative SME Interventions

<table>
<thead>
<tr>
<th>Country</th>
<th>Findings</th>
<th>Study</th>
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“Small and Growing Businesses” (SGBs) are high-growth, high-impact businesses.

Although 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 differ from the more traditional characterization of small and medium enterprises in two fundamental ways. First, SGBs are different from the 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.

We know that firms affect poverty largely through the number and quality of jobs they create, but most studies do not shed much light on the ultimate impact that these programs have on poverty. To better understand whether supporting SGBs can help people out of poverty, we need to look beyond measures at the firm level and instead look at how different kinds of jobs affect households and individuals. Studies that track both firms and workers can help us understand who is being employed by which types of firms, whether their incomes are rising, and how people move between types of employment.

A female farmer sets out part of her corn crop to dry in the sun. Sub-Saharan Africa has the highest proportion of workforce in agriculture, with smallholder farms (2 hectares or less) representing 80 percent of all farms in the region. Photo by Jeff Dykstra, Malawi.
SGBs and Poverty: The Evidence So Far

ANDE seeks to understand what kinds of firms employ or engage the poor and whether these firms actually help people out of poverty. Based on a literature review of more than 150 studies, we offer the following general conclusions:

- We know that in most developing countries, the poor have multiple sources of income and are employed mainly in agriculture or small firms or are self-employed. It is not only the amount of income but also the variability of income that characterizes the lives of the poor. Steady employment at a relatively higher wage rate, therefore, can help alleviate poverty, as it has done in several countries over the past few decades.

- Most very small and small firms that employ the poor may not actually be helping them out of poverty. The reason is that these microenterprises are typically established out of necessity, rather than entrepreneurial ambition, and generally are unlikely to grow beyond a certain limit. Moreover, they create few jobs and offer low wages, relative to self-employment or other sources of income.

- Relatively larger, more formal firms (with 50 to 200 workers) offer higher wages, more stable income, and, in many cases, better working conditions. But in many developing countries, jobs in these types of firms are limited and not easily available to the poor. Likewise, many high-growth firms make available large numbers of jobs, but not for unqualified poor people. Nor are the impacts of formal jobs wholly positive, as the availability of low-skilled manufacturing jobs may lead to higher school dropout rates. Factory jobs also may have negative impacts on health, family and community ties, environmental conditions, and general welfare.

The evidence for supporting SGBs as a way to alleviate poverty is compelling, though not conclusive. Our review found that although it is mainly small firms that currently employ or engage the poor, it is the growing firms that can help them out of poverty by offering higher, more stable wages.

2011: By the Numbers

**SGB Sector**
- 35 funds launched in 2011 that include SGBs as target investments; average fund size grew 30 percent.
- 10 percent of total emerging market private equity fundraising amounts in 2011 was for SGBs.

**ANDE Members**
- 143 members collectively operate in over 150 developing countries
- 37 members invested $750 million in 1,075 investments in the latest year; 91 percent of the investments were equal or under $2 million in size.
- $112.6 million was provided for capacity development activities.
- To date, 21,000 SGBs have received direct capacity development services, and nearly 2,200 have received direct investments from ANDE members.
SGBs and Broader Sector Trends

A small-holder farmer in Malawi explains a process to other farmers. Malawian farmers are integral to providing raw materials to local food manufacturing companies that in turn produce products for the World Food Programme.

Photo by Jeff Dykstra.
Over the past few years we’ve seen a successive set of optimistic projections for impact investing. For example, JP Morgan calculated the annual global emerging market’s impact investing opportunity as $400 billion to $1 trillion. Credit Suisse, in their first report on the sector, projected a global impact investment market of $500 billion by 2014.

Although these projections suggest the sector’s momentum and potential, we have no way of confirming the claims today. Even so, in 2011 there were encouraging examples of growth in impact investment. Over the past three years, governments in the United States, United Kingdom, Europe, and Australia have made $4 billion available for social investment solutions.

Investors’ confidence in emerging markets is growing.

It is not possible to get accurate data on the actual amounts raised by funds focusing on SGBs, but we are able to track fundraising targets—or the amount of capital that fund managers hope to raise—as an indicator of investors’ confidence and expected growth. Fundraising targets for private equity in emerging markets grew by 64 percent in 2011, reaching a three-year high and comprising 15 percent of global private equity fundraising. Even though the number of emerging market private equity funds dropped by 20 percent, median fund sizes doubled, reaching $303 million. In 2011, 876 private equity and venture capital deals valued at $26.9 billion were completed in emerging markets, with 70 percent of them directed at Asia.

SGB-focused investment holds steady.

SGB financing is one of the principal segments of the emerging market impact investment sector, considered as the best way to achieve the greatest social impact on local economies.

Over the past three years, fundraising targets for funds focused on SGBs increased by 71 percent, reaching $3.73 billion in 2011. During this same time, 102 SGB funds closed fundraising efforts and began making investments (see figure 1).

Figure 1: New SGB Investment Funds by Vintage Year

Source: Dalberg Analysis.
Note: Figure only includes those funds with known vintage years; some funds may no longer exist.
In 2011, the SGB-focused fundraising targets constituted 10 percent of the total targets for emerging market private equity funds (see figure 2). Funds that were known to be raising capital from 2009 to 2011 targeted sub-Saharan Africa (32%), Latin America (23%), and India (21%). Even though the number of funds dropped slightly between 2010 and 2011, their average target size rose by 30 percent, indicating that fund managers are building capacity for increased investment (see figure 3).

**But is still small.**

Over the past decade, SGB-focused fundraising reached $20 billion, but this was only one-quarter of the microfinance portfolio in 2010 and less than one-tenth of the total emerging market private equity fundraising (see figure 4).

Impact Investing Efforts by the U.S. Government

In 2011, the Overseas Private Investment Corporation (OPIC), the U.S. government’s development finance institution, announced the winners of its call for impact investing proposals. Thus far, OPIC has invested $285 million in six equity funds, to date the largest commitment by the U.S. government to impact investing in emerging markets. Ultimately, these funds are anticipated to raise more than $875 million. In 2011, OPIC generated a net income of $269 million, committed $3.2 billion to companies expanding into emerging markets, and supported ninety-two new investment projects. In addition to generating revenue for U.S. taxpayers, OPIC recorded a threefold increase in the amount of capital the agency mobilized, rising to $4.4 billion.

The Development Credit Authority (DCA) of the U.S. Agency for International Development (USAID), which uses partial, risk-sharing U.S. Treasury–backed credit guarantees to catalyze impact investments in developing markets, ended 2011 by completing thirty-seven transactions in twenty-one countries, which will result in nearly $200 million in private capital for local loans. Over the next five years, the DCA plans to use these guarantees to channel as much as $2 billion in financing in emerging markets.

Both USAID and OPIC joined ANDE in 2011 and are now active members.

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*The figures in this section are from a global data set 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 lists of funds and their funders. Dalberg tracks two types of SGB funds. SGB-focused funds concentrate on investment sizes of between $20,000 and $2 million. SGB-inclusive funds have a broader investment size spectrum but consider investments in the $20,000 to $2 million range. Here the term “SGB funds” refers to both types of funds.*
Retail Impact Investing

For the first time, retail investing has allowed ordinary people to get involved in impact investing. The Calvert Foundation’s Community Investment Note offers fixed-income notes ranging in maturity from one to five years and paying as much as two percent interest. The notes are used to make loans to organizations that finance small businesses, create jobs, provide community services, and construct affordable homes. Notes are available for sale through the Calvert Foundation, brokerage accounts, and MicroPlace. Since the notes’ inception in 2007, 7,091 unique investors have made 35,130 investments in them through MicroPlace. With a minimum investment size of $20, the MicroPlace platform has allowed the Calvert Foundation to reach a new type of investor. Furthermore, MicroPlace investments have centered almost exclusively on international portfolios, such as Healthpoint Services Global, a sustainable social business enterprise in India that is transforming rural and suburban health care through a unique service delivery model using developments in health care, information and communications technology (ICT), and clean drinking water. Calvert gave Healthpoint Services a $200,000 loan in 2011.

Another ANDE member, TriLinc Global, plans to launch a $1.25 billion Global Impact Fund for retail investors, focusing on the “missing middle” in emerging markets. With support from the CAPROCK Group, TriLinc has begun the registration process with regulators.
The Impacts of ANDE Members

An employee at COMACO, a Zambian company that sells products including rice, peanut butter, honey, and soy sourced from small-holder farmers in the Luangwa Valley region. Partners in Food Solutions is helping them develop new products, increase output, and improve food safety.

Photo by Jeff Dykstra.
AND members represent the full range of organizations that support an entrepreneurial ecosystem. They include capacity development organizations, public and private financial investors, corporations, grant-making foundations, and research and academic institutions.

Investors

ANDE’s investor members make direct capital investments in SGBs in emerging markets using innovative financial structures. When asked to list their impact focus as economic, environmental, and/or social, 100 percent of investors reporting listed economic and social, with 61 percent selecting environmental as well. With regard to stage of company supported, the majority of ANDE’s investor members target early-stage SGBs, closely followed by expansion-stage and growth-stage SGBs (see figure 5).

To date, ANDE members have made 4,143 investments of $20,000 to $2 million. But the field is still very young. Almost one-quarter of these investments and 41 percent of the total capital invested were made in the past year. All but six of the funds have vintage years after 2000.

Capacity Development Providers

In 2011, ANDE members spent $112.6 million providing SGB capacity development services. Ninety-one percent of ANDE’s capacity development providers supported small businesses in their expansion stage (see figure 6).

Fund Economics and Accounting

Many investors in this space are themselves structured as nonprofits and provide a great deal of capacity development support to their investees, in addition to their direct investment. This creates a challenge, however, when trying to produce financial statements that truly represent the cost of making these types of investments. In 2011, the principals and chief financial officers of five funds—Acumen Fund, Calvert Foundation, Development Partners International, Small Enterprise Assistance Funds (SEAF), and Root Capital—came together with pro-bono support from Deloitte LLP to create an analysis template and a consistent set of rules in order to clarify the picture. Using these aids, hybrid impact investing funds could present their fund and their nonprofit activities (like capacity development or leadership development programs) more clearly. Over a series of meetings, this group created a working template that has generated interest from USAID and the United Kingdom’s Department for International Development (DFID) to make a stronger case for the role of hybrid funds in the investing ecosystem and to clarify where subsidies may be needed to support the investing activities. In 2012, the group will finalize the template and begin using it as a further step toward standardizing fund accounting in this industry.

Figure 5: Stage of Target Deal for ANDE Investors and Lifetime Capital Deployed

![Figure 5: Stage of Target Deal for ANDE Investors and Lifetime Capital Deployed](image)

- **Seed**: 38%
- **Startup**: 47%
- **Early**: 75%
- **Expansion**: 72%
- **Mezzanine**: 34%
- **Growth**: 72%

<table>
<thead>
<tr>
<th>Stage</th>
<th>Investments</th>
<th>Total Capital</th>
<th># of SGBs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seed</td>
<td>4,860</td>
<td>$1.53 billion</td>
<td>1,487</td>
</tr>
<tr>
<td>Startup</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Early</td>
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<td>Expansion</td>
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<td>Mezzanine</td>
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<tr>
<td>Growth</td>
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Note: Investors could select more than one stage of engagement; n=32 for engagement stage; n=36 for financial data.
In 2011, ANDE’s Capacity Development Working Group agreed on a common taxonomy to refer to the various capacity development interventions and delivery mechanisms used by ANDE members.† This allowed the group to map ANDE members according to the specific interventions they provide to SGBs (see figure 7). In addition to the three main types of services, many members offer indirect services, such as ecosystem building and advocacy.

**Foundations:** Foundations are a critical component of the SGB sector’s development. ANDE’s foundation members support the sector through funding intermediaries that support SGBs, contribute to sector research, and provide capital in various forms.

Program-related investments (PRIs), or the below-market investments that foundations can make in activities consistent with their missions, have increased in popularity in recent years. As part of the Tax Reform Act of 1969, U.S. foundations were given the ability to make PRIs, but not until the past decade—and as a response to the economic crisis—did they start using this funding vehicle.12 By allowing foundations to recycle their capital, PRIs can be an effective way to stimulate private-sector growth with flexible terms and requirements. For example, the Rockefeller Foundation, which began making PRIs in the early 1990s, made a $2 million PRI in ANDE member African Agricultural Capital (Pearl Capital), an investment fund based in Uganda. In addition, many foundations are considering mission-related investments (MRIs), in which investments are made from their core asset base rather than from their charitable donation pool. As the SGB market matures, we hope and expect to see more MRI investments.

In 2011, ANDE’s foundation members disbursed $17 million in PRIs to emerging market SGB-focused investment funds. In comparison, they allocated $3.1 million in grants to emerging market SGB-focused investment funds and $40.5 million in grants to SGB-support organizations.14

†ANDE’s SGB capacity development services are broken down into the following categories: entrepreneurial and organizational capabilities (a focus on building internal management and technology capacity, a transfer of skills/knowledge), market linkages (external/outward facing services), and investment services (interventions directly relating to making an SGB investment ready, not a transfer of skills).

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**Village Capital Grows**

In 2010, Village Capital was launched as a pilot program for First Light Ventures, an independent fund within the Gray Ghost Ventures family. The Village Capital model convenes cohorts of entrepreneurs and runs a capacity development program focused on intensive peer review. At the end of the training, the entrepreneurs assess one another, determining who will receive committed capital from partner investors. After a successful pilot program in India with its partner Dasra Social-Impact, Village Capital set out to expand its model in Brazil in 2011. ANDE’s members rose to the occasion, joining with Village Capital in various ways to make this experiment a success. Halloran Philanthropies, Potencia Ventures, and Vox Capital all committed capital to the winning entrepreneurs; the Monterey Institute for International Studies sent its Frontier Markets Scouts to the Village Capital programs to provide expertise and research; and Artemisia Brazil acted as the local home for the Brazil program. In the past two years, Village Capital has begun thirteen programs worldwide, supporting more than 150 entrepreneurs. Participants have raised $20 million, created more than 500 jobs, and served 5,000 customers. In 2011, Village Capital turned to ANDE as a strategic partner in its international expansion, and as a result of a global contest with Potencia Ventures, will be partnering with GrowthAfrica (Kenya) and ECSEL (China) to expand its reach even further.

Photo by John-Michael Maas/Darby Communications, South Africa.
“This is a prime example of how government, civil society, and the private sector can work together to provide finance to small and growing agribusinesses that support small-holder farmers, create jobs, and contribute to food security in Africa. We helped launch African Agricultural Capital several years ago with grant capital and are delighted that it has matured to the point where we can invest equity in its expansion. Making a PRI in AAC allows us to help scale the fund’s impact, expect a return of capital for future investment, and co-invest with diverse but like-minded investors.”

— Margot Brandenburg, Associate Director, Rockefeller Foundation
ANDE in Action: Fostering Partnerships

“Partners in Food Solutions and TechnoServe have been strategic partners in identifying African companies that both source from smallholder farmers and produce nutritious foods for local consumers. This partnership emerged directly from the ANDE conference.”

—Willy Foote, CEO and Founder, Root Capital

General Mills begins working with TechnoServe when it recognizes the need for a field based implementing partner with experience working with SGBs in Africa. It needs a partner that can “translate” the technical and business needs of small food processors in Africa to teams of volunteers. General Mills soon sees that many of the food companies with whom it is partnering also need financial capital.

On behalf of General Mills, Jeff Dykstra attends the ANDE Annual Conference, where he meets representatives of many organizations investing in the kind of food companies they are assisting. A hallway conversation with Willy Foote, the CEO of Root Capital, reveals similar views on the needs of the food crop value chain in Africa and the opportunity for a more holistic approach combining financing and capacity development services.

General Mills makes a five-year, $1 million loan as an early investor in Root Capital’s Innovation Portfolio. The investment reflects a broader strategic partnership to coordinate the efforts by GMI, TNS, and Root Capital toward the goal of assisting small and growing African food companies in building greater technical and managerial capacity to meet increasing demand for high-quality food products in local markets.

General Mills officially launches its nonprofit Partners in Food Solutions (PFS) with partners Cargill and DSM; Dykstra becomes the executive director.

Root Capital makes a $71,000 loan to NyireFami, a Tanzanian company that purchases finger millet from 500 smallholder farmers and processes it into nutritious, protein-rich flour for sale on the local market. NyireFami received capacity development services from TechnoServe/PFS, which then referred them to Root Capital for financing. Root Capital identified agro-processors in several other African countries that are prospects for the Innovation Portfolio. To date, Root Capital has disbursed an additional $825,000 to two companies growing and milling rice in Ghana and Senegal.

Root Capital expects lending to African agro-processing companies to increase substantially as more companies that have been receiving capacity development services from TNS/PFS become ready for financing. To date, PFS and TechnoServe have delivered customized assistance to 30 food processors in Kenya, Malawi, Tanzania, and Zambia, and sector-based training to an additional 150 food companies. Their goal now is to work with more than 200 food companies across the African continent and, with as many as possible, bring the full set of offerings that TNS, Root, and PFS uniquely bring to this important link in the value chain.
“The mission of Partners in Food Solutions has benefited greatly from our partnerships with TechnoServe and Root Capital and our association with ANDE. We are seeing the great amount of good that can happen when you bring together strong teams, each focused and playing to their core strength, to focus on improving a specific link in the value chain.”

—Jeff Dykstra, Executive Director, Partners in Food Solutions

The Potential of Aggregated Data

This year, for the first time, ANDE is able to examine our members’ impact using aggregated data from the companies that our members support. We are able to do this through a close partnership with the Impact Reporting and Investment Standards (IRIS) and the Global Impact Investment Rating System (GIIRS). ANDE’s members were critical to the beginning phases of both initiatives, leading the way to create frameworks and also to contribute data. As IRIS and GIIRS enter the next stage of development, ANDE and our members will continue to play a central role in promoting these standard measures and ratings for the impact investing community.

The current data set, made up of 628 SGBs supported by twelve ANDE members, offers an opportunity to better understand trends, barriers, and opportunities for SGBs. Using aggregate data, we can move beyond reporting only financial performance to incorporating social and environmental measures. Even though the current data are not necessarily representative of the sector as a whole, they allow us to begin to understand the future analyses that impact investors will be able to use. With additional longitudinal data across regions and sectors, we will be able to identify high-growth firms, examine the reach of products and services, track environmental footprint as a company grows, and check wage values against the total number of employees. In tandem with ANDE’s research agenda, the IRIS data set will ultimately allow us to test the theory of sustainable prosperity creation in the developing world.

Facilitating Due Diligence

One challenge facing impact investors is conducting affordable due diligence, often making a fair assessment of high-risk SGBs in emerging markets prohibitive. In response, the philanthropy arm (Rianta Philanthropy) of Rianta Capital developed ArthaPlatform.com as an “invite-only” social network designed specifically for the due diligence needs of impact investors looking at a challenging pipeline of high-impact small businesses in India. Artha creates a community in which the exercise of due diligence may be done “in-house” and shared or tendered to a trusted network of third-party service providers, all based in or having resources in India, coupled with a facilitated modular approach to the main due diligence topics. In this way, investors can vet potential investees, and third-party service providers have a private-channel “storefront” for generating revenue. ArthaPlatform.com was beta-tested in 2011, formally launched in January 2012, and will spend 2012 establishing new partnerships, identifying new sources for its “enterprise” pipeline, and inviting new impact investors to share information available to its community.
**ANDE, IRIS, and GIIRS**

IRIS is a set of metrics that can be used to describe an organization’s social, environmental, and financial performance. Developed to increase the transparency and credibility of the impact investing industry, IRIS provides a common language for communicating impact. The IRIS initiative also collects IRIS-aligned performance data from organizations around the world to enable aggregation, benchmarking, and analysis.

ANDE became an early IRIS partner in 2010. Through this partnership, ANDE has promoted and supported the use of IRIS by our members and established a core set of IRIS metrics for all members to adopt. We also have worked with our members to facilitate their data contributions to the IRIS initiative.

In addition, some ANDE members contributed data through GIIRS ratings which include IRIS-aligned indicators. In 2011, GIIRS invited funds to participate in the first ratings and benchmarking exercise to determine companies’ social and environmental performance. Twenty-five pioneer funds submitted a total of two hundred portfolio companies for GIIRS ratings. Of the thirteen emerging markets focused pioneer funds, ten are ANDE members. Some of these data are also included in this analysis.

**Snapshot of SGB Performance**

Most of the companies in this dataset were founded between 2000 and 2009. Approximately two-thirds of them reported their environmental or social impact objective, of which the most common were:

- Access to energy
- Agricultural productivity
- Capacity building
- Community development
- Employment generation
- Income/productivity growth
- Sustainable energy
- Sustainable land use

Around half the companies also reported on the beneficiaries of their products or services. More than 90 percent said that their clients or suppliers were low-income or poor. More than 90 percent included rural populations, and 85 percent included minority or previously excluded populations. The majority of companies were focused in Latin America and in the agricultural sector (see figure 8).

**Figure 8: SGBs by Sector and Geography**

Around half the companies also reported on the beneficiaries of their products or services. More than 90 percent said that their clients or suppliers were low-income or poor. More than 90 percent included rural populations, and 85 percent included minority or previously excluded populations. The majority of companies were focused in Latin America and in the agricultural sector (see figure 8).

**IRIS Contributors and GIIRS-Rated Funds**

- Acumen Fund
- ACCION Frontier Markets
- African Agricultural Capital (Pearl Capital)*
- Agora Partnerships
- Bamboo Finance
- E+Co
- Grassroots Business Fund
- Gray Ghost Ventures
- Greater Capital
- IGNIA
- InReturn Capital*
- New Ventures—World Resources Institute
- Root Capital
- Small Enterprise Assistance Funds (SEAF)
- Vox Capital*

*Data not included in this analysis.

**Note:** Sector n=614, Geography n=618.
Between 2007 and 2011, 472 companies reported on earned revenue, and although the average varied widely from year to year, the median remained fairly constant, ranging from $668,836 to $911,970. Fifty-nine percent of the companies were profitable in 2010. Thirty firms also reported on new investment capital in 2010, with a median of $113,000. The total amounts of that additional capital mobilized ranged from $0 to $3.1 million (see figure 9, Financial Performance).

Using IRIS data, we are able to examine the companies’ performance on quality jobs, gender equality, and environmental sustainability. Because most companies reported data from only one year, what we see here is a snapshot of one year’s performance. In the coming years, though, we will have longitudinal data to track changes in operational impact over time.

**Figure 9: Median SGB Performance**

**Financial Performance**

- **Earned revenue**
  - $873,447 (n=209)

- **Net income**
  - $24,814 (n=112)

- **Gross margin**
  - 27% (n=62)

- **Operating profit margin**
  - 4% (n=61)

**Operational Performance**

- **Full time employees**
  - 15 (n=255)

- **Permanent employees**
  - 65 (n=86)

- **Female employees**
  - 36% (n=74; data from multiple years)

- **GHG Emissions**
  - 36 (n=27)

**Note:** The year with the most data reported is 2010, so unless otherwise noted, the following analysis is a snapshot of median performance in 2010.
The IRIS taxonomy allows nuanced reporting on full-time and part-time employees and also permanent and temporary employees. (Full-time employees work year-round, typically thirty-five to fifty hours per week, depending on local definitions; permanent employees sum the total of all full-time and part-time employees). The number of full-time employees was reported by 255 companies, for a total of 8,281. Because only 30 companies reported wages for their employees, we turned to the permanent-employee metric, for which 55 companies reported the number of permanent employees and the total value of their wages. To find an average, we divided total wages by number of employees and converted that number to purchasing power parity (PPP) dollars, for a median annual wage of $9,742 PPP. As the data set grows, we will be able to better understand the quality of those 8,000+ jobs by comparing wages across countries and sectors.

In 2010, 27 companies reported greenhouse gas emissions, for a total of 3,126 metric tons and median emissions of 36 MT. (As a comparison, the average American car emits 5 MT per year). By itself, this snapshot of emissions does not tell us much. What will happen as these companies grow? What would happen if these companies started a program to increase efficiencies? The coming years will supply those answers (see figure 9, Operational Performance).

Figure 10: Product Performance

Social Performance

<table>
<thead>
<tr>
<th>Total payments to smallholder supplier individuals</th>
<th>Women suppliers</th>
<th>Client individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>$172,942,065* (n=138, data from 2009)</td>
<td>26,748 (n=141)</td>
<td>7,252,101 (n=65)</td>
</tr>
<tr>
<td>Average payment per smallholder individual</td>
<td>Smallholder suppliers</td>
<td>Supplier organizations</td>
</tr>
<tr>
<td>$3,215* (n=138, data from 2009)</td>
<td>38,570 (n=143)</td>
<td>7,259 (n=53)</td>
</tr>
</tbody>
</table>

Environmental Performance

<table>
<thead>
<tr>
<th>Energy produced</th>
<th>Energy savings</th>
<th>Sustainably cultivated land</th>
</tr>
</thead>
<tbody>
<tr>
<td>109,612,643 kWh (n=40)</td>
<td>41,864,586 kWh (n=41)</td>
<td>224,734 ha (n=83)</td>
</tr>
<tr>
<td>ANDE SGBs produce enough electricity to run 9,424 US households for a year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ANDE SGBs save the energy equivalent of removing 566 passenger cars from the road</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ANDE SGBs cultivate an area of land equivalent to 1/10th of the United Kingdom</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In addition to their operational performance, companies also reported on the performance of their products and services. The snapshot in figure 10 demonstrates the reach of the SGBs in the communities that they target.

**Showcasing Strong Growth**

231 companies reported their earned revenue for several years, and 98 companies reported employee information for several years, giving us a glimpse of growth rates. The range of growth was wide, which is not surprising considering the variety of geographies, sectors, companies’ size and age, and business models represented (for distribution see figure 11). Top-performing companies, with growth in the top 25th percentile, reported revenue growth of 72 percent and higher and employee growth of 33 percent and higher.

Companies in the energy sector represented a disproportionally high number of top performers. Although they accounted for only 6 percent of the total sample, energy companies represented 20 percent of the top quartile, with an average revenue growth of 129 percent. Top performers were more evenly represented across regions (for breakdown by sector see figure 12).

**Figure 11: Revenue and Employee Growth Rate Distribution**

**Figure 12: Distribution of Revenue Growth Rate by Sector**

**Future Directions**

As the IRIS data set grows, the impact investing community will be able to move beyond these initial descriptions of the data to develop benchmarks by sector and region. We also will be able to take advantage of comparisons with other data sets from organizations like the World Bank, the International Labor Organization, and national statistics bureaus to better understand the sector’s position in local economies.
ANDE in 2011

Sebastian Kopulande (Zambian International Trade and Investment Centre) and Graham Macmillan (Citi Foundation) engage in a roundtable session at the 2011 Annual Conference. Photo by Saurabh Lall.
“Distinguishing small and growing businesses from micro or low-growth SMEs is critical. ANDE has offered those of us in the enterprise development field working with SGBs fellowship, education, partnership, and funding opportunities, and a common language that was virtually nonexistent prior to ANDE’s formation. ANDE’s efforts have been invaluable in carving out and building the capacity of this increasingly important ‘middle space’ in the enterprise development spectrum.”

— Jeff Jones, Program Director-MicroMentor, Mercy Corps

Membership

Like any other membership network, ANDE is only as strong as the organizations that form it, and in 2011, we got stronger. ANDE exceeded our target for membership growth in 2011, ending the year with 143 members: 52 capacity development providers, 40 investors, 24 research/academic/corporate organizations, 23 foundations, and 4 strategic partners (see figure 13).

In 2011, we gained 54 new member organizations and maintained an 86 percent member retention rate. According to our annual member survey, 87 percent reported that their organization was somewhat to highly engaged with ANDE, and 91 percent was satisfied with their membership.

Members focus on a wide range of sectors, ranging from access to finance (71 percent) to health (38 percent). Likewise, members work in every developing country in the world, with 70 percent targeting sub-Saharan Africa, 59 percent Asia, and 58 percent Latin America. Sixty-four percent are headquartered in the United States, Canada, and Europe, and 36 percent are based in emerging markets, up from 30 percent in 2010 (see figure 14).

Figure 13: ANDE Members in 2011

Data as of January 2012.
They sign a memorandum of understanding that promises “participation in key ANDE initiatives... and promoting transparency and best practice dissemination.” To encourage this knowledge sharing, ANDE has a number of initiatives in place, including a monthly newsletter, which reaches an audience of 4,000, a web-based knowledge library, and monthly sector-update calls.

According to participants, the ANDE annual conference remains the “single most effective way to meet all who matter in the SGB ecosystem.” Held from October 3 to 5 in Ellicott City, Maryland, the 2011 conference attracted 160 participants from 116 organizations and 20 countries. Matthew Bishop from *The Economist* interviewed Out of Poverty author Paul Polak during the evening keynote session. The thirty-two breakout sessions ranged from *Attracting Retail Investors* and *Innovative Models for the BoP* to *Nurturing and Retaining Talent at the SGB Level*.

**Figure 14: ANDE Members Work with SGBs Worldwide and Across Many Sectors**

**ANDE in Action**

As ANDE entered our third year of operations, we focused primarily on expanding our existing program areas. ANDE’s six primary program areas offer members the tools, resources, and connections they need to accelerate and strengthen their SGB-related efforts.

**Knowledge Sharing and Creation**

ANDE is more than individual organizations operating in silos to enhance market-based solutions to poverty; rather, we are a network of organizations devoted to working together to build prosperity in emerging markets. As one member stated, “Our relationships with several ANDE members have transformed over the past three years from market peers to true collaborators.” ANDE members agree to a code of conduct that includes a commitment to the SGB sector and the broader community of SGB support organizations.

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“This is a journey, not an event. ANDE and its members are not just about creating investments and investment vehicles, we’re creating markets. We’re all doing pioneering work, and ANDE is at the HEART of the process, catalyzing the revolution. This is by far the best conference in our space that I have attended. I had a chance to talk freely to real practitioners, interact, learn, and forge real partnerships.”

—Gabriel Rabinovici, Managing Partner, Willow Impact Investors

In 2011, ANDE created a user-friendly, web-based member portal. With our members in all time zones and roles, the investment in an interactive collaboration space was essential. The member portal provides opportunities for members to find one another, share information, and collaborate. Rolled out in the fourth quarter, the portal has received positive user feedback in its first few months of operation, with more than 85 percent of member organizations utilizing the various features. ANDE also hired a new operations associate to continually improve and manage the member portal.

ANDE’s working groups are both led and driven by our members. In 2011, ANDE had four active working groups: Capacity Development, Metrics/Research, Policy/Advocacy, and Women’s Entrepreneurship. In addition, a series of roundtables were led by member RTI International on the topic of gazelles (fast growing small businesses), which will transition into a working group in 2012.

In early 2012, ANDE established a Youth Working Group, focusing on entrepreneurs between the ages of eighteen and thirty-five, led by members Youth Business International and the Kauffman ANDE Working Groups

<table>
<thead>
<tr>
<th>Topic: Women</th>
<th>Member Lead(s): TechnoServe, Dalberg Global Development Advisors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandate:</td>
<td>Create space for members to collaborate and share best practices for supporting women entrepreneurs.</td>
</tr>
<tr>
<td>In 2011...</td>
<td>worked with the G-20 on follow up to the work they have done as part of the SME Finance Challenge and the subsequent report on strengthening access to credit for women-owned SMEs. Convened regular conference calls to share information on programs targeting women entrepreneurs. Joined with Criterion Ventures on their Women Effect Investments Initiative.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Topic: Capacity Development</th>
<th>Member Lead: FUNDES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandate:</td>
<td>Provide a forum for capacity development members to discuss innovations, best practices, and explore collaboration for providing capacity development to SGBs.</td>
</tr>
<tr>
<td>In 2011...</td>
<td>built on the taxonomy mapping that began in 2010 to develop a common set of definitions for capacity development interventions and delivery mechanisms (see figure 7).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Topic: Metrics and Research Working Group</th>
<th>ANDE Staff Lead(s): Impact Assessment Manager and Research Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandate:</td>
<td>Allow members to discuss successful practices and highlight new research and metrics tools and publications.</td>
</tr>
<tr>
<td>In 2011...</td>
<td>Held series of calls to discuss evolving tools and partnerships. Collaborated to plan Metrics Conference and share best practices.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Topic: Policy/Advocacy</th>
<th>Member Lead(s): Small Enterprise Assistance Funds (SEAF) and Mercy Corps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandate:</td>
<td>Determine the appropriate involvement ANDE should maintain with advocacy efforts.</td>
</tr>
<tr>
<td>In 2011...</td>
<td>Completed a mapping of the various players in the multi- and bilateral policy arena.</td>
</tr>
</tbody>
</table>
“While developed markets enjoy a well-worn path of ‘up-round’ private equity sources, there is little, if any, of this ‘vertical’ capital aggregation ladder for social entrepreneurs operating in underserved markets. Consequently, much of the capital formation needed to support the scaling of social enterprises will necessarily be ‘horizontal’—meaning that capital sources are much more varied than pure equity investors and may include philanthropy, ‘soft’ loans, quasi-equity, and private equity.”

—Coordinating Impact Capital, Capacity Development Fund-sponsored report by Santa Clara University

Foundation’s Global Entrepreneurship Week. The Capital Aggregation Working Group reconvened in response to the report, Coordinating Impact Capital: A New Approach to Investing in SGBs, which was published in 2011 by Santa Clara University and funded by the ANDE Capacity Development Fund.

In 2010, ANDE opened its first regional chapters in Brazil, Central America/Mexico, East Africa, and South Africa, and in 2011, we launched a chapter in India. All the chapters enable collaboration at the local level and serve as a conduit between local and global ANDE activities. ANDE held our first chapter leader day immediately after the 2011 annual conference, allowing the chapter leaders to share best practices and learn from one another (see figure 15).

Figure 15: ANDE 2011 Regional Chapter Steering Committees

Brazil
- AVINA Foundation
- Artemisia Social Business
- Endeavor Brazil
- Potencia Ventures
- Pragma Patrimonio
- Vox Capital

Central America/Mexico
- Agora Partnerships
- E+Co
- IGNIA Partners LLC
- New Ventures Mexico
- Oxfam
- PYMEcapital
- Root Capital
- RTI International
- Yo Emprededor

East Africa
- Acumen Fund
- AMSCO
- Dalberg Global Development Advisors
- E+Co
- Grassroots Business Fund
- Mara Foundation
- Rockefeller Foundation
- Root Capital
- Standard Bank
- TechnoServe, Inc.

South Africa
- AMSCO
- Dalberg Global Development Advisors
- E+Co
- Greater Capital
- Impact Amplifier
- Monitor
- RTI
- Swisscontact
- TechnoServe, Inc.

India
- Acumen Fund
- Dalberg Global Development Advisors
- Grassroots Business Fund
- ShoreBank International
- TechnoServe, Inc.
- Villgro Innovations Foundation
Spotlight on Brazil

In 2011, Brazilian private equity funds raised a record $7 billion, representing 18 percent of total new capital committed to emerging market funds. Of note, all the funds raised in Brazil in 2011 were local, representing a surge in the local Brazilian ecosystem.\textsuperscript{16} ANDE’s Brazil chapter mirrored this energy:

- # of meetings held: 10
- # of member organizations participating in meetings: 17
- # of media/event appearances: 17

Key activities in 2011:

- Mapping the Base of the Pyramid (BoP) business field: Qualitative and quantitative research conducted with 104 organizations across Brazil (businesses, investors, and capacity development providers).
- Networking events: Local members connected with one another, the ANDE global network, and other key Brazilian players.
- B-Polo.net: First online directory of the Brazilian BoP business field launched.
- NextBillion Brasil: NextBillion extended to Brazil with the establishment of a local editing team.

Collaboration:

In November 2011, Artemesia and the AVINA Foundation organized the “Start Up Lab” in Recife, with support from Potencia Ventures and Endeavor Brazil. The event, the first one of its kind in northeast Brazil, allowed fourteen entrepreneurs to present their business models to investors and potential partners.

“\textit{The ANDE Chapter creates knowledge for and about the sector, attracting new organizations and helping to build an ecosystem for SGBs focused on social and environmental impact. More of these SGBs will thus be created and nurtured, generating more impact and helping to transform Brazilian society.}”

—Daniel Izzo, Co-founder, VOX Capital

Photo by John-Michael Maas/Darby Communications, Brazil.
Talent Development and Training

In 2011, ANDE continued to offer two main training programs—Orientation Training and Investment Manager Training—to strengthen the skills of both those new to the sector as well as seasoned fund managers. Once again, we held our annual Orientation Training at the McKinsey & Company offices in New York City. Sixty attendees from twenty-five organizations participated in the two-day introduction to the sector, which included an overview of deal structuring, various member models, and a live case study. Ninety-one percent of the participants found this training useful and would recommend it to others.17

Also in 2011, ANDE held two Investment Manager Training sessions, one each in Mexico and India. In total, thirty-nine participants from more than thirty organizations participated in the five-day course designed to enhance the skills of fund managers and capacity development providers to facilitate investments in SGBs. Ninety-seven percent of the respondents ranked the training as effective or very effective, with one participant remarking, “The course provided great insight into the investment process for social businesses. The caliber of participants was extremely high, and various perspectives were represented from equity investors to debt investors to capacity-building organizations.” Another participant added, “The quality and diversity of the participants provided a great opportunity to share experiences and challenges that I face in the day-to-day operation.”

Metrics and Evaluation

In addition to continuing our partnership with IRIS and GIIRS, we held our third Metrics and Evaluation Conference in June 2011 at our headquarters in Washington, DC, at which we discussed the challenges of measuring the impact of investing in SGBs. The more than ninety participants also attended panels illustrating tools like IRIS, GIIRS, and Pulse, which create the infrastructure to accurately measure the impact of the SGB sector.

Research

In May 2011, ANDE received a grant from the Rockefeller Foundation to establish a research initiative to help build an evidence base for ANDE’s core theory of change: that supporting SGBs in developing countries leads to greater prosperity for the poor. We hired our first research director and raised additional funding from the Bernard van Leer Foundation. The remainder of 2011 was spent developing a multipronged research strategy to tackle this core research question, conducting an audit of existing member research initiatives, and spearheading a literature review to summarize the existing evidence base. The full literature review can be found online at http://as.pn/andelitreview.

Capacity Development Fund

The ANDE Capacity Development Fund (CDF) began in 2009 as a $1 million regranting facility to support members in inter-organizational collaboration and capacity building. In 2009 and 2010, the Fund disbursed $982,146 for fifteen proposals. In 2011, the CDF was replenished with $350,000 from the Citi Foundation and the Lemelson Foundation, and in October, the fund

CDF By the Numbers

- 24 proposals funded
- $1,331,184 disbursed
- 34 member organizations involved
commissioned a detailed mapping exercise of the organizational structures and leading decision makers for the major international development agencies based in Washington. A focus of our discussions with the leading development finance institutions has been the importance of supporting further research on SGBs that examines their ability to create prosperity. We will continue to meet as a group in 2012 and consider areas of joint action, with an emphasis on identifying initiatives that could be coordinated with our regional chapters.

Advocacy and Education

ANDE’s Policy and Advocacy Working Group launched in 2011 with the goal of better coordinating members’ policy efforts. The group initially concentrated on identifying areas of common interest and action. In addition, ANDE awarded $349,038 to nine winners. This third round emphasized funding proposals with the potential to alleviate human capital constraints (for the complete list of third-round winners, see the appendix).
• Mobile Transactions International (Mobile Transactions Zambia Limited, MTZL) envisions a cashless Africa, where organizations from all sectors can transact with the unbanked mass market easily, quickly, and safely. Launching in Zambia, where more than 80 percent of adult income-earning people are unbanked, MTZL connects its customers to the mass market using mobile technology and a countrywide agent network. The Grassroots Business Fund invested in MTZL so the company could generate the revenue needed to raise the next round of financing, providing direct capacity development services in the process. Then two other ANDE members—Accion International and Omidyar Network—invested $3.2 million in Mobile Transactions, marking the first venture capital deal in a Zambia-based start-up technology company. Today, MTZL has made $1.5 million in banked payments and has issued more than 300,000 e-vouchers worth $6 million for transactions across thirty districts.

• Until 2008, Gulu had been the epicenter of the Lord’s Resistance Army war of terror on the people of northern Uganda. Then, when the farmers returned to their land, they desperately needed support for basic farming operations and for a market to sell their produce. The Gulu Agricultural Development Company worked to put a local ginnery back to work, but in the second year of operations, it required a line of credit to buy seed cotton from 40,000 farmers. Acumen Fund and Root Capital teamed up to create a $2.2 million loan facility for the Gulu Agricultural Development Company, enabling it to pay farmers cash for cotton and to grow organic sesame seeds as an additional crop for cash income.

• To strengthen the pipeline of African-led businesses, the Africa Enterprise Challenge Fund (AECF) contracted the Global Village Energy Partnership (GVEP) to provide capacity development services to local East African applicants to its Renewable Energy and Adaptation to Climate Technologies (REACT) competition. In 2011, GVEP provided advisory services to fifteen local applicants during the application phase, advised the AECF team on its findings from the application phase work, and continued to explore with the AECF ways to refine its engagement with businesses in the upcoming business-planning phase. GVEP will work with the short-listed applicants in the preparation of business plans when the investment committee has been completed its short list. After the competition, GVEP will offer the REACT winners general business development advice and support.

• Since July 2011, Fundación Capital and the Ford Foundation have been working together to support SGBs throughout Latin America. Managed by Fundación Capital and financed by the Ford Foundation, the Little Big Money project adapts traditional market mechanisms to enable the development of SGBs through the flow of information, capital, and capacity development between businesses and investors. The project is launching a virtual platform for investment targeted to SGBs in Colombia, Bolivia, and Peru. By linking investors with low-income entrepreneurs, Little Big Money will give investors an opportunity to earn significant returns while directly supporting SGBs with both capital and capacity development services.
A Mobile Transactions Zoona Kwacha Agent where individuals sending and receiving money go to make and collect payment.

In 2011, Mobile Transactions was named ‘Best Mobile Money Start-Up in Africa’ by Mobile Money Africa.

Photo by Sara Taylor.
The Coming Year

A toolmaker at Dramco Tooling CC, a South African company supported by Swisscontact, works on a thermo-folding mold. Photo by John-Michael Maas/Darby Communications.
Over the next year, ANDE will be focused on “Making the Case” for SGBs. Through our existing programs, ANDE will continue to expand and strengthen our membership. We will also commence new activities aimed at demonstrating the value of SGBs in building prosperity in emerging markets.

In 2012, ANDE will maintain all current activities, including the annual conference, working groups, metrics conference, impact assessment advisory efforts, orientation and investment manager training, Capacity Development Fund, and responsive policy and advocacy work. In addition, ANDE will focus more resources on four areas:

- **Regional Chapters:** ANDE will work with the existing five chapters’ steering committees to contract full-time coordinators. The coordinators will offer an on-the-ground presence to support the implementation of global ANDE initiatives and locally developed projects.

- **Research:** We recognize the need to develop a more comprehensive research agenda that builds on the evidence base and measures the impacts of SGBs on poverty. ANDE will participate in ongoing research efforts through the ANDE Research Development Fund which will support two primary research areas:
  - Rigorous impact evaluations of jobs or services provided by SGBs, comparing them with other sources of employment and service delivery.
  - The development of matched firm-employee data sets to better understand how firm and individual factors affect job mobility and poverty alleviation at the household level.

Through this initiative, we expect to increase academic research on the impact of SGBs by overcoming some of the obstacles noted by researchers. We hope that the research produced through this initiative will inform and influence impact investors, policymakers, development finance institutions, and foundations on maximizing the social benefits of their investments and grants.

- **Corporate Outreach:** In 2012, ANDE will deepen our engagement with the corporate sector, especially large multinational corporations that rely on value chains in developing economies and banks that serve, or are considering serving, SGBs in emerging markets. We are convinced that over the long term, the private sector, rather than the development community, will provide the majority of resources to support SGBs. We believe that ANDE can help promote SGBs as partners in corporate supply chains and as an attractive market opportunity for banks.

- **Communications:** ANDE will become a more active advocate for SGBs to key constituents in the corporate, investment, banking, philanthropic, and policy arenas through an expanded communications effort. In 2012, this will include identifying key influencers and developing communications tools to make the case for supporting SGBs. ANDE intends to build the elements of a “SGB narrative” that can be used with different audiences. In addition, we will update and promote the use of the ANDE member communications tool kit, which is aimed at helping members develop their own communications strategies consistent with ANDE’s principles.
Endnotes


5. Ibid.


10. n = 33.

11. n = 39.


13. n = 13.

14. n = 123.

15. n = 135.


17. n = 56.
## Appendix

### Grantees of the 2011 Capacity Development Fund

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Members Involved</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building a Knowledge Market through a Time Credit Facility</td>
<td>Oxfam GB, Yo Emprendedor, New Ventures Mexico, IGNIA, Oxfam America, Root Change, RTI Consulting</td>
<td>A regional “knowledge market” will be created in Central America/Mexico through the development of a prototype Time Credit Facility and Logistics Fund. This will ensure a liquid market for the exchange of human capital between organizations, a logistics fund to reduce transaction costs, a broker to bring together supply and demand, and an audit to analyze the potential availability of human capacity. See <a href="http://www.knowledge-market.info">www.knowledge-market.info</a>.</td>
</tr>
<tr>
<td>Capacity Development and Investment Readiness for Social Businesses</td>
<td>Dasra, Village Capital, International Finance Corporation (IFC), Villgro</td>
<td>The Dasra Social Impact program will be refined, creating modules and a train-the-trainer capacity that will enable intellectual capital to be shared.</td>
</tr>
<tr>
<td>Management Best Practices Training for the Social Sector</td>
<td>Acumen Fund, Root Capital</td>
<td>A three-day training program and train-the-trainers for managers will be conducted in Kenya, India, Costa Rica, and the United States.</td>
</tr>
<tr>
<td>Feasibility Assessment and Structuring of Africa Talent Fund</td>
<td>D. Capital (Dalberg Group)</td>
<td>A feasibility assessment will be undertaken for the Africa Talent Fund, a new concept for developing and structuring a dedicated pool of capital used to stimulate potential middle-management and top-management talent to take senior-level positions in African SGBs.</td>
</tr>
<tr>
<td>Developing and Assessing an Impact Measurement Curriculum for SGBs</td>
<td>B Lab/GIIRS</td>
<td>An easy-to-use impact measurement curriculum will be developed for SGBs to educate and raise awareness of companies regarding social and environmental best practices and standards. Best-practice guides and templates will be produced, covering the five impact areas: governance, workers, community, environment, and consumer.</td>
</tr>
<tr>
<td>GII-MAP: A Global Resource for Mapping the SGB Ecosystem</td>
<td>Root Change</td>
<td>A collaborative platform will be created to map the key actors embedded within the impact investing space, including funders, investors, capacity development providers, consultants, researchers, and SGBs. Organizations will create visual maps of their social, professional, and business networks, backed by analysis-derived statistical metrics.</td>
</tr>
<tr>
<td>Direct Beneficiary Social Metrics Capture Using Mobile Technology</td>
<td>Grassroots Business Fund, Acumen Fund</td>
<td>A web-based survey platform, mSwali, will be developed that uses mobile phone technology to transform data collection at the end of the social metrics chain of accountability between social enterprises and beneficiaries. A pilot program with SGBs will use the Progress Out of Poverty Index survey.</td>
</tr>
<tr>
<td>Knowledge and Human Capital Platform</td>
<td>IGNIA</td>
<td>A complete platform for impact investment firms to structure knowledge sharing and increased collaboration among team members will be designed and shared.</td>
</tr>
<tr>
<td>Making Financial Literacy Capacity Building Sustainable</td>
<td>TechnoServe, Inc.</td>
<td>The creation of the Keys to Financial Success program—an financial literacy training for SGBs and farmers’ groups—will be used to improve and institutionalize a tool kit to train more trainers and improve quality.</td>
</tr>
</tbody>
</table>
IRIS Data

Standardizing the IRIS Data

• **Annualizing:** Any data included in a format other than a twelve-month reporting period were converted into an annual figure by following the data protocol established in the IRIS Data Driven Report. Out of 1,238 records, 178 went through this process.

• **SGB Limit:** Those companies that reported more than 250 full-time employees did not meet the SGB definition and so were excluded from the data set.

• **Location:** Those companies that did not include at least one location in the developing world (including the location of the organization’s operating facilities, the location of the organization’s headquarters, clients’ locations, and suppliers’ locations) were excluded from the data set.

The data analysis presented in this report is compliant with the IRIS Anonymity Policy. We did not report a data point with fewer than seven companies contributing or data points with sources from fewer than two intermediaries. The following table lists all the IRIS indicators reported in this analysis.

<table>
<thead>
<tr>
<th>IRIS ID</th>
<th>Indicator Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>FP1301</td>
<td>Net Income</td>
</tr>
<tr>
<td>FP4373</td>
<td>Gross Margin</td>
</tr>
<tr>
<td>FP4761</td>
<td>Revenue Growth</td>
</tr>
<tr>
<td>FP5958</td>
<td>Earned Revenue</td>
</tr>
<tr>
<td>FP7897</td>
<td>Operating Profit Margin</td>
</tr>
<tr>
<td>FP8293</td>
<td>New Investment Capital</td>
</tr>
<tr>
<td>OD1777</td>
<td>Location of Organization’s Operating Facilities</td>
</tr>
<tr>
<td>OD4108</td>
<td>Environmental Impact Objectives</td>
</tr>
<tr>
<td>OD6247</td>
<td>Social Impact Objectives</td>
</tr>
<tr>
<td>OD6855</td>
<td>Location of Organization’s Headquarters</td>
</tr>
<tr>
<td>OI1479</td>
<td>Greenhouse Gas Emissions</td>
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<tr>
<td>OI2444</td>
<td>Permanent Employees: Female</td>
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<td>PD1516</td>
<td>Product/Service Detailed Type</td>
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<td>Client Locations</td>
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<td>Product/Service Type</td>
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<td>PD4565</td>
<td>Supplier Locations</td>
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<td>Target Beneficiary Demographic</td>
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<td>Target Beneficiary Setting</td>
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<td>PI1492</td>
<td>Payments to Supplier Individuals</td>
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<td>PI4060</td>
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<td>PI5350</td>
<td>Supplier Individuals</td>
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<td>PI7623</td>
<td>Energy Savings</td>
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<td>PI8706</td>
<td>Energy Produced</td>
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<tr>
<td>PI9991</td>
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</table>
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