

2019 REPORT



STATE OF THE SMALL & GROWING BUSINESS SECTOR



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AUTHORS AND ACKNOWLEDGEMENTS

Research Team

Victoria Hume, ANDE

Abigayle Davidson, ANDE

Matthew Guttentag, ANDE

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Support for this report

The Global Inclusive Growth Partnership: Building the SGB Support Ecosystem for 2020 and Beyond

This report highlights both the progress and continued needs of the SGB support ecosystem in emerging markets in 2019. Now, in the midst of the COVID-19 pandemic, this support ecosystem will be more important than ever as SGBs, capacity development organizations, and investors all face social and economic headwinds.

ANDE is excited to be joining a range of programs in the Global Inclusive Growth Partnership (GIGP), a collaboration between the Aspen Institute and the Mastercard Center for Inclusive Growth. The Global Inclusive Growth Partnership (GIGP) is a multi-year initiative that combines the expertise and networks of both the Institute and the Center to address income and information inequality through the lens of inclusive growth.

As part of this partnership, ANDE will map out entrepreneurial ecosystems across emerging markets, develop a series of convenings and communications campaigns to highlight the needs of SGBs and potential SGBs in these markets, and conduct deep-dive research into how SGBs and their supporters are coping with the COVID-19 crisis.

LETTER FROM THE EXECUTIVE DIRECTOR

Dear colleagues,

These are turbulent times. Millions of people have been infected with COVID-19 worldwide, while governments struggle to balance public health precautions and economic activity. Demonstrations for long-awaited and much-needed racial justice in the United States have spread throughout the world. Our social and economic realms are in a state of upheaval.

Throughout emerging markets, small and growing businesses (SGBs) are confronting this disruption and fighting for their survival. So too are the intermediaries – the accelerators, advisors, training institutions, and investment firms – that support them.

Over the past decade at ANDE, we have learned how important SGBs and entrepreneurial support organizations are to economic prosperity in emerging markets. These firms are the job-creating backbone of most economies. SGBs also offer a mechanism to promote social equity. They are found in rural and urban areas; in poor and rich countries; in the Global South and Global North. Enterprises and the jobs they create represent a pathway out of poverty and towards the dignity of decent work and a steady income.

Starting or working at a business is not the antidote to the various “isms” that damage our societies, but it can help. As entrepreneurs, women are able to demonstrate abilities outside of homemaking, gaining the respect of their spouses and families. In building business networks, people of different races, creeds, and circumstances are forced to interact, which can break down preconceived notions or prejudices.

It is critically important for developing world economies that many SGBs survive. As this report shows, the SGB sector in emerging markets was advancing in 2019, with at least 85 new investment vehicles launched, a set of major donor initiatives deploying hundreds of millions of dollars of catalytic grant capital, and new research furthering the field's knowledge on the best ways to support SGBs. However, the COVID pandemic stunted this progress. By April 2020, ANDE surveys showed that approximately 40% of developing economy SGBs and up to a third of the capacity development providers were in danger of failing within six months.

In the initial wake of the COVID pandemic, ANDE moved quickly to ensure the health and safety of our team and allow for the ongoing operations of the organization. We then shifted our focus to supporting our members and the broader emerging market SGB sector by compiling and sharing COVID-response resources, hosting peer-to-peer learning sessions, and publishing an issue brief on sector needs and potential responses. We are now actively promoting the establishment of an SGB Sector Recovery Fund focused on intermediaries in entrepreneurial ecosystems.

While our world may be irrevocably altered—hopefully for the better in some ways—ANDE's long-term strategy has not changed. We continue our mission to provide services to our network members and the broader SGB sector. We continue to believe that our focus on sustainable development goals related to decent work, gender equality, and environmental sustainability makes sense, as they are deeply interconnected with the present push for social and economic change.



Randall Kempner
Executive Director



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WHAT IS ANDE?

The Aspen Network of Development Entrepreneurs is a global network of organizations that propel entrepreneurship in emerging markets. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs will create jobs, stimulate long-term economic growth, and produce environmental and social benefits. Ultimately, we believe that SGBs can help lift countries out of poverty.

EXECUTIVE SUMMARY: THE SGB SECTOR IN 2019 AND BEYOND

2019 saw a variety of positive trends for the small and growing business (SGB)¹ sector in emerging markets. A wide range of investment vehicles were launched with capital available for early-stage ventures, major new research emerged around best practices for capacity development support, and both public and private donors launched catalytic new initiatives. As the sector adjusts to the COVID-19 pandemic in 2020 and beyond, it is important to consider the progress made in 2019 as donors, investors, and intermediaries implement strategies to preserve these gains.

In 2019, ANDE members continued to provide critical support for SGBs, building capacity for over 190,000 SGBs around the world. Capacity development delivered by ANDE members in 2019 focused largely on business strategy and planning support and creating access to networks and partners for SGBs. This was primarily delivered through classroom or seminar training paired with tailored or one-on-one support, though with the implementation of social distancing in 2020 many of the services members provide are shifting online.

ANDE identified 85 new SGB-inclusive investment vehicles providing capital for SGBs in Africa, Latin America, and South and Southeast Asia, with median target assets under management (AUM) of \$35 million and committed capital to date of at least \$2.9 billion. These vehicles enter the market amid a significant new push of donor funding to provide “catalytic capital,” which aims to support the infrastructure necessary for SGBs to access private capital efficiently through a combination of philanthropic and private resources. There were at least three major catalytic capital activities launched in 2019, with a combined funding pool of \$329 million, representing a success for organizations that have been pushing for this type of blended approach. The role of catalytic capital will only increase as private investors reconsider their own strategies and expectations in light of COVID-19 and its consequences.

With respect to bilateral and multilateral donor funding, a greater portion of enterprise support funds were directed towards Latin America and the Caribbean in 2019 than in previous years, and support fell slightly in the Middle East and North Africa, South Asia, and Europe and Central Asia. With 2020’s donor shift towards COVID-19 response, it remains unclear how bilateral aid organizations will adjust their programs to address the enormous needs faced by SGBs due to the pandemic.

This report provides a retrospective summary of key developments and trends in the sector in 2019, and relevant insights based on initial data and emerging information on the potential impact of the COVID-19 pandemic on those trends.

1

Small and Growing Businesses (SGBs) are defined by ANDE as commercially viable businesses with five to 250 employees that have significant potential, and ambition, for growth. Typically, SGBs seek growth capital from \$20,000 to \$2 million. SGBs differ from the more traditional characterization of small and medium enterprises (SMEs) in two fundamental ways. First, SGBs are different from livelihood-sustaining small businesses, which start small and are designed to stay that way. Second, unlike many medium-sized companies, SGBs often lack access to the financial and knowledge resources required for growth.

PART 1

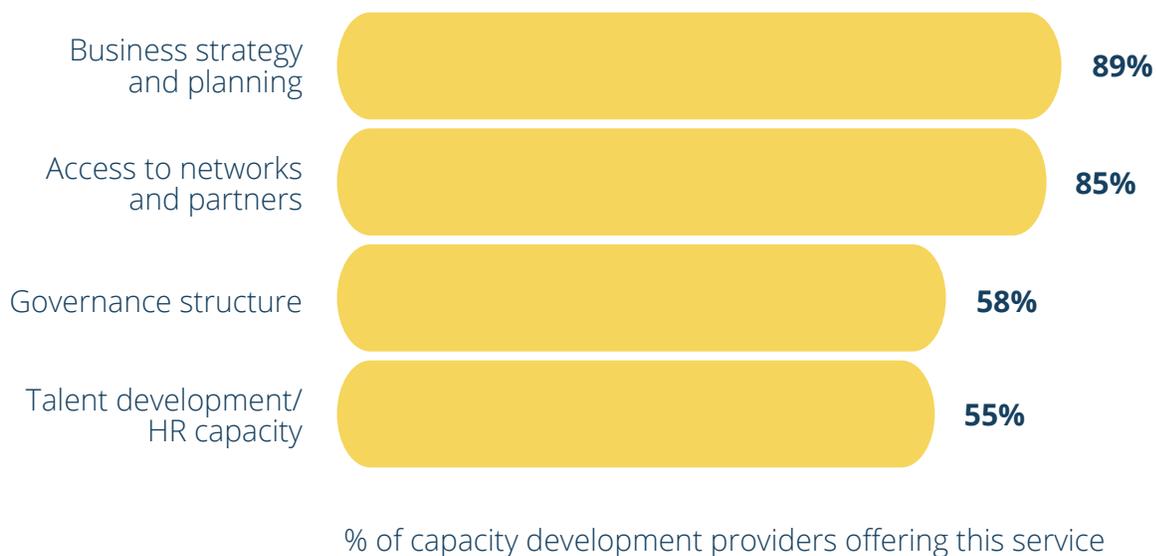
SGB SECTOR SNAPSHOT



CAPACITY DEVELOPMENT IN 2019

Building the capacity of SGBs in emerging markets has been a core focus of the ANDE network over the past decade: capacity development providers make up the largest portion of ANDE's membership (42%). These members supported over 190,000 SGBs in 2019 through a variety of services, including business strategy and planning support, access to networks, governance structure support, talent development, and human resources capacity building (Figure 1).

Figure 1: Top four capacity development services provided by ANDE members in 2019



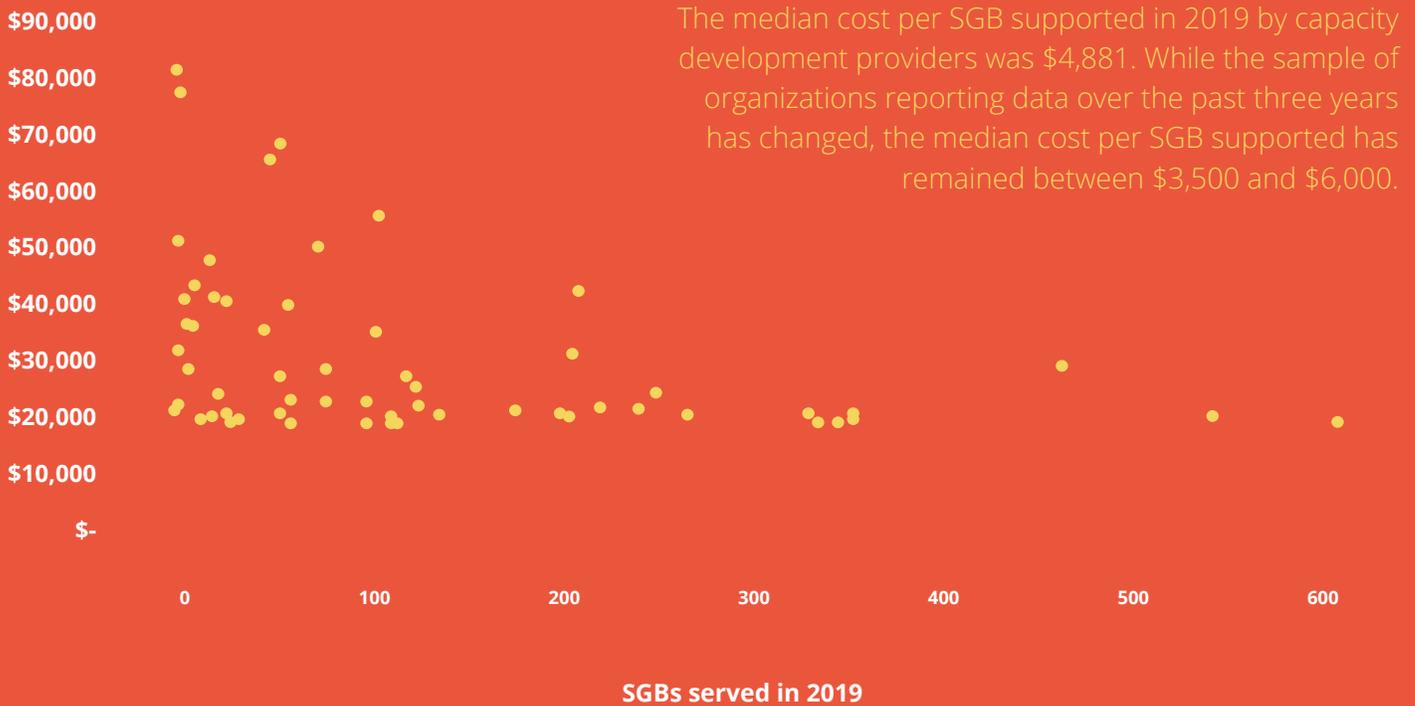
Source: ANDE 2019 Impact Survey (N=102)

These services were most often delivered through classroom and seminar training with 74% of respondents leveraging classroom training in their efforts. While the proportion of members using some sort of classroom or seminar training continues to grow, almost 75% of members combine this with one-on-one mentorship, consulting services, or both. This practice is supported by recent research showing that standardized information delivery without additional personalized support is less effective in transferring knowledge to entrepreneurs.² These mechanisms are also equally common among capacity development providers regardless of the volume of ventures they support. In response to the need for greater consistency and quality of training programs, the International Finance Corporation (IFC) has recently released its new Principles for Learning and Guide to Training SMEs in

emerging markets.³ These guides will be part of a larger effort to drive adoption of best practices in SGB training programs; however, more research is needed to ensure that the practices outlined in these sorts of tools and trainings are based on strong evidence.

Mentorship was the second most common support mechanism, offered by 68% of capacity development providers. Mentorship has consistently been a popular support mechanism among ANDE capacity development providers, with an average of 70% of members offering mentorship services over the past three years. Recent research supports the efficacy of mentorship programs in driving SGB growth: a study among Kenyan entrepreneurs found that having a local mentor from the same community resulted in, on average, a 20% increase in short-run profits.⁴ However, not all mentorship structures are equally effective, as mentor characteristics seem to play a critical role in the impact of the engagement. A review of relevant research by the Argidius Foundation concluded that guidance from mentors with successful entrepreneurship experience tends to be more seriously considered and valued by entrepreneurs, regardless of whether the engagement is formal or informal.⁵ While the evidence base around SGB mentorship continued to progress in 2019, there remain a variety of unanswered questions around how to structure mentorship programs and make effective matches, representing a high-potential area for research to support the sector in coming years.

Figure 2: Cost per SGB supported in 2019



Source: ANDE 2019 Impact Survey (N=62)

3 “SME Capacity Building – Local Advisory Services Program.” International Finance Corporation: SME Finance.
 4 Czibor, E. (2019). “Business mentoring - How strong is the evidence?” Nesta.
 5 (2019). “Networking Works: Peer-to-peer business networks help Small and Growing Businesses grow revenues and create jobs.” Argidius Foundation.

A key value that capacity development organizations offer to SGBs is access. By maintaining a network of investors and understanding of market needs and supplier conditions, these capacity builders can reduce friction between SGBs and important individuals and groups. In 2019, nearly three-fourths of capacity development providers in the ANDE network focused on linking SGBs to new markets and customers, with a similar percentage facilitating access to investors.

Table 1: Top market linkage and investment services provided in 2019

Top 3 Market Linkage Services	Top 3 Investment Services
Access to new markets/customers (72%)	Access to investors (72%)
Meeting product standards (40%)	Pitch readiness (60%)
Access to materials (32%)	Access to information/research (59%)

Source: ANDE 2019 Impact Survey (N=102)

The proportion of ANDE members that employ pitch competitions in their support strategy has remained steady for the past three years around 30%. However, new research on investment facilitation suggests that support organizations should be providing connection points that go beyond pitch competitions and instead include more time to build stronger relationships with investors.⁶ This may be particularly important for supporters focused on earlier-stage SGBs, the so-called “striver” category,⁷ who may need initial tranches of smaller amounts of capital before being ready to pitch for larger funding rounds.

BOX 1

GENDER AND CAPACITY DEVELOPMENT PROVIDERS

61% of capacity development providers have an explicit gender focus reflected in their programming, the largest proportion of any organization type in ANDE’s membership. Among those that focus on gender, the majority do so by seeking to support SGBs or entrepreneurs with strong gender diversity records, which includes strong policies and programs, diverse boards and management, or work/life balance programs. Only 15% of capacity development providers with a gender focus use restrictive screens to avoid working with SGBs or entrepreneurs with poor gender diversity records, such as weak policies, poor supply chain safety records, or involvement in an industry seen as harmful to women. Data from previous years show that organizations consistently seek to identify and support SGBs with a positive gender record, but less often prioritize avoiding working with SGBs with negative impacts on women.

The difficulties still faced by women entrepreneurs in many emerging markets is highlighted in the 2019 Mastercard Index of Women Entrepreneurs; outside of Asia, most emerging markets continue to receive low scores on the advancement of women’s outcomes.⁸

The positive advancements of women’s outcomes in Asia Pacific may be explained by the positive perception of entrepreneurship as a career, leading more women to pursue their own ventures.⁹

Notable efforts to test and scale capacity development focused on women entrepreneurship in 2019 included ANDE’s Advancing Women’s Empowerment Fund, supported by USAID and the Visa Foundation, which aims to support women entrepreneurs in emerging markets. In its first phase, the initiative will distribute \$1.2 million in funding to pilot, test, or expand scalable solutions that tackle the financing gap for women-led SGBs in South and Southeast Asia and share learnings that ANDE will disseminate through its network.

6 Kempner, R., Roberts, P. (2017). “Startup Accelerators Have Become More Popular in Emerging Markets – and They’re Working.” Harvard Business Review.

7 Strivers are defined as “enterprises with two to ten employees, operating in a fast-growing market segment and with the capability and ambition to push for greater market share and grow their business.” (Mastercard Center for Inclusive Growth)

8 (2019). “Mastercard Index of Women Entrepreneurs 2019.” Mastercard

9 Ibid.



Capacity Development Looking Forward

The need for capacity building for SGBs has only grown more acute with the onset of the COVID-19 crisis. In ANDE's survey of 488 SGBs in emerging markets in March-April 2020, over half rated technical assistance on accessing relief funds and pivoting their business model as "extremely" or "very" important to their survival and recovery during the pandemic – nearly the same percentage that gave these responses on the need for emergency debt financing.¹⁰

Technical assistance has been shown to be effective in past crises: During Nicaragua's 2018-2019 social conflict, the country's business chamber estimated that 40-50% of small business failed. However, 87% of those that participated in the Impulsa Tu Empresa program—a program by TechnoServe and the Argidius Foundation that provided business planning, mentorship, gender training, and training on access to capital—were able to stay in business.¹¹

However, capacity development providers are facing challenges of their own during this crisis, including financial constraints that have led 34% of capacity development providers surveyed by ANDE to downsize their operations.¹²

Still, many are finding ways to continue providing services to help SGBs weather the pandemic. 65% of capacity development providers have already invested in new programming, and nearly 80% have modified their existing programming to directly address the crisis. Many of these operational pivots have focused on digitizing support services to make them accessible during social distancing. When ANDE members reflected on their 2019 activities in January 2020, 36% of capacity development providers reported delivering services through online or mobile training. This is an increase relative to previous years, and with the onset of restrictions due to COVID-19, it is very likely that this proportion will increase dramatically. When responding to ANDE's survey in March-April 2020, many members indicated digitizing their services in the next few months as a high priority, given numerous government mandated shelter-in-place orders being enforced globally. Going forward, it will be important to assess the extent to which digital services maintain the same level of value for SGBs.

10 (2020). "The Small and Growing Business Sector and the COVID-19 Crisis: Emerging Evidence on Key Risks and Needs." ANDE and Dalberg.

11 Bettosini, A., Thomas, J.C. (2020). "How to Support Entrepreneurs in the Time of Coronavirus." TechnoServe.

12 ANDE COVID-19 Member Needs Survey March-April 2020

The crisis may also exacerbate issues related to gender equity in SGBs. UN Women's *The First 100 Days of COVID-19 in Asia and The Pacific* report examines various indicators and finds that "gender inequalities and discriminatory social norms that existed in all countries before the pandemic [will be] exacerbated in this crisis."¹³

Women account for 57% of part-time employees in emerging markets, according to the International Labor Organization,¹⁴ making them more vulnerable to the repercussions of downsizing. They are also overrepresented in sectors that are most vulnerable to the crisis, including "manufacturing, textile and garments, care services, hospitality and tourism."¹⁵

Additionally, women tend to be responsible for a majority of unpaid housework and caregiving, limiting their ability to adapt to various work conditions due to the crisis (such as working from home).

Support organizations that target women will have the added challenge of understanding how to support SGBs in the coming economic crisis through a gender lens. Data from the Global Accelerator Learning Initiative's (GALI) survey of entrepreneurs and their experience during COVID-19 show that a greater proportion of women-led SGBs have had to temporarily suspend their business operations compared to men-led ventures (46% vs. 39%).¹⁶

BOX 2

DIGITIZATION, STRIVERS, AND SGB GROWTH

With restrictions on social distancing, the need for digitization of services will also continue to grow in importance. This will likely be particularly important for the sub-segment of SGBs that are particularly small and nascent and only beginning their growth journey, sometimes referred to as "strivers." Recent research from Mexico shows that strivers have underutilized the use of mobile technology for business,¹⁷ a finding also reflected in assessments of small businesses in India.¹⁸

Altogether, through digitization there is a possibility to unlock \$100 trillion in value for businesses and society in general over the next ten years.¹⁹

For example, a new partnership between Mastercard and Accion is focused on accelerating the transformation of strivers to the digital realm by providing a suite of technology, training, and services.²⁰

In addition, ANDE's upcoming partnership with the Financial Access Initiative at New York University will be developing "SGB Diaries" to help understand the day-to-day decision making processes of SGBs, which will shed additional light on how SGBs approach and are impacted by digitization. As the fallout of COVID-19 continues to ripple through the world, scaling up digitization represents an increasingly important pathway for SGB support.

13 (2020). "The First 100 Days of COVID-19 in Asia and The Pacific: A Gender Lens." UN Women.

14 Durant, I. (2020). "COVID-19 requires gender-equal responses to save economies." United Nations Conference on Trade and Development.

15 (2020). "The First 100 Days of COVID-19 in Asia and The Pacific: A Gender Lens." UN Women.

16 (2020). "The Small and Growing Business Sector and the COVID-19 Crisis: Emerging Evidence on Key Risks and Needs." ANDE and Dalberg.

17 (2018). "Micro Entrepreneurs in Mexico: Profiling Motivations and Preferences." Berkeley University of California, Institute for Business & Social Impact.

18 Eskesen, A. (2018). "How to Move India's Small Merchants toward Digital Financial Services." Mastercard Center for Inclusive Growth.

19 (2019). "The Role of a Market Organizer in Advancing Financial Inclusion." Mastercard.

20 (2018). "Mastercard and Accion Partner to Unlock Growth for Millions of Underserved Microbusinesses around the World." Accion.

SGB-INCLUSIVE INVESTMENT IN 2019

Investors are the second largest organization type among ANDE members, representing just under one-fifth (18%) of the ANDE network. These organizations provide critical early-stage capital to SGBs in markets in which investment vehicles focused on this stage remain scarce. In 2019, ANDE identified 85 new investment vehicles specifically targeting SGBs, with a median target AUM of \$35 million and total committed capital of over \$2.9 billion.²¹

In addition to the launch of these traditional investment vehicles, 2019 also saw a notable focus on the role of catalytic capital in supporting the SGB ecosystems, in particular with the announcement of the Catalytic Capital Consortium, an initiative of the MacArthur Foundation and strategic partners The Rockefeller Foundation and Omidyar Network. Organizations providing this capital aim to build the necessary infrastructure and markets that create conditions for return-seeking investments to more easily address the “missing middle” funding gap that SGBs in emerging markets face – helping take the “strivers” at the smallest end of the SGB spectrum and provide a capital pathway for growth.

“ CATALYTIC CAPITAL IS A SUBSET OF THE FULL CONTINUUM OF CAPITAL. CATALYTIC CAPITAL IS INVESTMENT CAPITAL THAT IS PATIENT, RISK-TOLERANT, CONCESSIONARY, AND FLEXIBLE IN WAYS THAT DIFFER FROM CONVENTIONAL INVESTMENT. IT IS AN ESSENTIAL TOOL TO BRIDGE CAPITAL GAPS AND ACHIEVE BREADTH AND DEPTH OF IMPACT, WHILE COMPLEMENTING CONVENTIONAL INVESTING. IT CAN TAKE THE FORM OF DEBT, EQUITY, OR GUARANTEES.

The Catalytic Capital Consortium, MacArthur Foundation

In addition to the Consortium, other notable new initiatives focused on catalytic capital launched in 2019 include:

- + The African Development Bank's \$270 million fund targeting “intermediaries that finance social businesses” and “grants for technical assistance.” This fund was designed with the specific objective of targeting the “missing middle” funding issue that SMEs and SGBs face by providing intermediary investors funds to reach these enterprises.²²
- + The United Kingdom's Department for International Development (DFID) boosting its investing arm, Financial Sector Deepening Africa Investments (FSD), with a \$110 million injection of funds aimed at “increasing access to finance and basic services, while strengthening local financial markets.” The funds have the “unique investment mandate to take the early-stage risk when investing in African financial intermediaries that could yield high economic and social impact but require patient capital to demonstrate commercial returns.”²³

21 Although this is an increase relative to previous years, this is likely due to changes in our research strategy. For more details on the changes made to our methods for identifying new investment vehicles, please refer to the Methodology section.

22 Patton, A. (2019). “African Development Bank to launch \$270m fund for social impact investors.” Pioneers Post.

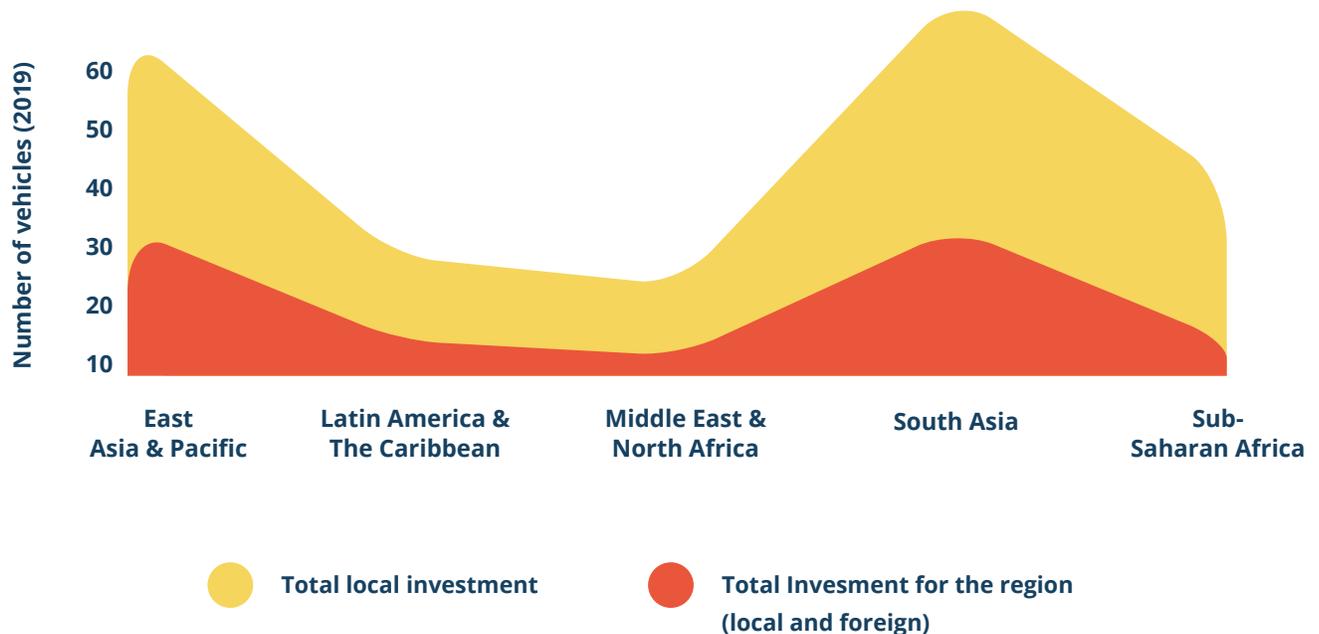
23 Edwards, S. (2019). “Inside DFID's £90M investment in FSD Africa.” Devex.

- + Omidyar Network partnering with eight organizations, half of which are ANDE members, to pool \$12.5 million in grant capital to launch the Tipping Point Fund (TPF). “TPF will invest in the core market infrastructure needed to scale impact investing with integrity.”²⁴

This concerted effort by major government and private actors to bolster local financial markets is a response to the identified need to unlock new sources of capital for SGBs in emerging markets. And this effort seems to be paying off: of the 85 new investment vehicles

identified in 2019, a majority (53%) of the managing organizations are based in an emerging market (Figure 3). This is still uncommon in some regions, particularly sub-Saharan Africa, where only 30% of organizations are headquartered in the region (the remaining 70% are based elsewhere but are active in the region).²⁵ While deploying local capital is not necessarily a prerequisite to successfully generating impact, research shows that local investment networks are well-positioned to identify the highest-impact opportunities and “direct capital flows to where they are most needed.”²⁶

Figure 3: Local investment fund management by region



Source: ANDE Investment Vehicle Database (N=74)²⁷

²⁴ Kubzansky, M., Jurgens, C., Steffen, R. (2019). “Funding the Rails on Which We Ride: Why We Invested in Impact Investing’s Tipping Point Fund.” Medium.

²⁵ Based on data from 20 investment vehicles targeting sub-Saharan Africa

²⁶ Scherer, J., Zeidman, B., and Yago, G. (2009). “Stimulating Investment in Emerging-Market SMEs” Milken Institute: Financial Innovations Lab Report.

²⁷ This dataset is based on desk research and aggregating various datasets. ANDE acknowledges that this is not an exhaustive list of SGB-inclusive funds.

BOX 3

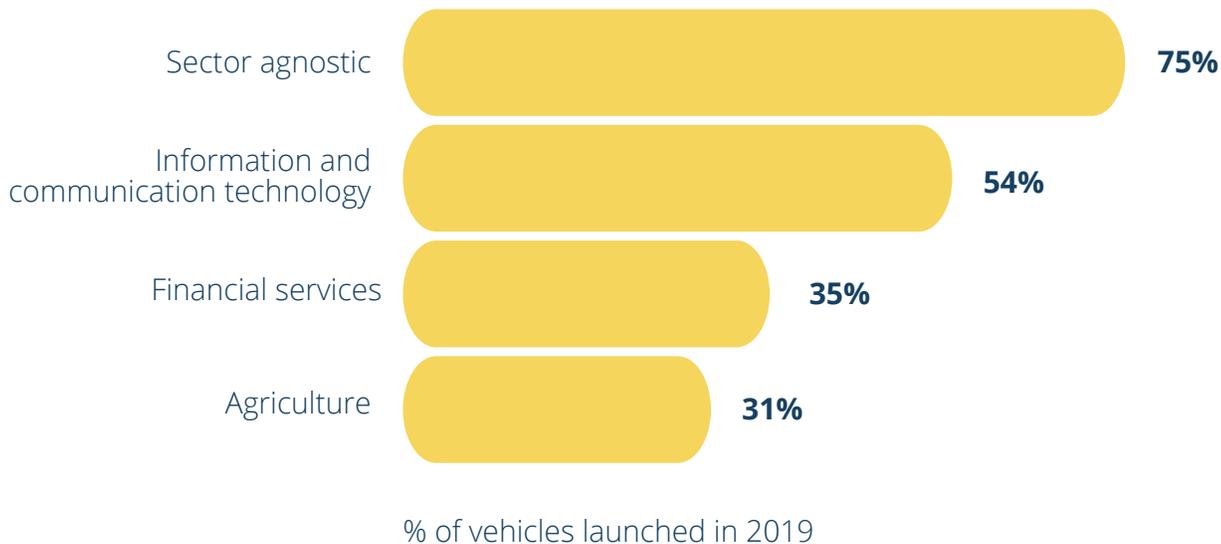
IMPACT MEASUREMENT TRENDS IN 2019

Impact measurement for investments continues to evolve, with the focus over the past few years evolving from racing to adopt the latest and greatest framework to calling for standardization and consolidation of tools. The Global Impact Investing Network (GIIN)'s 2020 State of Impact Measurement and Management Practice Report²⁸ identified a “shift from building consensus for impact measurement and management (IMM) to strengthening its integration within investment processes”; in other words, the case for IMM has been successfully made, with investors in general agreement that IMM is an important and necessary part of their work. Now, investors are looking at ways to operationalize and improve the IMM frameworks they have in place.

The Impact Management Project (IMP) is an important contributor to the IMM field, as it aims to create consensus in this fluctuating field. In 2019, it published that in its first two phases, a consensus on investor strategies was reached. Of the four suggested strategies, “signal[ing] that impact matters” was dubbed by investors who’ve contributed to the IMP as something all investors should implement.²⁹

A consistent aspect of IMM strategies is a focus on alignment with the UN’s Sustainable Development Goals (SDGs). Over half of investors surveyed (72%) have integrated specific SDG targets or indicators into their impact measurement approach.³⁰

Figure 4: Top sector focus of SGB-inclusive investment funds launched in 2019



Source: ANDE Investment Vehicle Database (N=48)

28 Bass, R., Dithrich, H., Sunderji, S., Noshin, N. (2020). “The State of Impact Measurement and Management Practice.” Global Impact Investing Network.
 29 (2019). “Investor contribution in public and private markets: Discussion document.” Impact Management Project.
 30 ANDE 2019 Member Survey, N=36

While most new funds launched in 2019 are open to investing in any sector, those that did have a sector focus commonly target startups focused on the information and communication technology (ICT) and financial services sectors (Figure 4). While startups in these sectors have historically experienced significant growth, some sources predict that a new wave of technological innovation will garner the investment community's attention; this "deep tech" includes subsectors Artificial Intelligence, Blockchain, Life Sciences, Advanced Manufacturing & Robotics, Agtech & New Food, and Cleantech.³¹

SGB Investment Looking Forward

In the face of the COVID-19 crisis, startups are facing compounding challenges related to funding. Not only are startups dealing with financial instability due to markets slowing and revenue streams drying up, but investment deals are falling through due to increased risk aversion as a result of unsteady and declining economic activity.

According to Startup Genome's report of the impact of COVID-19 on the global startup ecosystem, the change in the number of venture capital (VC) deals globally between November 2019 and February 2020 ranges from -68% (China) to 8% (Europe), varying by region.³² With China as the epicenter of the early pandemic, it's likely that other regions which were affected later will see increased negative impacts in the future.

Many startups farther along in the fundraising process (more specifically, those with term sheets) have had the process derailed by the crisis.³³ This is consistent with findings from a 500 Startups survey of investors on the impact of COVID-19, in which 83% of investors said their investment plans and activities were negatively impacted.³⁴

These funding challenges do not mean the investor community is inactive; rather, it is mobilizing around the pandemic with many funds targeting direct solutions to the health crisis.³⁵ However, the investor outlook for the sector is bleak; 84% of those surveyed believe COVID-19 will have a negative impact on early-stage investing activity in 2020 and 63% believe this impact will be felt for one or two years.³⁶

31 (2019). "Global Startup Ecosystem Report 2019." Startup Genome.

32 (2020). "The Impact of COVID-19 on Global Startup Ecosystems: Global Startup Survey." Startup Genome.

33 *Ibid.*

34 (2020). "The Impact of COVID-19 on the Early-Stage Investment Climate." 500 Startups.

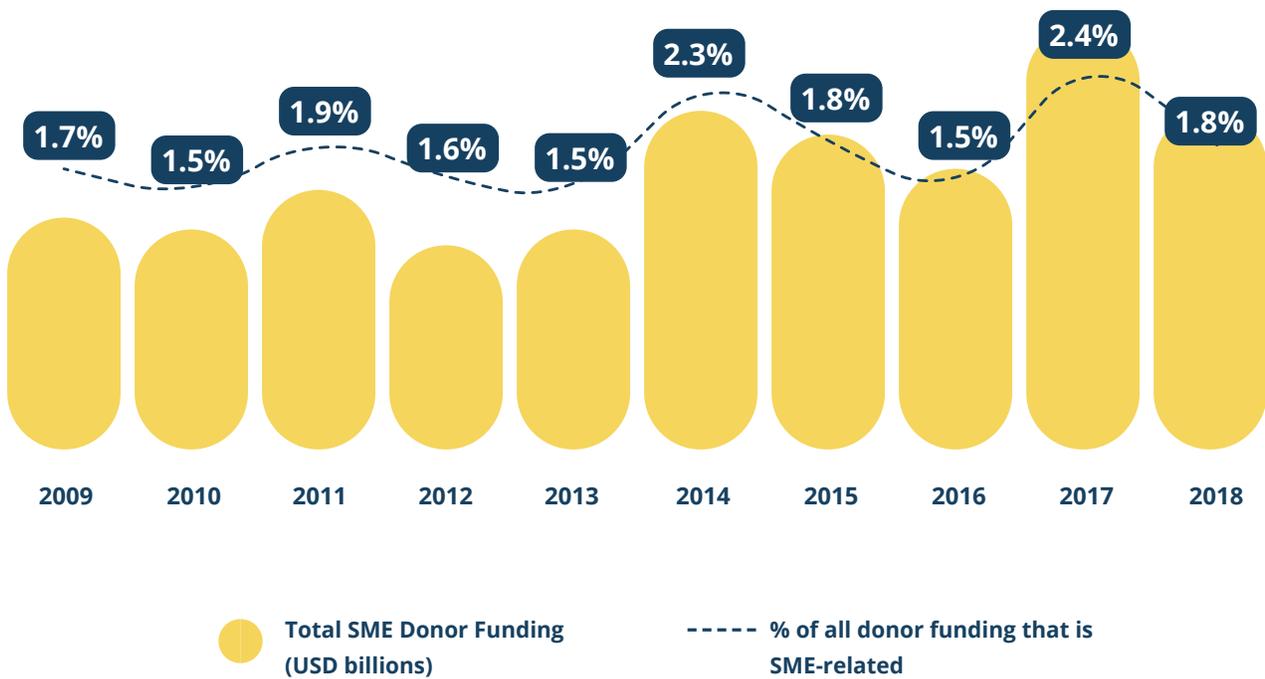
35 (2020). "The Small and Growing Business Sector and the COVID-19 Crisis: Emerging Evidence on Key Risks and Needs." ANDE and Dalberg.

36 (2020). "The Impact of COVID-19 on the Early-Stage Investment Climate." 500 Startups.

DONOR FUNDING AND PHILANTHROPIC SUPPORT IN 2019

Bilateral and multilateral donor funding continued to play an important role in providing direct support to entrepreneurs in 2019. However, this funding has not increased steadily; in fact, 2017 saw the highest level of SME-related donor funding in the last 8 years, but in 2018 it had largely returned to previous levels.³⁷ (Figure 5).

Figure 5: Annual SME-related donor funding

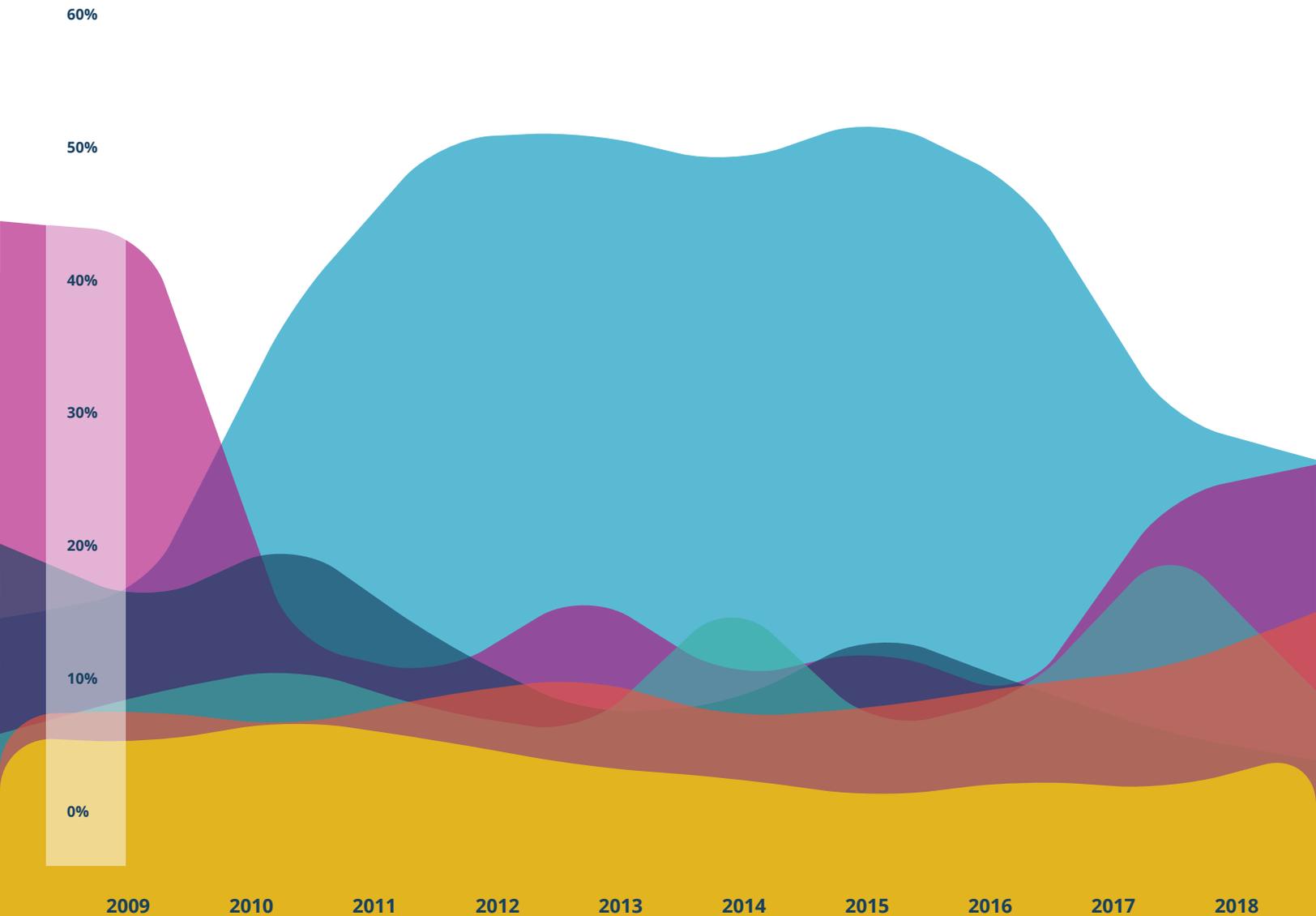


Source: OECD CRS Database, ANDE analysis

³⁷ The OECD continues to add disbursement data for prior years. Each year, ANDE re-downloads updated datasets for each year and re-runs the analysis. For more detail on this process, please see our Methodology section.

Figure 6: Proportion of SME-related donor funding by region

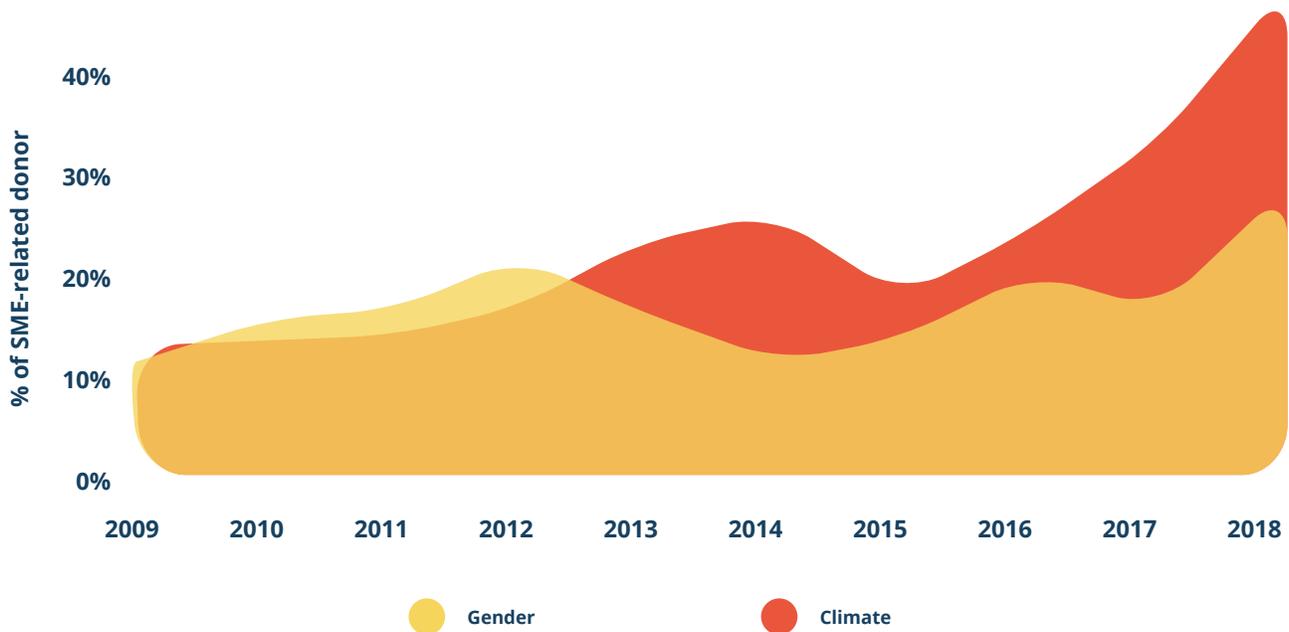
Of the total SME-related disbursements made in 2018, the greatest portions of funding were directed toward Europe and Central Asia and Latin America and the Caribbean, where the two regions seemingly experiencing opposing trends converge in 2017.



Source: OECD CRS Database, ANDE analysis

SME-related donor funding with a specific focus on gender or climate has seen notable growth starting in 2015 – the year the UN's Sustainable Development Goals (SDGs) were adopted by UN member nations.³⁸ While the increase in support for both focus areas is promising, the increase in gender funding may be largely driven by the inclusion of a gender lens as a secondary priority for donors, with funding for projects with a primary focus of gender actually declining 5% in 2017.³⁹ Global Affairs Canada (GAC) is an example of a donor agency that is applying a gender lens to its pursuit of the SDGs,⁴⁰ in addition to its significant focus on climate and environment.

Figure 7: Change in gender and climate focus for SME-related donor funding



Source: OECD CRS Database, ANDE analysis

Donor Support Looking Forward

Amidst the broader economic repercussions of the COVID-19 pandemic, it is unclear how trends in donor funding for SGBs will shift in the coming years. Early findings from a May 2020 Devex survey of development professionals highlight a few of the growing concerns in the development community; 53% listed backsliding on development gains as a potential long-term consequence of the crisis, and 49% predicted reductions to foreign aid.⁴¹ The latter is especially concerning for emerging markets, as local organizations that may lack resources are left without the support of large global donor support.⁴² According to projections by Development Initiatives using International Monetary Fund data, official development assistance (ODA) could fall between \$10-143 billion in 2020, and 2021 commitments have still not reached 2018 or 2019 levels of assistance.⁴³

38 "17 Goals for People, for Planet." United Nations Sustainable Development Goals.

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41 Smith, E., Vince, Chadwick. (2020). "Development pros brace for more needs, less money post-pandemic." Devex.

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PART 2

ANDE IN 2019

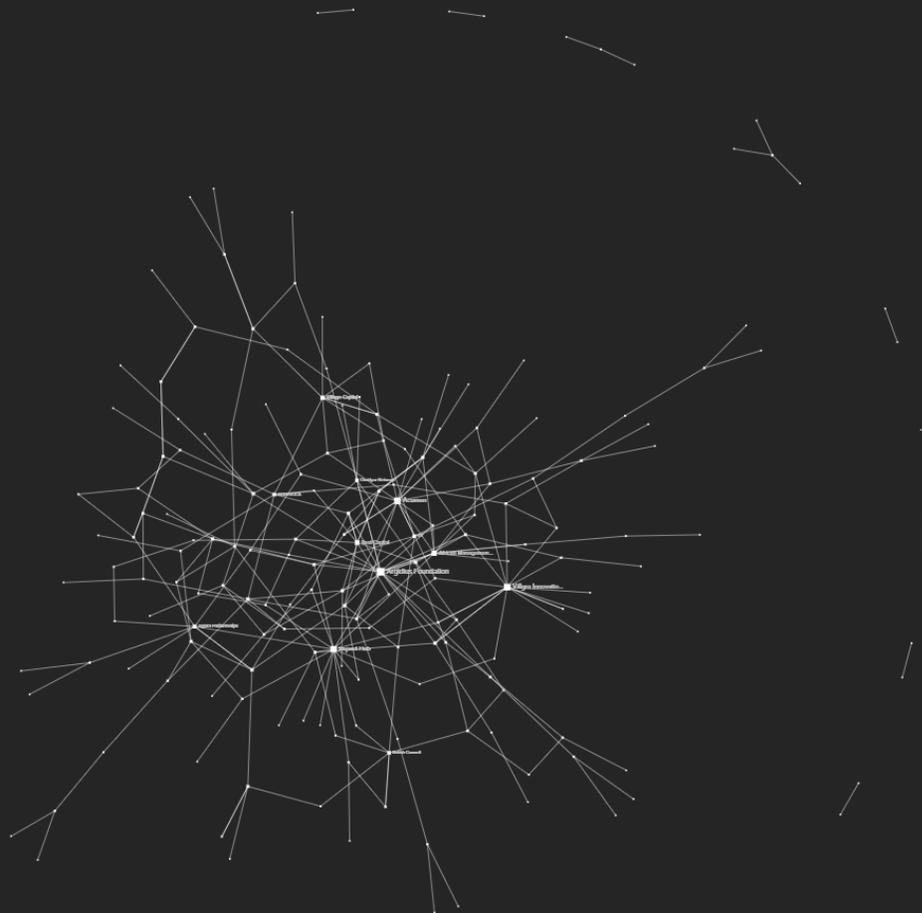


ANDE HIGHLIGHTS IN 2019

In 2019, ANDE celebrated its tenth anniversary, providing an opportunity to reflect on the past decade and the progress made in our network and the broader sector. For the first time, ANDE collected comprehensive data on collaborations within our network, illustrating the extent to which ANDE members work together on a wide variety of initiatives to support the SGB sector. As of August 2019, over a third of our members had collaborated with at least one other ANDE member in

the previous year, and members reported at least 280 unique collaborations in 2018 and the first half of 2019. Nearly a third of the reported collaborations involved partnerships on the direct implementation of a project or initiative. Other common collaborations included partnering on an event or training (18%), receiving funding from another member (13%), and co-developing or jointly conducting research (13%).

Figure 8: ANDE Network Collaboration Map

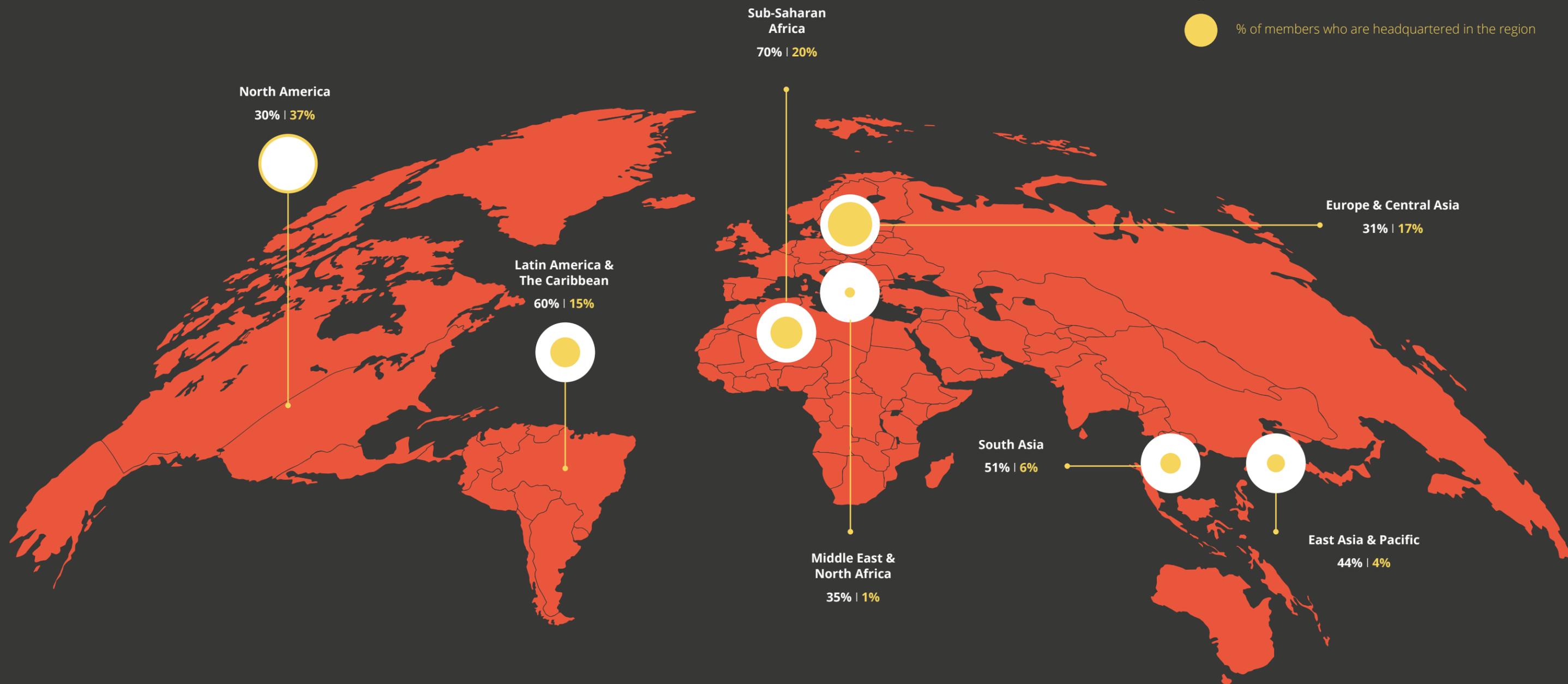
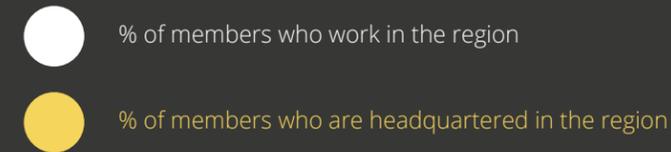


This map is a visual representation of the collaborations in the ANDE network between January 2018 and August 2019, the nodes representing individual ANDE member organizations and the lines linking those that have worked together. The size of the nodes reflects the number of collaborations in which a single organization participated.

Source: 2019 ANDE Member Survey

Member Map

In 2019, ANDE chapters continued to grow their activities in each of the eight countries or regions where they operate. The following sections highlight key trends and developments in the SGB sector in each region.



Latin America

ANDEAN REGION



While there is significant disparity between entrepreneurial ecosystems in the Andean region, the startup ecosystems in certain countries have been gaining traction over the past several years. In 2019, Chile, Colombia, and Peru continued to develop their relatively advanced startup financing markets. Countries with more tumultuous recent economic events, such as Argentina, began to see some positive changes as well.⁴⁴ However, some Andean countries have emerged as among the hardest hit by COVID-19, presenting an enormous challenge in maintaining these gains in 2020.

- + **There was significant disparity in the Andean region in 2019 in global competitiveness and economic health.** According to the Global Competitive Index 2019 report, there was an almost 30 point disparity among countries in the region, with Chile ranking highest at 33rd globally, and Venezuela lowest at 133rd.⁴⁵ The rest of the region's economies were fairly evenly distributed between the two, demonstrating the difficulty of taking "regional approaches" to entrepreneurship support and the need to focus on the specific situation within each country.
- + **Impact measurement remained a nascent but growing practice for the SGB sector.** According to a 2019 report from Kunan and the Universidad Científica del Sur, the majority of social entrepreneurs in Peru did not measure impact at all. However, these entrepreneurs understand the importance of impact measurement, and see more collaboration with the academic community as a valuable opportunity.⁴⁶ In Colombia, there was widespread and increasing awareness of Impact Reporting and Investment Standards (IRIS) as an important tool.⁴⁷
- + **Social and environmental impact bonds have emerged as an innovative financing mechanism with the potential to move significant capital towards impact;** however, this tool must be deployed in a very targeted way.⁴⁸ In 2019, Chile made its first foray into the green bond market as the government aimed to diversify the country's energy mix and shift towards greener solutions. The first green bond deal was made in 2019,⁴⁹ signaling a shift in the market that could create opportunities in the future. Other Latin American markets have implemented strategies focused on energy SMEs, as did Mexico under the purview of its National Green Bond Market Development Committee.⁵⁰
- + **Foreign investment has been driving venture capital activity in Peru and Colombia.** Peru had a record year in 2019 for startup investment, with \$11.3 million distributed, a 24% increase from previous years; the majority of this increase came from foreign sources.⁵¹ Colombia has taken a similar route, as government programs have successfully incentivized foreign startup capital to reach more Colombian ventures. Colombia had the second highest VC investment in Latin America in 2018, with most originating from abroad.⁵²

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47 Lancheros, L. M., Carrasco, G. (2019). "Investment of Impact in Colombia: Ecosystem under construction." Ecosistema de Impacto.

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52 Glade, J. (2019). "Colombian startups look abroad for funding opportunities." Latin America Reports.

Latin America

BRAZIL



In 2019, Brazil overcame uncertainty among the investment community after the 2018 presidential election and saw continued progress in its entrepreneurial ecosystem. Locally dubbed “país do futuro,”⁵³ Brazil has produced a number of globally recognized startups and has nearly tripled its venture capital market since 2017.⁵⁴ This progress is fragile, however, as Brazil has been one of the countries most affected by COVID-19. The health, social, and economic challenges from the pandemic add to existing barriers to growth, including a notable disparity in the concentration and availability of resources and business reliance on loans that are historically unfriendly to entrepreneurs.⁵⁵

- + **In 2019, at least five Brazilian companies reached unicorn status⁵⁶ and four were listed in KPMG’s FinTech100,** highlighting the growing number of enterprises that leverage technology to reshape the financial services industry.⁵⁷ FinTech has been at the center of economic growth in Brazil, along with healthcare, as companies within these sectors look to scale outside the country.
- + **The “perceived opportunities” rate⁵⁸ increased to 46% and total early-stage entrepreneurial activity to 23%,** compared to 31% and 18% respectively in 2018.⁵⁹ Additionally, the government passed new legislation in 2019 decreasing the bureaucratic burden of starting a new business.⁶⁰
- + **Brazil’s private capital market grew in 2019, with its restrained growth in previous years possibly due to restrictive regulations targeting investors.⁶¹** Revisions to these regulations began in 2016 and continued in 2017, resulting in more protections for angel investors and improved information sharing;⁶² the latter has proven critical to successful investor-investee relationships. In the last two years, the size of the venture capital market has tripled, from \$905 million in 2017 to \$2.7 billion in 2019.⁶³
- + According to a 2019 data summary from the Global Accelerator Learning Initiative (GALI) examining Brazilian ventures applying for acceleration services, **ventures were unlikely to report any debt at the time of application and sought acceleration with the desire to build their network.** Both findings reflect a lack of available financing and a need to find other resources to close this gap.
- + **In 2019, Brazil had a record investment year,** with Brazilian businesses receiving 58% of the private equity and venture capital deployed in Latin America, the largest share relative to other countries in the region.⁶⁴ In the venture capital market alone, investors made 222 transactions totaling \$2.5 billion. Additionally, Brazil saw 47 exits in 2019 making it the most active exit market in the region.⁶⁵

53 Yang, B. (2019). “Awakening the Sleeping Giant: Why Brazil’s Tech Scene Is One To Watch.” Forbes.

54 Mari, A. (2020). “The Brazil Tech and Innovation Roundup: VC Investment Reaches New High.” Forbes.

55 Veiga, M. G., McCahery, J. A. (2019). “The Financing of Small and Medium-Sized Enterprises: An Analysis of the Financing Gap in Brazil.” European Business Organization Law Review.

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Latin America

CENTRAL AMERICA & MEXICO



The Central America and Mexico region remained a major center of business formation activity in 2019, with total entrepreneurial activity (TEA) for certain countries reaching a quarter of the adult population.⁶⁶ However, that overall level of entrepreneurship bears little relationship to total growth-oriented investment activity: Mexico saw 10% TEA but garnered the highest level of investment activity in the region, while Central American economies like Guatemala had 25% TEA but extremely limited Private Equity(PE)/VC activity. This is likely a reflection of the high levels of so-called “necessity entrepreneurship” rather than growth-oriented entrepreneurship in Central America; for example, over half of all entrepreneurial activity in Guatemala in 2019 was based on necessity.⁶⁷ As the COVID-19 pandemic progresses, the region’s entrepreneurial ecosystem faces a high risk of backsliding on the progress seen last year.

- + **In Central America, Costa Rica was considered 2019’s top destination for entrepreneurs.** In a region marked by political and economic instability, Costa Rica has long stood apart with a “well-educated workforce, stable political landscape, and booming industries” that have attracted investors and entrepreneurs globally. In fact, expatriates accounted for 9% of the population, making it the greatest attractor of expats within Latin America.⁶⁸
- + **Central America saw little activity from PE/VC investors relative to other Latin American regions in 2019.** Of the investments made in Latin America in 2019, only approximately 1% of investment dollars and 1% of deals were directed to Central America and the Caribbean combined in 2019.⁶⁹ However, given that 2019 was a record-breaking year in private capital deployed across Latin America, this 1% amounted to over \$100 million, albeit concentrated in only six deals.⁷⁰
- + **SMEs remained a major economic engine in Mexico.** The SME sector is bolstered by the sheer size of the economy, and accounts for approximately “nine out of every 10 businesses in Mexico.”⁷¹ However, the SME sector was marked by both informality and small individual firms,⁷² which made it particularly difficult for banks to serve them; to that point, in 2019 only one third of SMEs accessed financing through banks.⁷³
- + **Mexico continued to receive attention from private equity and venture capital funds.** While Brazil was the dominant market in Latin America, Mexico followed closely in several areas, boasting the “second largest exit market in 2019” with 18 total exits and returns totaling \$982 million. There was also a considerable amount of new private equity and venture capital investment activity in 2019, with 15 deals totaling \$1.1 billion, largely focused in the fintech sector.⁷⁴ However, this momentum was not reflected in fundraising among investment vehicles, which saw a downturn compared to the previous two years.⁷⁵
- + **New financial initiatives launched in 2019 aim to empower women-led SGBs.** Banistmo, a subsidiary of BanColombia and second financial institution in Panama, issued a gender impact bonds for US \$ 50 million for five years. IDB Invest, has structured the operation in addition to acquiring 100% of the bonus. The goal of the funds collected through this issue is to finance SMEs led by women.⁷⁶ The Ilu Women’s Empowerment Fund was launched during 2019. The fund is a joint venture between Deetken Impact, a Canadian impact asset manager, and Pro Mujer. The Ilu Women’s Empowerment Fund invests in a diversified portfolio of high impact businesses that promote women in leadership and governance, products and services that meet the needs of women and girls, gender-sensitive value chains and workplace equity.⁷⁷

66 Total Early-Stage Entrepreneurial Activity (TEA) is defined by the Global Entrepreneurship Monitor as the “percentage of 18-64 population who are either a nascent entrepreneur or owner-manager of a new business.” GEM Consortium

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Asia

EAST AND SOUTHEAST ASIA

According to a 2019 Startup Genome report, seven out of the world's twelve "challenger" startup ecosystems (those currently outside the top 30 ranking but growing rapidly) are located in the Asia-Pacific region.⁷⁸ However, while entrepreneurs in these ecosystems had several advantages, such as access to a range of markets and relative ease in expanding internationally,⁷⁹ other significant challenges exist. The COVID-19 crisis, which emerged early in Southeast Asia but has since been relatively contained, remains a major threat to the dynamism of the region's entrepreneurial ecosystems as sector organizations look ahead to 2020 and beyond.

- + **Seed and pre-seed risk capital is an urgent need across the Southeast Asia.** In the region, over 30% of SMEs do not have access to debt capital or lines of credit. This problem is exemplified in the Philippines, where "a staggering 50% of SMEs do not have access to formal loans."⁸⁰
- + **FinTech is reshaping the financing landscape for SMEs in the region.** While the majority of the population in Southeast Asia is still unbanked, a significant portion own smartphones, presenting a promising avenue for pursuing financial inclusion solutions.⁸¹ As of February 2020, Bloomberg notes that currently less than 30% of business owners use "non-traditional financing" such as crowdfunding and peer-to-peer lending, predicting that "in the next 1-3 years, 58% will turn to non-traditional financing sources."⁸²
- + **Governments are having trouble regulating new platforms for financing, in particular peer-to-peer (P2P) lending.** The current regulations do not adequately address many relatively novel financial activities, leading some financial services platforms to incur penalties.⁸³ However, governments are beginning to catch up; for example, India and Thailand have implemented standards to monitor these new financing models, and Vietnam is developing legislation this year.⁸⁴
- + **Although some improvements have been made, pipeline remains a key issue for investors in the region.** For example, investors in Thailand found it difficult to discover new startups due to a contraction in the number of accelerators and larger corporates focusing more on developing internal startups.⁸⁵
- + **Gender equality continued to be a priority for the region in 2019 and this focus has produced results.** In 2019, East and Southeast Asian countries led in a number of key indicators on the Mastercard Index of Women Entrepreneurs, pointing to women's ability to "thrive as business leaders" and obtain a high level of access to financial services and SME support.⁸⁶ These conditions have resulted in women accounting for 47% of the principal owners of small, medium, and large firms, second only to Latin America at 50%.⁸⁷

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82 (2020). "SMEs in a New Decade, New Economy." Bloomberg Media Group.

83 *Ibid.*

84 Sedov, S. (2019). "4 Trends Shaping the Future of the P2P Lending Regulation in Southeast Asia." Entrepreneur Asia Pacific.

85 (2020). "Thailand Tech Startup Ecosystem Report 2019." TechSauce.

86 (2019). "Mastercard Index of Women Entrepreneurs 2019." Mastercard

87 Halim, D. (2020). "Women entrepreneurs needed – stat!" World Bank Blogs. (This excludes North America.)

Asia

INDIA



In 2019, India was ranked as the fifth most startup-friendly country in the world,⁸⁸ which can largely be credited to a recent public sector focus on fostering a strong entrepreneurial ecosystem through targeted initiatives.⁸⁹ Despite a thriving startup scene, with seven companies reaching unicorn status in 2019,⁹⁰ the ecosystem lagged in other critical areas. For example, the country ranked 52nd on the Global Innovation Index,⁹¹ and there remain certain regulatory barriers that hindered new businesses.

- + **The Indian government announced its intent to establish a social stock exchange** to facilitate fundraising by social enterprises. This sparked a discussion around the need for standardizing indicators of existing enterprises and understanding IMM to ensure greater social and financial returns.⁹² This announcement came on the heels of the Stand Up India scheme, an initiative “launched in 2016 to support entrepreneurship among women and marginalized segment of the society,” being extended until 2025.⁹³ These initiatives point to greater institutional support and channeling of financial and non-financial resources towards entrepreneurs and SGBs in the country.
- + **The appetite for impact investment in India continues to grow**, with a report from McKinsey predicting that India’s demand for purpose-driven capital will grow to nearly \$8 billion by 2025.⁹⁴ Education and healthcare emerge as top sectors where impact investors have deployed capital, with healthcare and financial services following suit.⁹⁵ Development finance professionals continue to explore impact bonds, social success notes and other outcome-based financing mechanisms that comprise ‘blended finance’ to catalyse capital towards sustainable development.⁹⁶
- + **There is a rising need to improve measurement of and coordination among philanthropic funding sources**, to both assist in collaboration and measure the impact of funds dispatched.⁹⁷ Despite a slowdown in foreign funding in recent years, private funding grew at an annual rate of 15% between 2014 and 2018, while public funding increased at a pace of about 10% per year. These efforts appear disjointed, with philanthropy and corporate social responsibility (CSR) concentrated in certain areas and initiatives overlapping in scope and sector focus.
- + **The COVID-19 crisis is endangering SGBs and intermediaries alike in India.** Two in ten ANDE members rate their risk of shutting down as high, while 40% of SGBs in India have already temporarily shut down operations. For many ecosystem players to survive, digitization of services and creating access to direct and flexible funding for SGBs will be critical.⁹⁸

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89 Chandaliya, S. (2019). “The Indian Startup Ecosystem: A Global Perspective.” The Pangean.

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Sub-Saharan Africa

EAST AFRICA



East Africa's entrepreneurial activity and funding remained largely focused around Kenya in 2019, one of the continent's three major hubs for tech entrepreneurship and investment. However, other countries' ecosystems have continued to mature, with many governments implementing SGB-friendly policies to bolster entrepreneurial activity. As the impact of the COVID-19 pandemic stresses the social and economic structures of the region, it remains to be seen how well the ecosystems will maintain their 2019 gains.

Despite being the second most populous country on the continent, **Ethiopia has yet to realize its potential as a center for entrepreneurial activity.** However, many local actors believe that it has all the makings to be a major African tech hub: strong STEM programs in universities, the rise of at least nine local incubation hubs, and growing support from the government, most notably through the loosening of mobile money regulations.⁹⁹ This government support is important, as one of the biggest barriers is an extremely unreliable internet connection, primarily controlled by a government-owned telecom.¹⁰⁰

- + **Kenyan startups accounted for 32% of African venture capital investments in 2019**, the second largest share in the continent behind Nigeria at 49.5%.¹⁰¹ This represented a nearly 300% increase in funding compared to the prior year,¹⁰² and consistent with a record-breaking year for startup fundraising in Africa. However, the fact that Nigeria and Kenya received by far the most investment in 2019 and that the top recipient sectors all have a tech vertical¹⁰³ shows that this activity remains narrowly concentrated within the continent's tech hubs, a trend unlikely to change in the context of COVID-19.
- + **Rwanda's government implemented initiatives directly benefitting SMEs.** In 2019, Rwanda implemented policy reform allowing new SMEs to delay paying trading license tax for two years.¹⁰⁴ This initiative and more general focus on supporting SMEs should come as no surprise, as the ministry of trade characterizes 98% of businesses in the country as SMEs.¹⁰⁵
- + **While Tanzania's startup ecosystem still lags behind economic giants like Kenya, an ecosystem around innovation, tech, women, and youth entrepreneurship is emerging.**¹⁰⁶ Dar es Salaam was still the most well-known entrepreneurship hub in the country in 2019, having hosted the World Business Angels Investment Forum in 2018¹⁰⁷ and housing the majority of entrepreneurship resources. However, new entrepreneur-targeted resources appeared in other cities as well,¹⁰⁸ in particular Arusha, an encouraging sign towards broader entrepreneurship culture in the country.
- + **For Ugandan SMEs, survival continued to be a critical issue in 2019.**¹⁰⁹ 80% of Ugandan startups have used their own funds to finance their operations, an unsustainable funding strategy and a stark contrast from their Kenyan counterparts.¹¹⁰ Additionally, many Ugandan entrepreneurs have expressed dissatisfaction with a lack of skill-building opportunities that are critical for not only survival, but meaningful growth.¹¹¹

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106 Mtambalike, J. R. (2018). "What you need to know about Tanzania Innovation Ecosystem. Why are we the fastest?" Medium.

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111 (2018). "Why Small Medium Enterprises In Uganda Feel Neglected Despite Struggling to Survive." EABW News.

Sub-Saharan Africa

SOUTH AFRICA



South Africa was the second largest economy in sub-Saharan Africa in 2019, despite significant economic challenges including an unemployment rate of 27%,¹¹² the highest in a decade. Local entrepreneurs face high failure rates, with those that do survive generally experiencing stagnant revenue and employee growth.¹¹³ The government remains a key engine in attempting to address these challenges, recognizing SMEs as a key tool in growing the economy and reversing recent downward economic trends. However, many of these efforts are overlapping and uncoordinated.¹¹⁴ Newer measures are only beginning to be implemented and results have yet to be seen. These problems will undoubtedly be compounded as the country faces uncertainty in 2020 due to the COVID-19 pandemic.

- + **As unemployment remained high, SMEs were touted as a potential solution:** The government's National Development Plan names SMEs as playing a critical role in economic development in the coming years, specifically stating that these businesses could account for 60-80% of GDP growth by 2030 and generate 90% of an estimated 11 million newly created jobs.¹¹⁵ However, in 2019 SMEs struggled to survive; in fact, over two-thirds of new businesses failed in their first two years.¹¹⁶ SMEs in South Africa face challenges due to "limited bargaining power, cash flow constraints, significant skills gaps and having to operate in a taxing regulatory environment."¹¹⁷
- + **Lack of accessible capital has been a significant constraint for SMEs in South Africa.** While the government and other funders attempted to address this gap through various investments and initiatives, many have "overlapping mandates and a lack of scale and expertise," resulting in inefficient finance for businesses. Additionally, South Africa was seen by private equity investors as a less attractive market compared to others in the continent, falling to the 7th most popular option in Africa in 2019 (from 4th in 2018) among those surveyed by the African Venture Capital Association (AVCA).¹¹⁸ This was likely due to pipeline constraints, as a high failure rate limited the number of viable investments and those that did survive struggled to grow revenues.
- + **South Africa's president committed to assisting startups' access to finance issue through a blended finance model.** This model "involves the mixing of grants and loans with the aim to lower the cost of capital for borrowers, increase access and improve the chances for survival and sustainability, especially for early-stage enterprises that require lower gearing and patient capital."¹¹⁹ The ultimate goal of this assistance is to ensure that SMEs can contribute to two major government goals: growing the economy at a faster rate than population growth, and employing two million young people over the next ten years.
- + **Durban's entrepreneurial ecosystem is maturing, but gaps remain.** An ANDE analysis identified nearly 150 entrepreneur support programs in Durban, creating a strong support ecosystem.¹²⁰ Approximately two-thirds of these support programs target earlier-stage SGBs, or "strivers." However, while many of these programs provide non-financial support, local stakeholders identified early-stage capital as a continued gap for helping these strivers grow.

112 Plecher, H. (2019). "South Africa: Unemployment rate from 1999 to 2019." Statista.

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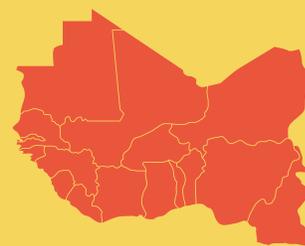
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Sub-Saharan Africa

WEST AFRICA



West Africa continued to develop an overall strong entrepreneurial ecosystem, boasting one of the largest tech hubs in the continent and ranked by the highest proportions of limited partner (LPs) as an attractive region for PE investment in Africa.¹²¹ However, growth in the region was not equally distributed. Nigeria continued to dominate the region's entrepreneurial activity and see growth in investment deal flow;¹²² other countries did not experience such positive trends. As the repercussions of the COVID-19 pandemic shake up the region's economies, entrepreneurs are certain to face even greater barriers in 2020.

- + **The size of Nigeria's market continued to grow in 2019, yet it is unclear how sustainable this growth is in the face of significant ongoing constraints and now the COVID-19 crisis.** The difficulty of doing business remains high; this has been described as "simply a cost of accessing a sizeable 'must-reach' market in West Africa."¹²³ This poor enabling environment persists in spite of many policy improvements by the government around starting a business, accessing electricity, trading across borders, and others in 2018 and 2019.¹²⁴ Nigeria still sat in the 131st place on the Ease of Doing Business Index as the COVID-19 crisis took hold in 2020.
- + **Ghana's entrepreneurial ecosystem has been slow to grow.** This is particularly true in impact investing, which peaked in terms of capital deployed in 2010.¹²⁵ However, the government's implementation of a National Entrepreneurship and Innovation Plan represents a targeted effort at fostering ecosystem growth through business development services, incubation, and funding for young businesses.¹²⁶
- + **A €12.5 million equity boost targeting high growth SMEs in Francophone West Africa aimed to address the inequality in investment attention in the region.** This inequality was best exemplified by the diverging trends between two ecosystems: In Nigeria, startups raised \$377 million in 2019, more than twice that of 2018,¹²⁷ while francophone West Africa experienced a decline in startup funding over the same period.¹²⁸ Development institutions have specifically targeted under-developed countries in the region, including The African Development Bank's €12.5 million contribution to the Adiwale Fund 1, a PE fund focused on high-growth SMEs in francophone West Africa.¹²⁹
- + **Development finance institutions (DFIs) invested heavily in the region in 2019,** through both direct investments and indirect investments through funds. In 2019, 81% of investment transactions in Ghana and Nigeria came from DFIs,¹³⁰ showing that while there has been some investor interest in the region, the development community continues to dominate the market.

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METHODOLOGY



PHILANTHROPIC SUPPORT ANALYSIS USING OECD CRS DATA

Data presented in the Donor section comes from ANDE's analysis of the Organisation for Economic Cooperation and Development (OECD) Creditor Reporting System, a database of commitments and disbursements made by donor countries and multilateral institutions in 2017 constant U. S. dollars.

To develop an estimate, ANDE searched the database for key words and codes that most likely relate to the SGB sector, specifically:

- + SME purpose code 32130
- + Entrepreneur(s)
- + Entrepreneurship
- + entrepreneurial
- + SME
- + small and medium sized business
- + small business
- + social enterprise
- + small enterprise
- + petite entreprise
- + small and growing business

Any disbursement that was a positive match with one or more of the terms above was categorized as "SME-related." We aggregated disbursement amounts for all donors in the database, and we included both overseas development assistance and other official flows. Working with this existing database, ANDE likely underestimates donor support for entrepreneurship and SMEs, but we have opted to risk undercounting to ensure that no disbursements were mistakenly included. This methodology was refined in 2017 to include more SME-related search terms, and to remove "startup" from the criteria, as it was falsely categorizing some disbursements.

As part of ANDE's updated 2019 strategy, we also included analysis on gender and environmental markers, which were added to the OECD CRS database beginning in 1998, with revisions/additions since. These markers are scored on a scale of 0-2, which the OECD classifies as the following:

NOT TARGETED (SCORE 0): The project/programme has been screened against the marker but has not been found to target [the impact area].

SIGNIFICANT (SCORE 1): [The impact area] is an important and deliberate objective, but not the principal reason for undertaking the project/ programme.

PRINCIPAL (SCORE 2): [The impact area] is the main objective of the project/ programme and is fundamental in its design and expected results. The project/ programme would not have been undertaken without this objective.

ANDE's analysis takes into account SME-related donor activities that are scored as either 1 or 2. For more information on the gender equality marker, please reference [this OECD resource](#).

ANDE's analysis also incorporates SME-related donor activities that scored either 1 or 2 for any of the climate/ environment related markers. There are five climate/environmental markers: climate adaptation, climate mitigation, environment, biodiversity, and desertification. For more information on these markers, please reference [this OECD resource](#).

Investment Vehicle Analysis

ANDE identified investment vehicles launched in 2019 through desk research led by an external consultant. The desk research combines information from current ANDE members and publicly available fund information. Funds qualified for inclusion in this dataset met three criteria: the investment target included emerging market countries; target deal sizes were from \$20,000 to \$2 million; and the focus was not exclusively on microfinance institutions. Given the private nature of this information, ANDE assumes its research on this topic is not exhaustive and many information gaps exist. Rather, this research analyzes a sample of investment vehicle information launched each year to provide insights for the ecosystem more broadly.

Impact Survey Analysis

ANDE's Annual Impact Survey is designed to collect data about the impact of ANDE members in the previous calendar year. The 2019 survey ran from January-February 2020, and 145 member organizations completed the survey, which represents 53% of ANDE members. We would especially like to thank the members who took the time to participate in the survey and inform the insights in this report.

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For more information about ANDE's State of the Sector report,
please contact Victoria Hume at victoria.hume@aspeninstitute.org

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