



## EXECUTIVE SUMMARY

# Impact investing and beyond

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## Mapping support to social enterprises in emerging markets

### Key points

- Anecdotal evidence indicates that there is increasing support to social enterprises in emerging markets; however there is a lack of comprehensive data on current levels of support.
- ODI overcame barriers to collecting market data and found that it is possible to map support to social enterprises, and to the market infrastructure in which they operate.
- This research supports the development of a full survey that would collect comprehensive information on support to social enterprises, thereby facilitating investment, partnerships and further investigation in this field.

### Research summary

Support for social enterprises in emerging markets has expanded significantly in recent years.<sup>1</sup> This is reflected in the growing research on the subject. But there are no comprehensive data sets on the levels of support to such enterprises or to developing the markets in which they operate.

A survey by JP Morgan Social Finance and the Global Impact Investor Network (GIIN) (Saltuk et al., 2013) found that US\$8 billion was committed in 2012 and that 'impact investors' planned to commit another US\$9 billion in 2013. While this survey provides a useful indication of the level of support from 'impact investors', it represents only one element of the spectrum of support to social enterprises.

Most research to date has focused on specific elements, such as the overall role of impact investors and donors, and the support committed in particular countries or regions or through specific instruments (see Table 1). A full picture of such support would enable the disparate investors in social enterprises, and the enterprises themselves, to have a clearer understanding of the sector in which they are operating, and to identify opportunities for new interventions and partnerships.

The broad hypotheses of the research were that:

- There is no comprehensive picture of current support provided to social enterprises and to developing their market infrastructure in emerging markets, and that
- It would benefit the wide range of actors seeking to support social enterprises, as well as social entrepreneurs, if such data could be collected and disseminated as a global public good.

The research therefore aimed to establish a methodology to map the full spectrum of support (financial and non-financial) for social enterprises in emerging markets, and to developing the markets in which they operate.

The Overseas Development Institute (ODI) developed a pilot survey to see if it was possible to collect data in order to answer the following four questions:

- How much funding and other support is currently provided to social enterprises in emerging markets?
- How much support is delivered at each stage of the social enterprise growth path, including the start-up phase?
- How much support is committed to developing the wider market infrastructure, which is crucial to the success of any social enterprise?
- What are the key characteristics of this support? For example, which actors are providing it, what is their geographic and sectorial focus, what instruments are used, and what are the expected returns and duration of support?

Developing a broader survey based on this pilot exercise would allow for the establishment of a comprehensive data set on support to social enterprises (SE), and the provision of information critical to current and potential funders. Mapping of financial and non-financial instruments by actor type could inform best practice and facilitate partnerships. In addition, levels of support to different components of the market infrastructure could inform donor programmes, national and regional SE networks, and enterprise incubators. Data can help establish opportunities, overcome gaps and identify the need for more detailed research and analysis.

## Social enterprise – a definition

This research sought to focus on enterprises that have a positive impact on development in emerging markets both by creating jobs and by seeking to achieve a broader social or environmental impact. The pilot survey aimed to capture the full spectrum of support available for social enterprises in emerging markets, so respondents were asked to record ‘the total value of the support committed to social enterprises’. Since support is also provided in the form of grants and non-financial assistance, the definition also stressed that enterprises receiving such support should at least aspire to financial sustainability.

## ODI’S DEFINITION OF SOCIAL ENTERPRISE

A social enterprise is an organisation committed to social and/or environmental returns as part of its core business while seeking profit or return on investment. The legal structure of the organisation may be for-profit or non-profit, however it must aspire to financial sustainability.  
Derived from Professor Muhammad Yunus.

## Survey frameworks

The survey used two frameworks to facilitate the collection of data on support to social enterprises, to include direct support and indirect support for the environments in which they operate. We sought to review the financial and non-financial support provided along the Social Enterprise Growth Path (SEGP) (based on four stages of development) and across the Social Enterprise Market Infrastructure (SEMI) (based on four elements of the enterprise ‘ecosystem’).

### Social Enterprise Growth Path (SEGP) Framework

The SEGP framework builds on Monitor’s four ‘stages of pioneer firm development’ (Koh et al., 2012) (See Figure 1).

### Social Enterprise Market Infrastructure (SEMI) Framework

The SEMI framework was developed for the pilot survey to capture support provided at a sector or industry level to facilitate enterprise development. This ranges from support in the development of products and services to support in creating regulatory frameworks conducive to the establishment of social enterprises (See Figure 2).

## Figure 1: Social Enterprise Growth Path (SEGP) framework

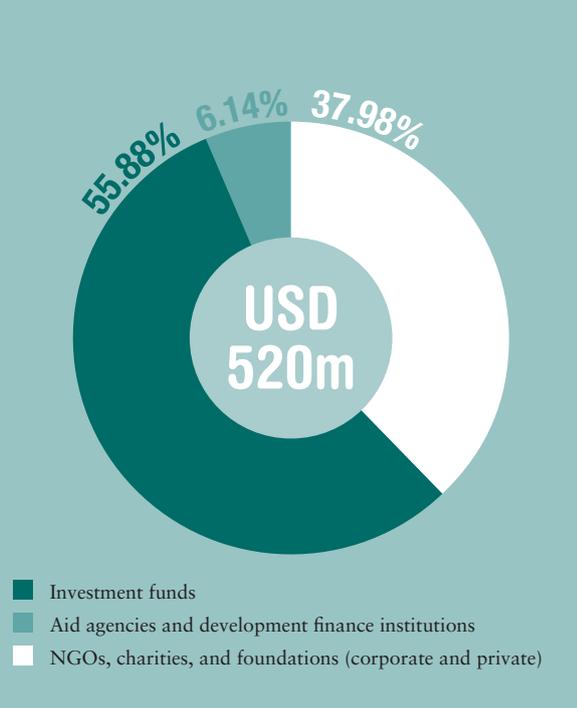
<b>Seed/blueprint</b> Business ideas developed	<b>Validate</b> Business models tested and refined	<b>Operationalise/grow</b> Business operational and in growth phase, moving to scale	<b>Break even/sustainable</b> Business established and financially sustainable
<b>Identify market opportunity</b> An opportunity has been identified and initial market analysis is underway.	<b>Detailed business plan operational</b> Business plan agreed and put into practice. <b>Evidence includes:</b> Financial statements.	<b>First 2-3 years of operation</b> Early stage of business operation. <b>Evidence includes:</b> Financial statements and business plan audited by third party.	<b>Financially stable business model established</b> Achieving break-even financial results. <b>Evidence includes:</b> Financial statements and break-even point audited by third party.
<b>Initial business plan</b> Business idea developed into basic plan. <b>Evidence includes:</b> Business plan.	<b>Refining and testing business model</b> Market trial, test/refine business model. Modify and improve product/technology. <b>Evidence includes:</b> Market opportunity identified and operational business plan.	<b>Track record achieved</b> Business achieving strong customer base and effective supply chains. <b>Evidence includes:</b> Financial statements and business plan audited by third party.	<b>Moving model to new regions and client groups (where relevant)</b> Seeking commercial finance to develop into new regions and client groups. <b>Evidence includes:</b> As in stage one and two, audited by third party.
<b>Demonstration technologies and product prototypes developed</b> Basic and applied research, initial products and technologies created and tested. <b>Evidence includes:</b> Feasibility studies etc.		<b>Building capacity</b> Business is developing assets talent, manufacturing capabilities, support functions, systems and processes, links to market and is establishing firm networks.	
<b>Business registered/incorporated</b> Business legally registered. <b>Evidence includes:</b> Certificate of incorporation etc.		<b>Building demand</b> Consumer demand for the business' goods or services is growing.	

Derived in part from Koh et al., 2012

## Figure 2: Social Enterprise Market Infrastructure (SEMI) framework

<b>Supporting development of products/services</b> (at industry level)	<b>Supporting demand for products/services and access to customers</b> (at industry level)	<b>Supporting access to finance</b> (for all aspects of the supply chain, from social enterprises to distributors)	<b>Supporting creation of legal, political and regulatory frameworks</b>
Market research	Social marketing campaigns and other marketing links to customer base	Piloting and scaling new types of consumer financing	Policy research
Research and development (R&D) and transfer of R&D (technology/products)	Supply chain development (physical infrastructure)	Piloting and scaling new financial instruments (including carbon finance)	Establishment of industry bodies/groups to support coordination, advocacy and outreach
Workshops or training on external issues: navigating statutory and regulatory requirements and accessing finance	Supply chain development (distribution channels etc.)	Working capital facilities (for distributors, etc.)	Establishing industry/product standards
Workshops or training on internal issues: human resources, governance business processes and operational tools	Product piloting or testing with consumers		Establishing assessment or monitoring and evaluation procedures (including ratings etc.)

Figure 3: Breakdown of total support by actor type for all years<sup>3</sup>



## Survey findings – and data presentation<sup>2</sup>

Twenty-five organisations were invited to participate in the survey, of which 19 agreed, 12 attempted the survey and 10 provided complete data that could be included in these findings. The survey was designed to collect key data from a range of organisations.

Despite the small sample size, it identified over US\$500 million in support over the 2010–2012 period. The pilot survey also enabled us to analyse and present the data in a way that was useful to market participants.

The small sample size (10 responses) clearly does not represent the full spectrum of support for social enterprises across emerging markets, but the findings can be used to determine whether it would, in principle, be possible to collect the relevant global data, and to illustrate how such data could be presented, analysed and used in a full-scale survey. A broader survey would provide more robust data on the role of different actors and instruments along the SEGP and SEMI (see Figures 4 and 5).

Figure 4: Support along SEGP by instrument<sup>4</sup>

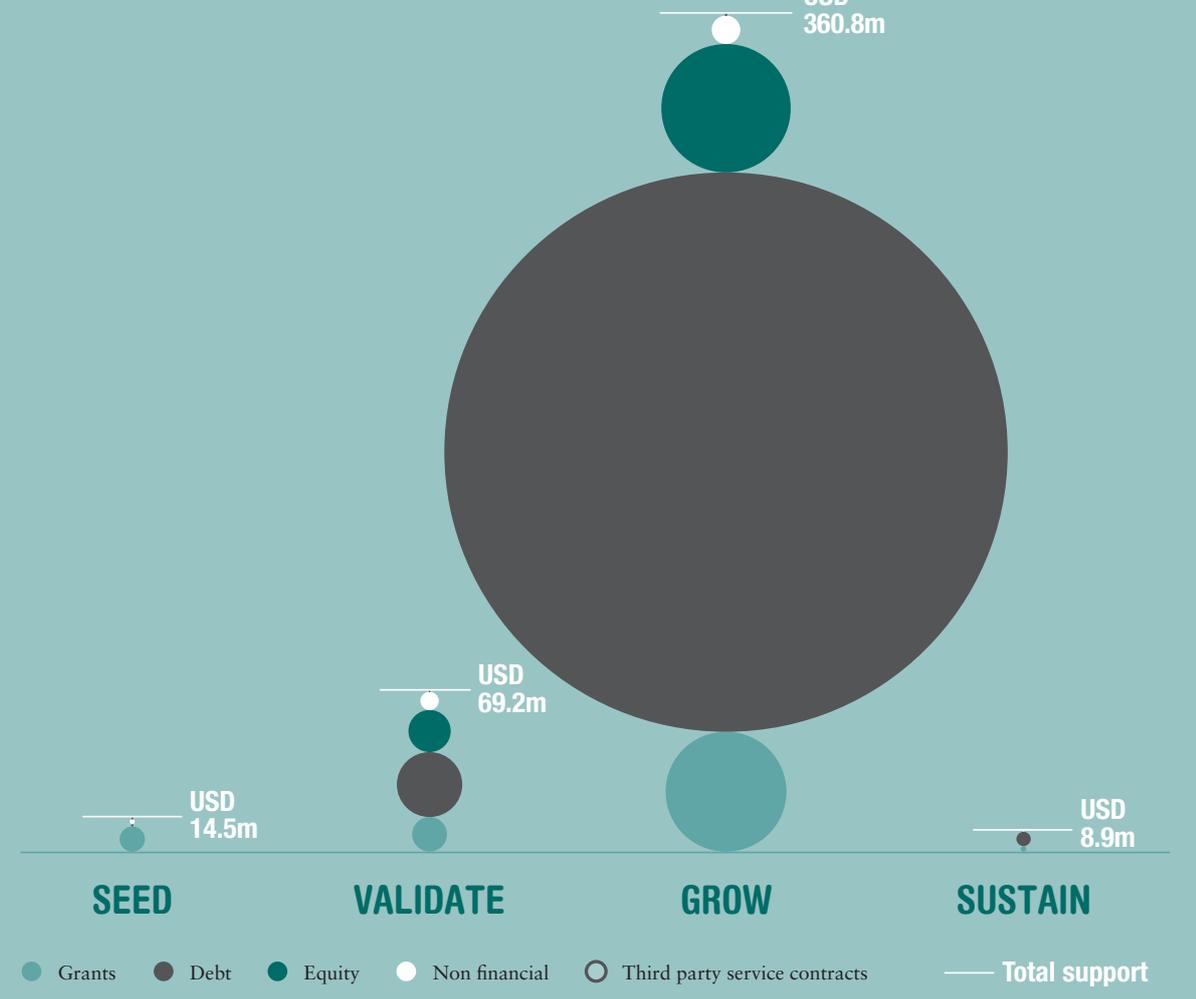
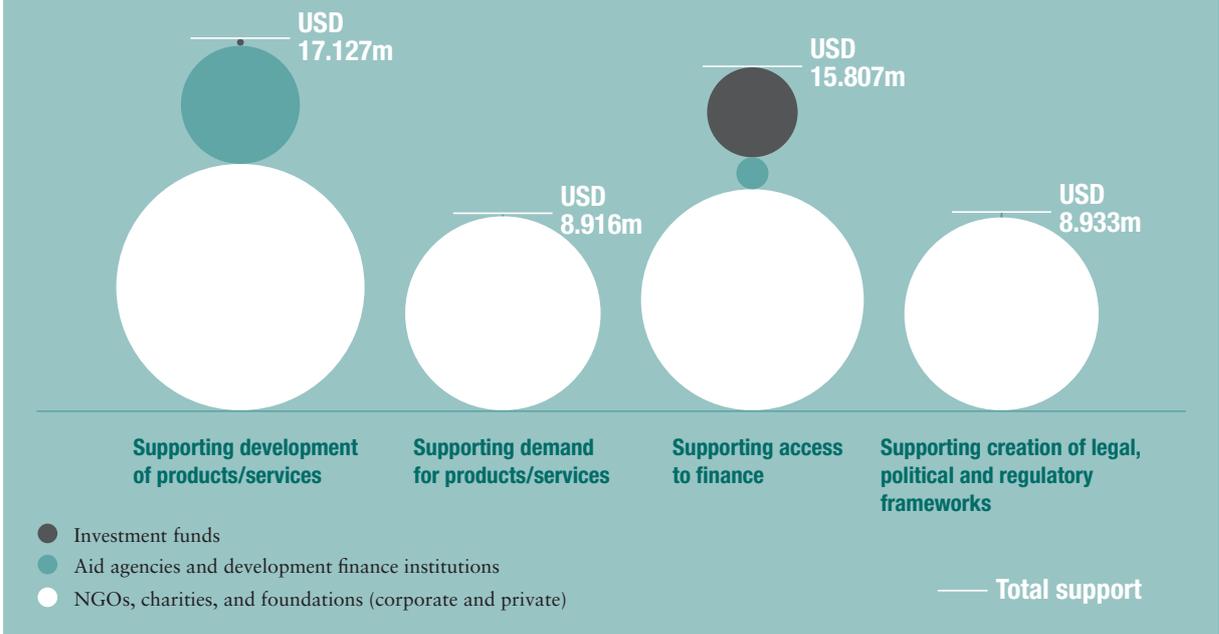


Figure 5: Support across the SEMI by actor



### Role of Investment Funds

Support is often provided directly to social enterprises and also indirectly through investment funds. To avoid the risk of double counting, respondents were asked to give an overall figure of support and to separate the amount given between the SEGP and SEMI. For SEGP support, respondents were requested to report only on contributions made directly to SEs rather than via third parties (e.g. funds). The survey also asked respondents identifying themselves as investment funds to state the proportion of support provided using proprietary and non-proprietary capital, and details of the origin of non-proprietary capital (actor types investing through the fund).

Investment funds were asked an additional set of questions about the sources of their capital (see Fig. 7).

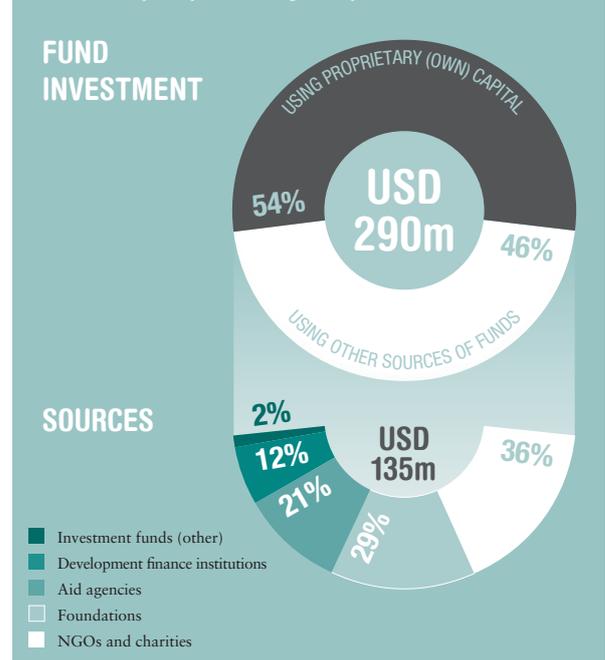
A further set of questions was asked at the aggregate level across total support to both the SEMI and SEGP. The pilot survey used definitions drawn from the existing literature to determine support provided in terms of:

- Sectors
- Regions
- Country income category
- Investment duration
- Expected returns

Figure 6: Disaggregation of support through investment funds



Figure 7: Investment funds – sources of non-proprietary capital



## Recommendations and next steps

In addition to mapping the existing literature and data sources, a key component of this research was to test the approach and obtain feedback from survey participants and a wider group of stakeholders through interviews and workshops.

Two workshops were held on 9 May 2013, attended by 36 people from 18 organisations. The workshops were to discuss the research objectives and methodology, share findings from the study, obtain feedback and explore next steps, including potential partnerships with others working in this sector

Stakeholders and survey participants were generally interested in and supportive of the aims and approach of the research, which suggests that ODI's independence in assessing the range of support to social enterprises was valued. The workshop participants echoed the findings of the initial stages of this research on the broad need for data that ODI's survey approach could generate.

Undertaking a comprehensive survey of the majority of actors supporting (or providing the most significant support to) social enterprises will depend on applying the key findings from the pilot survey, in addition to addressing a number of considerations regarding how organisations are identified, outreach to potential respondents, survey content, technical issues and dissemination.

We compiled a list of over 500 organisations that could be included in a broader survey, all of which

provide some form of support to social enterprises, ranging from technical assistance to risk capital. This list could be expanded to include additional categories identified during stakeholder consultation.

Relationships will be critical to ensuring a solid response rate for a larger survey, since respondents will need to value the resulting data in order to justify investing the time and resources required to complete it. As stakeholders suggested, the key to outreach in a larger survey will be to establish relationships with various industry associations and networks that can in turn provide links to the range of groups supporting social enterprise. This will require the investment of significant resources early in the process to develop links with such associations and networks.

Finally, beyond disseminating the survey findings through conventional reports, media channels and public presentations, ODI proposes to develop a dedicated website including an interactive search tool. This would also permit other interested parties to use the survey data to inform their own analyses.

## References:

Saltuk, Y., Bouri, A., Mudaliar A. and Pease, M. (2013) 'Perspectives on Progress: The Impact Investor Survey'. New York: Global Impact Investing Network and JP Morgan Social Finance.

Koh, H., Karamchandani, A. and Katz, R. (2012) 'From Blueprint to Scale'. Mumbai: Monitor Inclusive Markets ([www.mim.monitor.com/blueprinttoscale.html](http://www.mim.monitor.com/blueprinttoscale.html)).

1. Emerging markets include upper-middle income countries (UMIC), lower-middle-income countries (LMIC) and low-income countries (LIC) as defined by the World Bank ([http://data.worldbank.org/about/country-classifications/country-and-lending-groups#Lower\\_middle\\_income](http://data.worldbank.org/about/country-classifications/country-and-lending-groups#Lower_middle_income)).
2. All findings are presented in US dollars, using oanda.com exchange rates on a yearly average for each financial year.
3. Actor categories included: NGOs and charities, corporate and private foundations, official aid agencies, development finance institutions, investment funds, large commercial banks, specialist investment banks, and knowledge organisations. Owing to the small sample, categories were further aggregated to ensure confidentiality.
4. The review of instruments used to support SEs aimed to cover the full spectrum of financial and non-financial instruments, ranging from pro bono support to that provided through equity investments. Respondents were asked to estimate the level of support provided to the SEGP and the SEMI, and the proportion provided through each instrument type: grants, debt, equity, guarantees and insurance, non-financial business support, and third-party service contracts.

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