

Impact Investment and Beyond: Finance for Social Enterprises in Emerging Markets
SURVEY GUIDANCE DOCUMENT

### Welcome to the Survey

This survey is part of a research project being conducted by the <u>Overseas Development Institute</u> (ODI), with support from <u>Shell Foundation</u>. The aim of the research is to gain a deeper understanding of support currently directed toward social enterprises in emerging markets. In recent years support for social enterprises seems to have increased. However, no comprehensive analysis of all financial and non-financial support to social enterprises currently exists. This research seeks to help overcome this data gap.

How much funding and support is really going to social enterprises?

Is it reaching social enterprises at all stages of their development, even the crucial 'start-up' phase?

Who is supporting the wider market infrastructure crucial to social enterprises' success?

By gathering information from actors in the impact investing space and beyond, we seek to build a comprehensive picture of the landscape of support. Through aggregating responses to this survey, targeted interviews, and other industry data, we will estimate:

- The total **volume** of support committed directly to social enterprises in emerging markets and how, when and where it is committed
- The total volume of support committed to the market infrastructure for social enterprises- and how, when and where it is committed

This survey is the pilot phase of our study. Our aim is that this survey would be scaled up to be completed by all key actors supporting social enterprises.

## This pack provides additional information and definitions to assist with answering the survey questions. Thank you once again for your support.

#### CONFIDENTIALITY

#### PLEASE NOTE:

We are conscious that some (if not the majority) of the information we are seeking to collect will be commercially sensitive or confidential.

Please be assured that all information provided in this survey will remain completely anonymous in our research. We have also sought to address some of these barriers by requesting estimated volumes and distributions of funding provided, across instruments and stages (as opposed to specific volumes of funding provided), and by aggregating data across actors.

## **Question Guidance**

Please click on the question you require assistance with to be taken to the relevant page in this document

Note A	General information for all respondents – structure of the survey, social enterprise definition and emerging markets definition
<u>Note B</u>	Actor categories and definitions
<u>Note C</u>	Instrument categories and definitions
<u>Note D</u>	The Social Enterprise Growth Path
Note E	The Social Enterprise Market Infrastructure
<u>Note F</u>	Sector categories and definitions





#### What to expect...

The survey is divided into 4 sections:

- 1. Section One: Your total investments in both individual Social Enterprises and the Social Enterprise Market Infrastructure
- 2. Section Two: Contributions your organisation has made directly to Social Enterprises.
- **3. Section Three:** Contributions your organisations have made to the Social Enterprise Market Infrastructure (the wider market infrastructure and market building activities).
- **4. Section Four:** Portfolio Level Information total contributions to both social enterprises and market building activities by region, sector and income group of beneficiaries.

The selections you make throughout the survey will determine which questions you see. Some question numbers may be skipped depending on your previous responses.

### **Please Note:**

This survey focuses on investments, contributions and support for **social enterprises** and the **social enterprise market infrastructure**. We are only looking to assess commitments made to social enterprises in **emerging markets** (low and middle income countries).

Please see the definition of 'social enterprise' used below and the list of countries this research focuses on. Please do not report any information on investments that you make in organisations that do not comply with this definition, or in organisations that do not operate in these countries.

Social Enterprise

Definition: A social enterprise is a business committed to social and/or environmental returns as part of their core business whilst seeking profit or return on investment. The legal structure of the organisation may be for-profit or non-profit, however the organisation must aspire to financial sustainability. (derived from Professor Muhammad Yunus)

### Information for all respondents: Country Focus of this research

Afghanistan	Burundi	Eritrea	Haiti	Malawi	Niger	Tanzania	
Bangladesh	Cambodia	Ethiopia	Kenya	Mali	Rwanda	Togo	
Benin	Central African Republic	Gambia, The	Kyrgyzstan	Mauritania	Sierra Leone	Uganda	
Burkina Faso	Chad	Guinea	Liberia	Mozambique	Tajikistan	Zimbabwe	
Burma	Comoros	Guinea-Bissau	Madagascar	Nepal			
				Micronesia, Federated	Papua New		
Albania	Cape Verde	Fiji	Indonesia	States of	Guinea	Sri Lanka	Vanuatu
Angola	Congo, Republic of the	Georgia	Iraq	Moldova	Paraguay	Sudan & S.Sudan	Vietnam
Armenia	Côte d'Ivoire	Ghana	Kiribati	Mongolia	Philippines	Swaziland	West Bank and Gaza
Belize	Djibouti	Guatemala	Kosovo	Morocco	Samoa	Syria	Yemen
					São Tomé and		
Bhutan	East Timor	Guyana	Laos	Nicaragua	Príncipe	Tonga	Zambia
Bolivia	Egypt	Honduras	Lesotho	Nigeria	Senegal	Ukraine	
Cameroon	El Salvador	India	Marshall Islands	Pakistan	Solomon Islands	Uzbekistan	
				Maaadania Danublia			
				Macedonia, Republic			
Algeria	Botswana	Cuba	Jamaica	of	Palau	Serbia	Turkmenistan
				-			
Algeria American Samoa Antigua and		Cuba Dominica Dominican	Jamaica Jordan	of Malaysia	Palau Panama	Serbia Seychelles	Turkmenistan Tuvalu
American Samoa		Dominica		-			
American Samoa Antigua and	Brazil	Dominica Dominican	Jordan	Malaysia	Panama	Seychelles	Tuvalu
American Samoa Antigua and Barbuda	Brazil Bulgaria	Dominica Dominican Republic	Jordan Kazakhstan	Malaysia Maldives	Panama Peru	Seychelles South Africa	Tuvalu Uruguay
American Samoa Antigua and Barbuda Argentina Azerbaijan	Brazil Bulgaria Chile China	Dominica Dominican Republic Ecuador Gabon	Jordan Kazakhstan Latvia Lebanon	Malaysia Maldives Mauritius Mexico	Panama Peru Romania Russia	Seychelles South Africa Suriname Thailand	Tuvalu Uruguay
American Samoa Antigua and Barbuda Argentina	Brazil Bulgaria Chile	Dominica Dominican Republic Ecuador	Jordan Kazakhstan Latvia	Malaysia Maldives Mauritius	Panama Peru Romania Russia Saint Lucia	Seychelles South Africa Suriname	Tuvalu Uruguay
American Samoa Antigua and Barbuda Argentina Azerbaijan	Brazil Bulgaria Chile China	Dominica Dominican Republic Ecuador Gabon	Jordan Kazakhstan Latvia Lebanon	Malaysia Maldives Mauritius Mexico	Panama Peru Romania Russia	Seychelles South Africa Suriname Thailand	Tuvalu Uruguay

Source: World Bank categorisation of countries (<u>http://data.worldbank.org/about/country-classifications/country-and-lending-groups</u>)



## **B** Organisation Types

#### Please ensure that your organisation fits the description of the actor type you have selected:

Category	Examples of Actors	Definitions
NGOs & Charities	Oxfam Habitat for Humanity	Non-profit organisations which are registered charities
Corporate and private foundations	LGT Venture Philanthropy Rianta Capital Shell Foundation	Endowments and organisations set to up collect and/or manage funds of individuals, families and firms.
Aid Agencies	Department for International Development (DFID) African Development Bank (AfDB)	Bi and multi-lateral aid agencies – providing support to social enterprise and impact investment activities, and investing at the government level
Development Finance Organisations	CDC Group International Finance Corporation (IFC)	Development Finance Institutions and multi-lateral banks investing in social enterprises or impact investment funds
Investment Funds	Sarona Asset Management Bamboo Finance Acumen Fund Root Capital	Non and for profit owners and managers of capital, including boutique investment firms and funds, Community Development Finance Institutions (CDFI), Carbon Funds / Investors, Microfinance Funds and Institutions and Pension Funds
Large Commercial Banks	JP Morgan Chase	Large transnational banks with small funds committed supporting social enterprise
Specialist Impact Investment Banks	Triodos Bank	Also known as values based banks, specialised in socially/environmentally beneficial investing



## **C** Instruments for Investment

ODI Typology of instruments	Definitions
Grants	Capital provided free with no requirement to reimburse the donor.
Debt	Money or goods loaned at a stated interest rate for a fixed term on a secured or non-secured basis, including bonds, investment notes. This could include forward payments for carbon credits, or other assets.
Equity (including mezzanine, quasi-equity and equity-like investment)	Full equity involves purchasing shares of stock in anticipation of income from dividends and capital gains, alongside voting and residual rights (share of profits or assets if the company fails). An equity-like investment is typically a long-term, deeply subordinated loan, often used in the context of impact investing where debt financing is too risky and share capital is not possible.
Guarantees and Insurance	Guarantees to take on debt should the borrower default (in the form of grant or debt), lender or third party insurance on debt.
Non-financial business support	Non-financial support to social enterprises, in the form of HR support, assistance with finance, management, systems and processes, routes to market, R&D, governance, legal issues, strategic advice and business planning, business model development, and technical development.
Payment for third party service contracts	Payments made for professional services to be delivered through a third party contract, to benefit the social enterprise partner directly. These funds are not received by the social enterprise themselves (else they should be classed as grants or investments above) but by the third party consultant.

# **D** The Social Enterprise Growth Path



The social enterprise growth path consists of 4 key stages, which social enterprises move through as they develop and work towards sustainability. The four stages are highlighted below\*:

SEED/ BLUEPRINT Business idea developed	VALIDATE Business model tested and refined	OPERATIONALISE/GROW Business operational and in growth phase, moving to scale	BREAK-EVEN/SUSTAINABLE 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>V Evidence includes: financial statements</b>	First 2-3 years of operation Early stage of business operation ✓ Evidence includes: financial statements and business plan audited by third party	<ul> <li>Financially sustainable business model established</li> <li>Achieving break-even financial results</li> <li>✓ Evidence includes: financial statements and break-even point audited by third party</li> </ul>
Initial business plan Business idea developed into basic plan ✓ Evidence includes: business plan	Refining and testing business model         Market trial, test / refine business model.         Modifying and improving product/ technology.         ✓       Evidence includes: Market opportunity identified and operational business plan	<ul> <li>Track record achieved</li> <li>Business achieving strong customer base and effective supply chains</li> <li>✓ Evidence includes: financial statements and business plan audited by third party</li> </ul>	<ul> <li>Moving model to new geographies and client groups (where relevant)</li> <li>Seeking commercial finance to develop into new geographies and client groups</li> <li>✓ Evidence as in stage one and two, audited by a third party</li> </ul>
<ul> <li>Demonstration technologies and product prototypes developed</li> <li>Basic and applied research, initial products and technologies created and tested</li> <li>✓ Evidence includes: feasibility studies etc.</li> </ul>		<b>Building Capacity</b> The business is developing assets talent, manufacturing capabilities, support functions, systems & processes, links to market and are establishing firm networks	
<ul> <li>Business registered / incorporated Business legally registered</li> <li>✓ Evidence includes: certificate of incorporation etc.</li> </ul>		<b>Building demand</b> Consumer demand for the business' goods or services is growing	

\*Adaptation of 'stages of pioneer firm development' graphic, 'From Blueprint to Scale', Monitor Inclusive Markets



### **E**) The Social Enterprise Market Infrastructure

The four segments of the Social Enterprise Market Infrastructure are outlined below. Examples are provided in each section to assist you in placing your own activities. Please include all financial and non-financial support you provide the development of the Social Enterprise Market Infrastructure.

The Social Enterprise Market				
1 Supporting development of products/ services (at industry level)	2 Supporting demand for product/ services and access to customers (at industry level)	3 Supporting access to finance (for all aspects of the supply chain, from social enterprises to distributors)	4 Supporting creation of beneficial legal, political and regulatory frameworks	
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 and training on internal issues: HR, governance, business processes and operational tools	Product piloting or testing with consumers		Establishing assessment or monitoring and evaluation procedures (including ratings etc.)	



F	Sector	Categories

Sectors	Additional Information
Agriculture	Including general agriculture, crops, agricultural research, irrigation and drainage
Education	Including technical and vocational training
Energy and clean technology	Including energy generation, transmission and distribution
Financial services	Including microfinance and SME development
Forestry	Including planting, forest management and maintenance
Health	Including disease control, access to affordable health care, nutrition, health related training, etc.
Housing	Including construction and real estate
Infrastructure	Including mobility
Water and sanitation	Including waste management, water supply development and waste water collection