Building the Early-Stage Impact Investing Field
NOTE: The content of this report was derived from the 25 workshops, conversations and panels as well as 21 “Deal Rooms” at Impact Investing in Action which took place May 20-23, 2013 at Georgetown University’s McDonough School of Business in Washington DC. There were note-takers in every session of the conference who were looking to answer four specific questions:

1. Where are we today? (What products exist? Where do we all agree? What is the issue that is critical here?)
2. What are the key challenges?
3. What are the key opportunities?
4. What are concrete next steps?

Immediately following the conference, a team of editors analyzed all of the notes and extracted 5 principle themes: 1) the role of investing, 2) the role of accelerators, 3) the importance of partnerships, 4) the importance of investing in women, and 5) the need to mainstream the movement. We have created sections for each of these themes and attempted to tease out the biggest challenges and opportunities that were surfaced in the discussion. We asked five thoughtful industry leaders to write the introductions to each category to bring in a fresh opinion on the topic. Overall, the intention was to frame the main themes of IIA|13 and extend the conversation to a larger audience.
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INTRODUCTION

This report shares some of the key insights and recommendations from the Impact Investing in Action ‘13 conference, held in Washington, D.C. from May 20-23, 2013. Entrepreneurs, investors, and field builders from over a dozen countries, each representing different stakeholders in the impact ecosystem, came together to learn and to take real action. If there was one theme of the conference, it was how we can individually and collectively support those high-growth, early-stage companies that are focused on building a better Latin America.

The picture that emerged at IIA|13 was of a movement that is rapidly gaining momentum and an ecosystem that is quickly evolving and in need of support and stewardship. In this report we highlight five core themes that emerged from the dozens of conversations held at IIA|13.

1. The role of early-stage investors
   From new innovations for reaching smaller investors, to newly-formed partnerships, to new methods of lowering often-crippling due diligence costs, the field of early-stage impact investing is growing rapidly. This is encouraging since there is no long-term future for the impact investing movement if it cannot identify and support early-stage impact entrepreneurs. Fortunately, we are positioned now more than ever to make impact investing accessible to larger portions of society.

2. The role of impact accelerators
   There is probably no new development strategy as misunderstood - or as necessary - as impact accelerators. These new organizations focus on building the marketplace for early-stage impact investing by surfacing and supporting high-potential companies and connecting them with capital in all its forms. The impact accelerator industry has tremendous potential but also faces formidable obstacles and a general lack of awareness, exposure, and resources. If impact accelerators become more organized and understood, they will be a complete game-changer for early-stage impact investing.

3. The role of partnerships
   Throughout the conference, we heard about the importance of partnerships to lower risk, decrease cost, and maximize the chances of success. Yet partnerships are still not explicitly rewarded or encouraged, nor even properly understood by many of the existing funders in the space. New kinds of partnerships with new players (like universities) are offering novel ways of working together to achieve common goals in the industry.

4. The need to support women entrepreneurs
   All of the data shows that societies which fully harness the potential of women to achieve their goals are more successful than those that do not. In Latin America especially, supporting women entrepreneurship is both urgent and imperative. More collaboration is needed.

5. The need to mainstream the movement
   The idea of using business to solve social problems still remains niche, despite strong interest from a variety of stakeholders, including those not yet fully a part of the industry such as younger investors and consumers. Bringing the movement to a broader audience represents an enormous opportunity to scale the sector’s impact.

For the impact economy to emerge in Latin America, the United States, and globally, all of the key stakeholders will need to come together, better understand each other’s interests and incentives, and then coordinate and partner appropriately to achieve common objectives. The industry now has many conferences and gathering spots to help people come together. It’s our hope at Agora and at IIA|13 that these conversations will continue and deepen at each of these venues, eventually turning into trust, and then into action. Here’s hoping this report helps us get there just a little bit faster.

-BEN POWELL, FOUNDER AND CEO AT AGORA PARTNERSHIPS
We sometimes throw around the term “impact investing” as if it’s a single concept. It’s now clear that the term has splintered and, in our opinion, matured into a rich heterogeneity of strategies, products, and priorities. Judging by the Impact Investing in Action conference, investors seem to be specializing by sector, by geography, by company stage, by ticket size, by instrument, by return expectations, by every variety of change-the-world ambitions. There’s now something for everyone, and no single one-size-fits-all approach.

I find this kind of specialization exciting and a step in the right direction, enabling folks to build deeper expertise, to more strategically leverage relevant experience, and to have greater impact. However, it poses some challenges as well. Specialization and focus heighten the importance of properly connecting the dots and ensuring the right enterprises meet the right partners, and all of us, from accelerators to investors to entrepreneurs and other stakeholders, need to help. It also highlights the need for dialogue across buckets to share learning, promote more holistic impact, and ensure we don’t become a series of self-referential silos.

Last, but not least, we must ensure that this new specialization doesn’t leave great companies out in the rain. It will be a shame if a promising enterprise doesn’t find funding because it was based in Tegucigalpa instead of Mexico City, or labeled “agtech” rather than “fintech” or “edtech.” Specialization can be very good — we at Accion Venture Lab certainly believe this, as investors laser-focused on financial inclusion startups — but let’s be sure we’re focusing in niches where companies (and the markets they serve) need us.

From my point of view, that may very well mean earlier funding, more risk-taking, and tolerating uncertainty as we collectively feel our way towards business models and ideas that can change the world for the better.

-PAUL BRELOFF, MANAGING DIRECTOR AT ACCION VENTURE LAB
The following challenges and solutions emerged from five conversations and workshops at IIA|13 that focused on the role of impact investing in creating opportunities for the entire ecosystem.

1) From the Early-Stage Impact Investing Trenches: Lessons Learned From the Agora Venture Fund
2) Financial Innovation: New Vehicles to Facilitate Investment into Early-Stage Enterprises
3) Angel Networks for Good
4) For Investors: Using Data to Validate an Impact Investment Mandate
5) Closing The Pioneer Gap: Enterprise Philanthropy and Early-Stage Impact Investing

CHALLENGES

Large conferences in the impact investing sector generally do a poor job of fostering direct interaction between entrepreneurs and investors. Investors have expressed difficulty finding ample time and space to sit down and have worthwhile conversations with attractive entrepreneurs. Most of these conferences are structured so that all entrepreneurs seeking investment deliver a brief “business pitch” to the audience. Investors and entrepreneurs must then schedule and balance meetings amidst a busy conference agenda. Entrepreneurs have expressed frustration about the repetitive nature of their conversations as they speak with each investor separately. These individual meetings not only waste time (a very valuable asset for both parties), but also limit opportunities for co-investment and collaboration amongst investors. A number of online platforms have been developed for the purpose of directly connecting investors and entrepreneurial endeavors; however, many early-stage investors agree that they are investing in the entrepreneur, not in the company itself. The Internet limits the entrepreneur’s ability to convey the energy, passion, and charisma necessary to make their business succeed. Providing and supporting spaces where entrepreneurs and investors can more effectively converse is an important part of facilitating these deals.

To grow the early-stage impact investing sector we need to find ways to attract more investors and to lower their search and transaction costs. Early-stage impact investing is not for the faint of heart. At the deal level, challenges can include high-risk, high transaction costs relative to deal size, unproven business models and management teams, lack of pathways to big exits, and squeezed margins at times due to a company’s mission, such as a focus on BoP consumers. Sourcing investment-ready deals in an efficient and cost-effective way is another major challenge for the sector, as is finding strategic co-investors. Few mechanisms exist to effectively surface investible pipelines to early-stage investors. Even when investors can find deals, legal obstacles and paperwork can slow or derail the process.

It may be no surprise then that there are simply not enough self-defined early-stage impact investors. Finding ways to lower risk at the deal level and to attract more investors into the sector will be critical to building a strong foundation of the global impact investing movement.

OPPORTUNITIES

“Deal Rooms” provide a new space within the conference setting in which entrepreneurs can directly interact with a group of interested investors. Investment is one milestone in a broader relationship that extends from initial pre-investment contact all the way through exit steps and beyond. Ultimately, the goals, skills and decision-making styles of both the entrepreneur and the investor need to be aligned and complementary in order to build a successful business partnership. Agora staff members have led and participated in numerous conferences in the impact investing space and they have found that, generally, investment does not happen at the conference. Instead, the conference acts as the first step, merely beginning the due diligence process. The “Deal Room” is designed to be an intimate conversation in which entrepreneurs can build new relationships, continue existing ones and collect constructive feedback on their businesses, all with the purpose of channelling the right financial capital into their businesses. It is a collaborative exercise rather than a negotiation.

At Impact Investing in Action, each entrepreneur led a 50-minute Deal Room, in which the first 10 minutes were devoted to introducing their company. Introductions included a description of what they do, why they do it, and how they do it (and make money from it!). The remaining 40 minutes were comprised of a round-table discussion between potential investors, focusing on the presenting entrepreneur and his/her business. Overall, IIA|13 received
resounding positive feedback on this structure. Entrepreneurs and investors were able to have deeper and more detailed conversations about the enterprises.

All parties also benefited from the streamlined diligence process of the Deal Rooms. The “group diligence” allowed investors to hear answers to one another’s questions, making the entire capital-raising conversation more efficient. Similarly, investors (many of whom were acquaintances) were able to discuss potential collaboration opportunities within a round, or even for the next round of investment. This interaction allows investors to meet their own individual requirements while also contributing to the diverse needs of the entrepreneurs.

Ultimately, 15 out of 21 entrepreneurs left the Deal Rooms with immediate interest in continued contact with an investor. Two entrepreneurs have received verbal commitments of investment and one has closed a deal with an investor.

We believe this approach has great potential to maximize the likelihood of channeling financial capital efficiently to early-stage impact entrepreneurs.

**Online platforms can be used to facilitate communication between investors and entrepreneurs.** Once the investor-entrepreneur relationship has been established, the challenge for an accelerator is to maintain the investor’s interest over time across multiple deals. One creative and low-cost way to do so is through the creation of an online space for facilitating communication between investors and entrepreneurs and within each of those groups. This type of online platform would contain information about best practices and success stories in various fields and projects, facilitating trust, communication, and transparency within the community. The goal of such a platform would be to coordinate and connect financial capital to accelerate the success of early-stage impact entrepreneurs and to create a safe space for investors to share, learn, and co-invest in entrepreneurs. Creating such platforms for the impact investing sector could significantly lower friction cost in the industry.

**There is huge opportunity to develop and implement new and innovative instruments for investing.** There are two primary forms of capital in the world of impact investing—debt and equity. When it comes to impact investing, particularly in early-stage companies in the developing world, both have their limitations. Due to both the nature of the developing world and the infancy of the industry, successful exits have been rare. Additionally, giving up some control of a company is often culturally and emotionally challenging for entrepreneurs. Debt is expensive, can be hard to come by (especially for young companies with weak collateral, if any at all), and places substantial repayment burdens on companies at a vulnerable time in their growth. There is a need for more creative investment vehicles that take into account some or all of the challenges described above. Developing these new vehicles, like the demand dividend, has the potential to unlock new capital.

**Demand Dividend Model**

The Demand Dividend model, an innovative investment structure proposed by John Kohler and Tom Sabel of Santa Clara University’s Global Social Benefit Incubator, combines equity and debt to resolve many of the challenges posed by existing impact investing structures. The structure features an initial investment followed by a 1-2 year repayment holiday during which the entrepreneur grows the business, but makes no payments to the investor. Once repayments start, they are based not on a fixed capital + interest amortization schedule, but, rather, are calculated based on revenue (exactly which kinds of revenue are included is determined by the term sheet). Repayments continue until a specified target is reached (generally a 2x-3x return for the investor), at which point, the investment is closed and the investor retains no further interest in the company. As with equity, entrepreneurs receive relatively unrestricted funds and are not saddled with burdensome repayments early on. Also, as with equity, investors receive a share of the profits if the company is successful. Like with loans, there is a predictable revenue stream for the investor, a specific target repayment total, and a defined end to the investment relationship. Additionally, investors are attracted by the reliable exit with a predictable time frame, while entrepreneurs are attracted by the flexible capital and repayment terms. Finally, entrepreneurs retain control of their company after the investment is complete.¹

Although it appears that each party wins, the Demand Dividend structure is not appropriate for every business. It works best for early-stage, post-revenue companies with relative rapid growth prospects. For companies in that niche, this model has enormous potential to unlock new capital.

Agora Partnerships and the Eleos Foundation were proud to announce at IIA|13 that the Agora-Eleos LatAm Women’s Fund is making the first-ever demand dividend impact investment into Agora Entrepreneur Maya Mountain Cacao. We look forward to reporting back on the vehicle’s success in a few years.
For entrepreneurs, Accelerators provide mentorship, build financial models, create customer pipelines, and help developing presentation skills and strategies to enable the entrepreneurs to accept investment capital.

Accelerators have a tremendous opportunity to close what Acumen/Monitor Institute described as the “Pioneer Gap” that defines early-stage impact investing; yet, as Andrew Carnegie said, “pioneering don’t pay.” According to an ANDE-Village Capital study, 76% of accelerators rely on philanthropic support to conduct their activities, and only 20% of impact investors help accelerators cover costs.

Impact Investing In Action covered the key opportunities and challenges faced by accelerators, including:

- Who is the primary customer, the entrepreneur or the investor?
- How do accelerators avoid a “free rider” problem—delivering value to investors and entrepreneurs, while incentivizing investors and entrepreneurs to cover costs in innovative ways?
- How do accelerators evaluate their own best practices to ensure that they are constantly improving their value proposition?
- How do accelerators differentiate what they are best at—for entrepreneurs, funders and investors—to start to deliver on the promise of a more efficient market?
Read below to see some initial answers. In the big picture, accelerators have tremendous opportunity to help address some of the most significant pain points in impact investing, and many of the conversations in Impact Investing in Action launched inklings, ideas, and concepts that can lead to solutions.

-ROSS BAIRD, EXECUTIVE DIRECTOR AT VILLAGE CAPITAL

The following challenges and solutions emerged from four conversations and workshops at IIA|13 that focused on the roles of accelerators and their relationships with other players in the ecosystem.

1. Incubators and Accelerators: What Do We Know? The Latest Research from the Field
2. Connecting the Impact Value Chain
3. Indispensable Partners: Investors, Entrepreneurs, and Accelerators
4. Collective Action: Ways to Move the Accelerator Network Forward

**CHALLENGES**

Accelerators still struggle with the age-old questions: who is my primary customer? Accelerators have many key stakeholders: entrepreneurs, investors, funders, and the ultimate beneficiaries of the impact created; figuring out where core value is created can be difficult. Because each stakeholder has different expectations and requires a different value proposition, attempting to serve all parties equally can create an internal conflict of interest and distract focus. In order to correctly align each party’s expectations and derive the appropriate value, an accelerator must decide who its primary customer is and then build its business model around that customer. Once the business model has been constructed, an accelerator faces the challenge of aligning its products and services to add value to its primary customer while also figuring out how to capture the value added to all stakeholders. In the future, accelerators may get better at catering to multiple primary stakeholders; however, most accelerators do not have enough resources to do so. Ricardo Terán, Co-Founder and Senior Advisor at Agora Partnerships, describes Agora as a “multi-sided platform” in which all stakeholders work to “strengthen the business model of the entrepreneur and help them mature in a way that they otherwise wouldn’t.” No matter who is the primary customer, accelerators must find a way to create value for all stakeholders, despite the fact that they come from different market segments and do not always have perfectly aligned interests. Understanding the core customer and designing business models that reflect a focus on the customer will be critical to accelerator success in the future.

Research and development is critical for an accelerator to design its business model, clarify its value proposition, and successfully develop and refine its products and services. As outlined by Ian Fisk, Executive Director at Village Capital, “the accelerator approach is relatively new, having started in the USA in the late-1950s, coming into prominence in the technology world of the mid-1990s, and becoming a visible part of the impact investment world in the past few years.” In order for an accelerator to add value to all its stakeholders, and for all stakeholders to both add and derive value from the process, the accelerator must invest resources into the research and development of its offerings. This is not an easy task in an industry that is still not mature and requires constant innovation if it wants to stay ahead of the game. The founders and staff who run accelerator programs are often entrepreneurs themselves and are developing their business models, as well as their product and service offerings, with each new iteration. Terán points out that “we are trying to execute a business model and, with the same amount of resources, we are trying to learn about it.” Iteration is a constant theme among impact accelerators, many of which have changed their product and service mix dramatically since first launching.

It is important for funders and investors to realize the there is a big need to invest in the capacity of accelerators to engage in serious R&D and iteration in order to improve efficiencies and create more scalable models.

*The value an investor derives from an accelerator is visible in the enterprises that the accelerator serves, rather than in the operating effectiveness of the accelerator itself.*

A fundamental problem for accelerators is monetizing their services. The value an investor derives from an accelerator is visible in the enterprises that the accelerator serves, rather than in the operating effectiveness of the accelerator itself. For example, much of the value Agora Partnerships adds to an entrepreneur is human and social capital in the form of knowledge, networks, and capacity building. Terán believes that, “when successful, this translates into a strong entrepreneur and business model which will [both] hopefully translate into a high probability of success.” From the viewpoint of the investor, “the clearest value that Agora adds is helping decrease the cost and shortening the timeline in both identifying opportunities and helping investors get to a due diligence decision, however, this is not currently being paid for by the investor.” As a result, a “free rider” problem has arisen in which investors use accelerators as a sourcing mecha-
nism and “while 20% of investors directly fund accelerators, an additional 60% actively source ventures from accelerators without helping pay for their operations directly, and 47% of investors say that they have sourced ‘zero’ portfolio companies from an accelerator.” These statistics show that there is a larger gap than expected between the accelerator’s and the investor’s view of what constitutes a quality investment. Because of this misalignment and general lack of understanding about accelerators, many investors are unwilling to pay for an accelerator’s operating costs and end up “free riding” off the entire system, expecting instead that donors will cover these fixed costs. Accelerators must find a way to effectively communicate the value of their services to investors so that investors are willing to pay for a greater share of the value those services derive. Early-stage investors who find value from accelerators can help accelerators communicate value propositions to other investors, governments and philanthropists who might help accelerators cover operating costs. There is much work to be done on developing business models for accelerators that enable them to earn revenue from multiple sources, like funders, entrepreneurs, and investors. Perhaps in the future, they will be able to access the capital markets through social impact bonds.

OPPORTUNITIES

By encouraging transparent dialogue between all actors, accelerators can better manage expectations from each. It is important that each actor understands each other’s roles in the ecosystem, as well as their strengths, limitations, and expectations. This will reduce future friction between actors, allow for better alignment of missions and ultimately maximize the chances of success. Accelerators in particular need to make their intentions obvious by clearly defining their desired relationship with each actor, whether it be an investor, an entrepreneur or a funder. Ben Powell, Founder and CEO of Agora Partnerships, states, “all actors in the ecosystem must understand who their primary customer is and how they add value to the ecosystem. The more we can clearly understand our own role and the role of others, the more we can help each other.” Terán adds, “We [Agora] consider ourselves to be a trust broker. We bring all sides to the table in a way that builds trust among them and clarifies each of their roles.” Figuring out your own role and clearly communicating that role to other players in the ecosystem is a critical first step in the eventual monetization of services.

Publicizing research will help funders and investors realize the importance of investing in accelerators to do R&D. There is so little research on the subject of impact accelerators that R&D is essential to their growth and the advancement of the entire impact industry. It is important for funders and investors to realize that this type of R&D fundamentally depends on iterations of the business model and, although risky and expensive, can have high payoffs in the long-term. The PTP report found that the trial-and-error efforts by pioneer accelerators have lowered risks for the industry as a whole and are starting to create a market with easy entry and proven models. A larger market-size of accelerator programs will create competition and lead to constant innovation and, ultimately, greater social, environmental, and economic impact. Investors who truly understand the important role of accelerators in the impact ecosystem, therefore, realize the importance of funding their growth. Investors need to vocalize their support for accelerators and encourage others to do the same. Mark Beam, Co-Founder of SoCap and Senior Advisor at Halloran Philanthropies, stated, “we [Halloran Philanthropies] support accelerators because they give us access to the trends and patterns of what is happening in the impact space.”

There are a number of available tools to help Accelerators streamline the selection process. There are a number of existing impact measurement frameworks such as IRIS metrics and GIIRS ratings that help streamline the process of collecting data and provide uniform analysis that can be easily understood and compared. By requiring entrepreneurs to present IRIS metrics and GIIRS ratings with their applications, accelerators are supporting and mainstreaming these tools, which will ultimately improve the effectiveness of the entire ecosystem. Furthermore, these tools have the potential to significantly aid investors in their initial screening process and can help accelerators, whose primary focus is on serving the investor, to select companies that better align with the investor’s criteria. Impact IQ, an organization focused on impact measurement, and individuals from Emory University are working to create a common application for accelerators, which is ultimately a streamlined and standardized way for accelerators to contribute data from their applications to researchers. It is important for all parties to recognize, however, that a large portion of “impact” is difficult, if not impossible, to capture on an application. The PTP Report highlights the fact that GIIRS and IRIS are unable to measure many of the positive externalities, such as new breakthroughs in research, produced by organizations that affect the sector as a whole.

For accelerators, clearly communicating their values and offerings to all stakeholders is critical in attracting the right entrepreneurs and the right investors. Once an accelerator has done enough trial-and-error, it will reach a point where it feels confident in its business model and can focus on refining its products and services. When an accelerator has reached this stage, it is important to determine a very clear set of values that is aligned with its mission. It is absolutely critical for the accelerator to clearly communicate its vision to all stakeholders for two reasons: 1) to ensure the right profile of entrepreneur is both
sought after and accepted into the program; and, 2) so that the full value of the program is realized and valued by those who can afford it, including investors and funders. By accomplishing these two critical factors, an accelerator has a much better chance of successfully monetizing its services and can continue to improve its offerings and grow. It is important to note that there is still ample space for philanthropists to play a role in funding acceleration services. Financing the full cost of an accelerator program for an entrepreneur would make investing in many deals too expensive for most investors. Accelerators must figure out what the right balance is between the two sources of financing and must also determine what the right types of funders are.

There is opportunity to use more creative term conditions and payment models between accelerators and client companies. Effectively communicating and capitalizing on the value of an accelerator’s services is incredibly difficult and maybe even impossible. There are a number of creative ways to fill the funding gap, utilizing resources other than funders and investors. Crowdfunding has become a very popular means for entrepreneurs to raise enough money to pay for an accelerator program. Another creative idea is a “sweat for equity” model, which Yuwei Shi, Founding Director of Frontier Market Scouts, describes:

*Well-run accelerators provide great value to fledgling entrepreneurs. But they [accelerators] often find it difficult to translate the value [of their programs] into economic gain to help cover their expenses or attract more talent, because the direct beneficiaries are themselves cash-strapped entrepreneurs. The idea is to translate the value from accelerators into future economic gain, or to have them [entrepreneurs] earn a sweat equity.*

*This idea won’t work if accelerators strike only a small number of such deals with entrepreneurs. If the most reputable accelerators can pool their deals together and structure an attractive portfolio of startups, they may be able to cash out some of their sweat equities.*

The report, “Bridging the ‘Pioneer Gap’: The Role of Accelerators in Launching High-Impact Enterprises” was recently released and provides very interesting information about the role of accelerators. Mark Beam provides some insight into the report: “The Report uncovers some intriguing issues, including the conclusion that most impact accelerators cite a “lack of fit with our investment criteria” as a primary reason why they do not invest in accelerator graduates. This seems like a manageable problem to solve using a bridging platform that unites accelerators and their entrepreneurs around the globe. The upside: more investor time and financial investment in impact accelerators. Join us in discussion in the next few months at the Unreasonable Institute July 9-11; William James Foundation 10th Annual Gathering in Washington, DC July 18-20; and SOCAP September 1-4.”
3. THE ROLE OF PARTNERSHIPS

Is it true that today’s most intractable problems are everybody’s problems, and that only through collaboration and harnessing the strengths of each sector will we find long-lasting solutions? Is it true that the private sector has a major role to play and that the new breed of impact entrepreneurs, intrapraneurs and impact investors, with their billions of dollars, talents, innovations and resources, constitute the missing link necessary to create the 1.3 billion quality jobs that will be required in the next decade, solve the food security crisis and prevent entire cities from sinking underwater in the next 20 years?

There seems to be quite a debate around these questions and whether or not the nascent impact investing ecosystem will be able to deliver the social and environmental solutions needed to turn around the fate of humanity and the world. I believe, however, that those involved in the debate are asking the wrong questions. Ask the wrong question, get the wrong answers and, in turn, the wrong solutions. The question at hand, then, is not whether or not it’s true, but, instead, HOW can it work?

“PARTNERSHIPS” arises as the core foundation and pivotal response to these questions. It is through effective partnerships that the core strengths of each sector can and will be leveraged to come up with solutions that are sustainable, scalable, spreadable, and replicable.

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There are not enough resources in any one sector or industry for any one of the players to do it alone or, much less, to compete with one another.

This is only the beginning, however. To truly make change, impact investors will need to practice the art of being patient. They will have to stay committed to their deals for longer periods of time. Also, they will have to create more first-loss funds. Meanwhile, governments will have to guarantee investments, significantly increase and streamline their grant resources, and facilitate the creation of impact investment markets. Impact entrepreneurs and intrapraneurs will have to find ways to tap into the US$16 billion-a-year grant money given by US corporations, master the art of triple-bottom-line management throughout the value-chain, as well as learn rapid-prototyping and scalability. Finally, development agencies will have to become real market-makers, connecting all sectors with matching competencies, missions and resources in order to build collaborative communities and networks from which ‘Wicked Solutions’ (solutions arising from ‘Wicked Problems’, i.e., problems that are impossible to solve with-
out creating other problems) will emerge and be implemented. Five years ago, there were very few of us in this space. The name “Impact Investing” didn’t even exist. Three years ago, I would sit across from impact investors wanting to invest and co-invest through and with us to make sure their investments had impact. They wanted to know how to measure the social and environmental value of their work. Two weeks ago, I sat across from an impact investor who had a portfolio worth over US$100 million. It was composed of 26 deals in 13 countries. It measured impact via household surveys and social-protection-poverty maps. It included over US$20 million that was available for investment in technical assistance over the next five years. The game has changed for the better. The future is definitely full of promise. Let’s focus our energy on how we create this promise instead of debating whether or not it is possible.

-ROSARIO LONDOÑO, SR. SOCIAL INNOVATION AND DEVELOPMENT EFFECTIVENESS SPECIALIST AT INTER-AMERICAN INVESTMENT CORPORATION

The following challenges and solutions emerged from seven conversations and workshops at IIA|13 that focused on the importance of partnerships in solving the challenges society faces today.

1. The Art of ‘Intrapreneurship’: How It Can Weave University Professionals, Development Professionals, and Other Key Actors Together for Greater Impact
2. Collective Action: How Do We Support Each Other in Creating a Shared Due Diligence Process?
4. Collective Action: Partnering Between Universities and Accelerators to Build the Impact Ecosystem
5. Innovative Partnerships: A New Model of University, Government and NGO Collaboration
6. Addressing the Talent Gap: How to Attract the Best and Brightest…at Bargain Prices
7. David and Goliath as Friends: How Big Organizations Can Work with Disruptive Entrepreneurs to Accelerate Impact

CHALLENGES

“The scale of our global problems far exceeds the resources currently allocated to solve them.”

Partnerships are critical to achieve the common goal of supporting entrepreneurs to find solutions. They lower risk, decrease cost, and maximize the chances of success. Investing any sort of resources into an early-stage enterprise is risky and expensive. Due to the very nature of their work, many impact entrepreneurs face small margins, volatile markets, and unfavorable work environments. The diligence alone on these early-stage companies can cost more than the expected returns. In addition, the time and human capital it takes to collect and analyze the necessary data can over-burden small angel-investing groups and start-up accelerators. Partnerships between investors, accelerators, and philanthropists can radically reduce these types of costs and, when done right, can also improve effectiveness. When forming these partnerships, Londoño encourages players to “design a business model that is based on ‘affordable losses’ for each [and] is structured in a way that some of the players can bear the weight of greater risk in the early iterations and then, once the proof-of-concept has been established, the risk can be transferred to others.” Each player must be aware of his or her strengths and be willing to commit potentially un-equal amounts of resources in order to attain the end goal of supporting entrepreneurs to solve these complex problems.

Each organization needs to stop re-creating the wheel and instead work together to cultivate one that is better and stronger than ever before. Londoño encourages us to “acknowledge that the problem at hand is a ‘Wicked Problem’; one that is impossible to solve without creating other problems. The aim is to find solutions that mitigate the impact of the new problems being created. [This will] require an iterative process of execution that allows for continuous learning and improvement, so [a] partnership is not a one-time thing, but is, instead, about committing to a journey together in the discovery, creation and evolution of the ecosystem.” In order to form these lasting partnerships, each player in the ecosystem must clearly define and understand their role. They must then create an open dialogue to communicate their mission so that all can collectively determine targeted strategies to achieve common objectives. The key to actually accomplishing these goals is to form focused partnerships both within and across sectors that are based on trust and a clear understanding of the roles and responsibilities of each player. By starting now, we can help build an ecosystem where partnerships successfully withstand the pressures of the ecosystem.

Bureaucratic dynamics restrict the free flow of information in areas of highly concentrated resources. Washington DC, in particular, is home to an incredible variety of influential players – the government, policy makers, corporations, multi-lateral institutions, non-profit organizations and in-
vestors – who together possess an enormous amount of transformative power that can be unleashed via collaboration and cooperation. It is critical to build communities in places like DC to encourage and support the change-makers working to reduce the barriers to effective communication and partnership. Furthermore, we must create and maintain a strong support network and find ways to bring together government leaders in the early-stages of impact investing to best determine the role they can play.

Intrapreneurs have emerged as key players in these communities through their efforts to innovate within major organizations, particularly within the government, where they are working to break down silos between individuals.

OPPORTUNITIES

Create a Washington DC-based working group of professionals focused on impact investing. Multiple agencies and organizations in Washington DC are working to support entrepreneurship and impact investing in the developing world. Unfortunately, most do not talk to each other. Washington’s siloed and bureaucratic culture leads to a hoarding of information, in contrast to successful ecosystems like Silicon Valley that benefit from a culture of collaboration and sharing. There is a huge opportunity to disseminate good ideas, form networks and build lasting relationships among professionals in the Washington DC region. People need to be having more beers together in DC, sharing ideas and seeking partnership opportunities that are often hidden due to bureaucratic cultures that are far too inward-looking. The IIC at the IADB, Ashoka, and Agora are working towards assembling such a group to continue the conversations at IIA|13.

Conferences and online platforms provide important spaces for different parties to interact, create dialogue, and form partnerships. The most important first step in creating partnerships is clearly defining your organization’s role and effectively communicating what you do and why you do it. Understanding each other’s roles is key to effectively supporting one another and forming the right types of partnerships with specific and concentrated goals. Online platforms are particularly effective for publicizing and sharing knowledge, and allowing for ideas to be built upon and strengthened rather than duplicated.

- OneLeap is a great example of an online platform that is designed to reduce the barriers between key stakeholders. It helps entrepreneurs connect to people who can help with needs beyond investment capital. According to Alex Lovell-Troy, CTO and Lead Engineer at OneLeap, “OneLeap exists to ensure that the ideas and people best suited to solve a particular problem never fail due to lack of connectivity.”

- Conferences like IIA|13 provide the physical space for people to connect. According to an anonymous conference participant, “Impact Investing in Action provides the ‘white space’ that allows entrepreneurs, investors, and thought-leaders to interact and enhance the impact investing ecosystem. The gaps between these distinct groups were narrowed and new connections established. As the field of impact investing evolves, this network will be crucial to new development and sustainable growth.”

- Although currently only focused on Mexico, the GIIMAP is a collaborative tool that “provides users with critical information on how to leverage their influence and resources to maximize social impact, strategically build new partnerships, and spread ideas, standards, and practices across the impact investment sector.” By presenting the impact investing ecosystem as a whole, it is much easier to identify key challenges and opportunities and then collaboratively explore targeted solutions.

Focused partnerships with shared values and goals have the potential to last in the long term. Andy Lower, Executive Director at the Eleos Foundation sums it up best when he says, “We need to be honest about the reality of the world we live in and we need to have the aspirations and goals of the world we want to see, but then also take the steps we need to get there. That is one of the reasons we [Eleos Foundation] are partnering with Agora – because we need more entrepreneurs for us to make investments in, and Agora needs more investors to step up, to embrace the risk, to get these entrepreneurs to the starting line to really make a difference. In addition, we need to be sharing information, we need to be empowering each other and really finding ways to make it a win-win scenario and to get to the goals we want to see.” This partnership reflects two of the factors that Londoño has found to be critical in successful collaboration: 1) “Bringing the right people to the table: it is not the organizations they represent that will matter, [rather] it will boil down to the people sitting at the table who will be
Intrapreneurs are working hard inside major organizations to innovate existing processes and break down barriers between their employers and other actors in the impact ecosystem. Defined as “someone who works inside major corporations or organizations to develop and promote practical solutions to social or environmental challenges where progress is currently stalled by market failures,” intrapreneurs generally positively affect a variety of stakeholders and have positive net effects on the bottom line of their companies. According to A Field Guide for Corporate Changemakers, their success stems from “their ability to integrate their new thinking and requirements into existing processes. This not only enables them to access company resources and know-how, but also helps to create support for their efforts by getting more of the mainstream company involved.” Intrapreneurs also break down bureaucratic barriers between governments, corporations, and smaller players in the impact field. Furthermore, intrapreneurs are beginning to positively transform the way large corporations perceive impact entrepreneurs and have successfully provided many impact entrepreneurs with points of access to major businesses. It is important for large organizations to support these intrapreneurs and listen to their revolutionary recommendations. Additionally, all intrapreneurs should join the League of Intrapreneurs to support their peers and shed much needed light on the changes they are creating within their organization.

Major corporations have begun to recognize the value of entrepreneurs as goldmines of innovation. The belief is that the little guy (entrepreneur) is interested in connecting with the big guy (corporation) for strategic acquisition. In more and more instances, however, the big guy is also interested in taking advantage of the little guy’s innovative products and processes. For example, if a company plans to spend $20 million to launch a new product, why not give 10 entrepreneurs $2 million each and see what they create? Although this can be risky, there is huge potential for enormous payoff in the form of outrageous ideas that can put a corporation miles ahead of their competitors. The entrepreneur may lose ownership of an idea, but they stand to benefit from useful connections, the unusual opportunity to experiment with virtually limitless resources, and the chance to boost their reputation. When looking to hire a consultant for a project, specifically one relating to innovation, corporations should consider spending the salary allocated for the consultant on an entrepreneur instead.

Post-graduate fellowship programs are bringing new human and social capital into the industry. Programs such as the Frontier Market Scouts provides fellows with an intensive practitioner-driven course on impact investing and impact entrepreneurship, which provide fellows with practical skills to bring to the field. Each scout is matched with a field placement, automatically bringing his or her employer into the fellowship network. By continuously sending individuals into the field, fellowship programs foster exponentially-expanding networks. These networks provide fellows, both present and past, with life-long communities of support, mentorship, and collaboration that they bring with them to all future jobs. These networks also serve to strengthen the impact investment ecosystem as a whole.

Universities are a critical source of hardworking, sharp students who want to create change. Through graduate programs like the Social Impact Entrepreneurship Accelerator at Duke (SEAD) and undergraduate programs like Haverford’s Microfinance and Impact Investing Initiative, more and more universities are educating students on the topics of impact entrepreneurship and investing. The students gain valuable experience by doing consulting projects for social impact organizations. They execute high-level, high-impact projects including determining impact metrics for an entire accelerator class of companies and analyzing the internal operations of an organization and proposing methods to become more sustainable. Some institutions offer funding for student groups to work in the field on short-term projects and others possess student-run impact investing funds. Students gain practical experience and contacts in the industry while the organizations they work for benefit from the student’s valuable work and exposure to the latest research and theories that are being taught at top universities.

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4. THE NEED TO SUPPORT WOMEN ENTREPRENEURS

“Western” economies have been working to improve opportunities for women for decades. Formal policies and well-funded programs provide access to education, capital, and means of support that address the unique needs and strengths of working women and mothers. While much work remains to be done, significant strides have been made to address and abolish the problems driving the lack of opportunity and equality for women.

In many emerging economies, however, the real conversation has not yet begun about the distinct challenges and opportunities facing women and about how the government, private sector, and other stakeholders can improve the likelihood of women’s involvement and success in spurring economic growth. And yet, it is becoming clearer than ever that women and the organizations they lead will be crucial players in the economic success of these developing countries.

According to Lisa Hall, president and CEO of the Calvert Foundation, GDP rises by 3% in countries in which 10% more girls attend school than in other countries. Also, crop yields increase by 10% when women own farmland. Women consistently reinvest in their families and homes, improving outcomes for the next generation, creating multiplier effects in their communities, and driving responsible consumption for sustainable economic growth.

On the leadership side, however, emerging research from Peter Roberts of Emory University shows that, while early-stage, post-accelerator enterprises run by women are 15% more likely to be profitable than similar businesses run by males, the women-run businesses are still 40% less likely to raise the capital they need. The role of the impact investing movement in supporting female entrepreneurs and women-benefiting businesses is not to be underestimated. By specifically seeking out those businesses that will scale economic opportunity for women, investors and other stakeholders can accelerate the degree to which women will be involved in developing emerging economies. Entrepreneurs and business leaders will take their cues from this investor perspective and make sure their companies involve and empower women as much as possible, subsequently improving their own impact and bottom line.

As a female entrepreneur in Central America, I know first-hand the countless challenges faced by working women in this region. I also see vast opportunities for lowered population growth rates, improved health for women and children, strategic and powerful economic development, and more inclusive and vibrant societies that respect and empower all citizens.

-EMILY STONE, AGORA ENTREPRENEUR AND FOUNDER OF MAYA MOUNTAIN CACAO
The following challenges and solutions emerged from two panels and workshops at IIA|13 that focused on the importance of investing in and supporting women entrepreneurs.

1. Building the Ecosystem to Support Women Entrepreneurs in Latin America
2. The Development Case for Investing in Women

**CHALLENGES**

“No country can get ahead if it leaves half of its people behind.”

Many women entrepreneurs in Latin America become caught in a vicious cycle in which they are unable to access capital due to a lack of credentials, but are also unable to gain the necessary credentials without capital. The Inter-American Development Bank (IDB) recognizes that, in many developing countries, “under traditional lending models, women can be rejected for credit because of informality, lack of credit histories and collateral, not fitting bank’s marketing strategies or client profiles, low education levels, lack of formal work experience and exclusion from entrepreneurial networks.” 11 Xochitl Palacios, Agora Entrepreneur and Founder of DeliMaya, reaffirms these struggles based on her own experiences in El Salvador. “As women, we do not have any record. It is almost impossible to [access] banks. There are unions that help with money but have very high interest rates that are very difficult for us. There is money from the government allocated for small businesses, but when I went to knock on the door and present my project, [I found] many restrictions and requirements that were very difficult for me to face. For example, we needed to be selling a certain (very high) amount monthly, but I need the money to sell, but to get the money I need to sell. So I had to use my savings and borrow from my parents.” How can we expect women entrepreneurs to succeed if they can’t even take out the loans necessary to start a business? Investing in women-run enterprises is important, but first we must find a way to make the funds available for them to reach the stage where they are ready for larger investments and can truly make an impact.

Investing in women must be done so in a way that ultimately integrates women into the business economy alongside their male peers. Ambassador Melanne Verveer, former Ambassador-at-Large for Global Women’s Issues at the U.S. Department of State, proclaimed, “No country can get ahead if it leaves half of its people behind. And there is no way that our collective quest for security, for prosperity, and stability can be realized if we don’t invest in women, one of the most effective and powerful forces for re-shaping the globe.” It is essential to recognize that women and men have different needs, but it is equally important to offer sustainable solutions to gender inequality that will ultimately put men and women on the same playing field. There are many programs targeted at addressing the specific needs of women, but these gender-focused initiatives frequently fail to prepare women for integration into the male-dominated economy so they can successfully work alongside their male counterparts. In order to truly “re-shape the globe”, women and men need to work together, not separately. When working to bridge the gap between the genders, however, it is important to utilize culturally sensitive solutions. Gabriela Flores, Agora Entrepreneur and Founder of Kirah Design, explains that, in Bolivia, “I have been in a situation where the husband has destroyed the handicrafts or burned them and beat the woman just because she was becoming independent.” Investing in women entrepreneurs and preparing them to compete in the global economy is imperative, but it must be done very carefully so as to move women closer to men, instead of fueling negative sentiments.

“There is no way that our collective quest for security, for prosperity, and stability can be realized if we don’t invest in women.”
Gender lens investing has fostered numerous successful investments into female-run social enterprises. The Criterion Institute, founded a decade ago, is a pioneer of the idea of using “gender as a category of analysis when making investor decisions.”12 Since then, the idea of gender lens investing has become a focus in the impact investing field. Andy Lower, Executive Director of Eleos Foundation, says, “From an investor’s perspective, it isn’t rocket science that you should be investing in women. It just makes sense because they are the people who are changing the world.” Agora Partnerships and the Eleos Foundation formed a partnership to create the Agora-Eleos LatAm Women’s Fund to “provide gender lens investing opportunities for early-stage impact investors to accelerate the success of women-run companies, as well as those that support the empowerment of women and girls, in Latin America.” 13 In less than a year, the Agora-Eleos partnership has resulted in one successful deal with at least one more currently in discussion. Gender lens investing is a relatively new concept, so it is important for leaders like the Eleos Foundation to continue to invest in women entrepreneurs and prove to their peers that investing with a gender lens can be just as successful, if not more so, than investing without one. Data focused on women has played a critical role in highlighting the many reasons why investing in women is important, but more data is needed to determine why the gap still exists and how to eliminate it.

Data focused on women has played a critical role in highlighting the many reasons why investing in women is important, but more data is needed to determine why the gap still exists and how to eliminate it. The Global Entrepreneurship Monitor (GEM) 2010 Women’s Report, the most comprehensive study ever conducted about the entrepreneurial activity of women across the globe, determined a “need for greater access to capital, more education and training and a shift in societal attitudes to stimulate and support women starting and growing businesses.”14 The GEM found that “187 million women were involved in creating and operating enterprises, ranging from just over 1.5 percent to 45.4 percent of the adult female population” in the 59 economies surveyed. This data has been critical in supporting the case for investing in women. However, there is a long way to go to abolish the gender divide and we will need more data to determine specific areas that require attention.

Continue the work to shift traditional responsibilities to empower women with that most precious of resources: time. In many societies, particularly in the developing world, women are expected to care, alone, for their children and their homes. Palacios describes this challenge as “work overload” which is “considered an expression of female poverty [because it] limits a woman’s ability to participate in other activities like generating creative ideas that generate income.” Women entrepreneurs find themselves at a significant disadvantage because they are unable to invest the same amount of time in their work as male entrepreneurs. In the initial stages of a business, an entrepreneur’s time is one of their most valuable assets. In an effort to relieve women of some of their familial responsibilities, there is an opportunity for programs targeted at the sharing of these household tasks. Men taking on the traditional duties of women is unheard of in many societies, so it is important to employ incremental approaches and even create support groups for both men and women. Other alternatives include providing affordable pre-schools and lengthening school days. It is worth investing the time and money into exploring creative, culturally viable ways of providing women with more free time.

Innovative lending models are emerging to increase access to financing, particularly for female entrepreneurs. According to Ambassador Melanie Verveer, “The IDB has said that without a doubt, women joining the workforce and becoming entrepreneurs will improve the overall efficiency of a country. Whether developed or developing, access to capital is perhaps the most significant challenge.” As a result, in mid-2012, the IDB and the Multilateral Investment Fund (MIF) pledged US$55 million “to help financial intermediaries in Latin America and the Caribbean implement lending models that support growth in women’s businesses” under an initiative called Women Entrepreneurship Banking. US$50 million of the total was offered in A/B loans, risk-sharing facilities and partial credit guarantees. The remaining US$5 million was provided in grants to “transfer knowledge of effective lending models for women-owned SMEs and to train loan officers and credit managers in these products and services.”16 Initiatives like this one are essential to increasing access to finance for women entrepreneurs because they combine capital, knowledge-transfer and capacity building. It is critical to support and develop more programs like these in the developing world.

Build out more networks of support and mentorship for women entrepreneurs. According to the GEM, “women are more likely dissuaded from entrepreneurship due to fear of failure and they are less likely than men to display intentions for starting businesses.” 17 In her work as former Head of Global Entrepreneurship at the State Department, Shelly Porges has found similar trends: “In many countries, taking the risks that entrepreneurship requires is not supported and is certainly not celebrated. Celebrating entrepreneurs, whether they have failed or succeeded, is really an important part of this whole ecosystem.” Flores adds to this from her own experience as an entrepreneur in Bolivia: “We feel always isolated. We need people who understand us and who we can share with.” There are a number of networks that celebrate entrepreneurship and support women. Vital Voices Global Partnership, for example, “identifies, trains and empowers women leaders and impact entrepreneurs around the globe, enabling them to create a better world for us all.” 18 With a team of over 1,000, Vital Voices has trained and mentored over 14,000 emerging women leaders from more than 144 countries. Most Accelerator programs also boast very supportive networks and the Internet is replete with forums and support groups. Participating in these groups is essential to an entrepreneur’s success because they provide vital sources of information, coaching, and moral support.
Derek Sivers’ TED Talk titled “Leadership Lessons from Dancing Guy” said it best - “Three is a crowd and a crowd is news.” The impact movement was not created by the Millennial generation, nor can they claim to be the courageous “first followers” that coined the term “impact investing”, built the infrastructure for the industry, and advanced the importance of impact metrics. However, without the second follower or “second mover”, there is no crowd, and without a crowd, there is no momentum.

As second movers, Millennials are the driving force behind this momentum. They are shifting the risk profile, so that the only risk is not following. Companies and banks can no longer afford to view impact in a silo, or they will be poised to miss out on the largest and arguably most influential generation of consumers and investors who are set to inherit US$41 trillion in the largest wealth transfer in history. The Millennials’ influence does not come in the form of traditional power hierarchies. Rather, Millennials are shifting social paradigms to influence their peers through networks and peer-to-peer collaboration platforms. Thanks to digital connectivity and innovative social tools, this generation is uniquely positioned to affect change on an unprecedented scale.

As demonstrated by Occupy Wall Street, Millennials can mobilize movements and amplify social causes through digital megaphones. Without leadership and direction, however, solid results remain intangible. Millennials need the support, guidance, and wisdom of previous generations and pioneers of impact investing to move from a revolution to outcome-oriented change.

Impact investing has reached a tipping point and is gaining momentum at a quicker pace than ever before. Millennials have the opportunity to tip the scale and drive impact mainstream, but they can’t do it alone. Join the Millennials to unleash the collective power that investing in impact can create!

— NELLIE MORRIS, CO-FOUNDER OF KANTIAN ADVISORS

Definition: Millennial Generation – a term used to refer to the generation, born from 1980 onward, brought up using digital technology and mass media; the children of Baby Boomers; also called Generation Y.
After years of successful innovation and advancement, the impact investing industry is poised to go mainstream. With its sheer numbers, unparalleled resources, and native comfort with peer-to-peer communications technology, the Millennial generation has an extraordinary opportunity to drive impact investing mainstream. The following challenges and solutions emerged from three sessions at IIA|13 focused on mainstreaming the movement.

2. Fair Trade, Free Trade, Direct Trade: What Does it all Mean?
3. Culture to Couture: Mainstreaming the Impact Movement Through Fashion

**CHALLENGES**

Issues are often oversimplified and the real problem is diluted in efforts to reach widespread audiences. A primary driver of this trend is society’s increased reliance on 140 character tweets and Facebook statuses as the principal means to stay abreast of global events. While effectively mainstreaming ideas, these forms of communication have stripped down complex problems. As such, people get so caught up in the “movements,” they quit thinking about the underlying issues those initiatives seek to ameliorate. TOMS is a perfect example of a cause-based brand that dramatically oversimplified its message. “Buy One, Give One” became so mainstream that people accepted the concept without appropriate analysis. This grossly oversimplified message resulted in a well-intentioned but misaligned solution that arguably ended up causing more harm than good. Mainstreaming a solution can be just as dangerous as mainstreaming the problem. Society needs to present issues in a way that shows their true complexity and, subsequently, follow through with effective and focused actions to generate sustainable solutions.

There is increasing demand from consumers and investors for authenticity, transparency, and a clear and committed social message. Socially conscious brands face the challenge of marketing their products in a way that 1) conveys both the quality of the product and its social impact; 2) enhances awareness about a social cause; and, 3) convinces individuals to pay a premium. Entrepreneurs in this space must also determine how best to use available data to tell an inspiring story that attracts interest from external parties. Technologically advanced forms of media provide opportunities for the greater community to be heard. Their voices can build or destroy support for a cause. As such, this opportunity is accompanied by the challenge of producing a message that is clear, committed, authentic, transparent, and supported by the necessary data, while also one that has the ability to reach widespread and diverse stakeholders, inspiring them to actively participate in the solution.

Social media has played an important role in mainstreaming ideas but we have failed to translate support for an issue into concrete action. With the growing use of social media as a means of communication, it is easier than ever before to disseminate information about an issue. It is easy to “like”, for example, a social cause on Facebook. While doing so leaves many feeling satisfied with the social good they have “done”, it doesn’t translate into concrete impact on the ground. Similarly, with the high volume of socially-focused campaigns on the Internet, it is difficult for an individual to focus on any one mission. Instead, they support a number of projects, providing minimal benefit to each. The lack of effective action is a result of the methods by which organizations typically promote messages and solicit support. They become so caught up in spreading their message that they overlook the next steps. It is their responsibility to effectively promote concrete ways to support a problem. Without providing reasonable, realistic and actionable recommendations for ways in which the average citizen can support a solution, it is unrealistic to expect more than a Facebook “like” in support of a cause.
opportunities

Telling the right story is key to attracting the appropriate support. Impact entrepreneurs are faced with the challenge of articulating what they are doing and why it is important to a diverse range of stakeholders. Shelly Porges, former Head of Global Entrepreneurship at the State Department, advises entrepreneurs to “think and re-frame how you present yourselves to your stakeholders in a way that helps them connect to what is their problem. They don’t see solving poverty issues of another country as their problem so re-frame it and make them realize it is their problem.” The issue any social enterprise seeks to resolve must be framed in a way that assigns ownership of the solution to the stakeholder, while keeping in mind that the persuasion strategy will be different for each stakeholder.

For Nisolo, an Agora Accelerator Alumni, the consumer is one of the primary stakeholders. The founders of Nisolo have successfully utilized a combination of strategies to present their hand-made leather products in a way that highlights the craftsmanship and excellence of the products as well as the impact each purchase has on the lives of the BoP artisans in Peru. Through their creative marketing strategy, Nisolo has successfully leveraged the quality of their products as well as the impact created by each sale. As a result, Nisolo has sold thousands of products at premium prices and gained interest and support from investors.

Build credibility for your story through impact assessment.

In order to avoid the pitfall of an oversimplified campaign, it is important to embed convincing and persuasive data into a message to ensure a more powerful and transparent story. Impact evaluation and assessment is becoming the norm, especially in today’s challenging economic environment in which consumers and investors expect a measureable social, economic, and environmental return. Entrepreneurs should develop relationships with organizations such as the GIIN and B Lab, which focus on impact measurement and are leading the movement toward more consistent and valuable standards of reporting. With tools like GIIRS ratings and analytics, B Corp certifications and IRIS metrics, entrepreneurs can collect, analyze and translate data into a credible message that inspires others to take action.

When executed correctly, certifications like B Corp help create industry standards and can be valuable in promoting products and companies that are truly creating impact. Social enterprises tend to be located in hard-to-access regions across the globe. Both accelerator programs and impact investors are challenged with finding and then performing a quick analysis of these enterprises to determine if they are a good fit for further research, time, money, or inclusion in their programs. In order to draw the attention of potential stakeholders to these organizations, B Lab has developed the B Corp certification, which “recognizes those companies creating the most positive overall social and environmental impact.” B Corp provides more than just a label; it has created a community of like-minded entrepreneurs committed to superior performance, accountability and transparency. Investors have started to recognize the benefits of a B Corp certification and, in particular, the extensive impact assessments involved in the certification process. These evaluate the overall impact of a company on its stakeholders, significantly reducing the cost of initial diligence. These impact assessments are free and provide a number of rankings and ratings that can be used to compare companies. The price of an actual certification is progressive based on annual sales. B Corp is well on its way to becoming the leader in the next generation of labels that promote transparency, data collection, and metrics based on true drivers of change.

Technology-driven solutions provide opportunities for entrepreneurs to fund and expand their projects and ideas by engaging their peers in committed action. David Burstein, author of Fast Future: How the Millennial Generation is Shaping our World, discusses the “digital nature” of today’s society and how we are “constantly engaging with others on a peer-to-peer basis on social media sites, e-mail, etc. to find peer-to-peer, ‘citizen’ solutions.” One such citizen solution is crowdfunding, which has emerged as one of the most innovative new ways to utilize social networks to fund and grow projects. Impact entrepreneurs have become some of the biggest users of crowdfunding. They have successfully run campaigns raising enough money to support the early-stages of their businesses. The Unreasonable Institute, an impact accelerator that charges for its services, assists program participants by helping them raise money to cover the program fees via crowdfunding campaigns. Moreover, the Internet has significantly leveled the playing field in terms of access to education, networks, and other resources. Entrepreneurs can utilize this available knowledge to become more competitive and grow their businesses at a much faster rate.

"Millennials want instant gratification, but so much we do in the impact investing space is about slow money and slow growth."

Enormous benefits can be gained from cross-generational collaboration and mentoring. As the largest generation in history - with 80 million residing just in the U.S. and a predicted 3 out of every 4 workers by 2025 - Millennials have the power to shape societal preferences, habits and trends through sheer numbers. This influence and power is accompanied by great risk. Morris verbalizes this risk when she explains the common
mindset of the Millennial generation. “We think we have the power to change the world without any experience, just driven entirely by passion.” This passion and energy is very admirable but it is important to remember that the older generations have been responsible for incredible success in poverty alleviation, food security, access to education, and advances in modern medicine. Previous generations have clearly done something right, for, according to the UNDP (United Nations Development Programme), over the past 3 years, the population of extremely poor individuals has dropped globally by 650 million. It is now the responsibility of the older generations to mentor and pass the skills and knowledge they have cultivated from years of experience to the passionate but unskilled workforce of the Millennial generation.

**Millennials can make an important difference by becoming active impact investors.** According to David Burstein, “for the first time, we have more billionaires under the age of 30 than we have ever had [and] they are looking to invest in impact.” Millennials have done a fantastic job starting businesses and being entrepreneurs, but they have not done well at investing. As Gordon Bronson, Director of Political Partnerships for democracy.com, puts it, “Millennials want instant gratification, but so much we do in the impact investing space is about slow money and slow growth.”

In response to this demand, creative new investing vehicles that provide more gratifying and visible returns have been developed. Kiva, for example, has made investing in impact easy and accessible by providing a simple online platform where one can make very small loans and then periodically check the status and impact of the loan from the convenience of a personal computer. For Millennials with greater wealth, Nexus has built a network of more than 1000 young high net-worth individuals who work to increase impact investing. These young leaders work together to answer questions such as “How can we encourage greater generosity and socially responsible investing? How can we inspire the young and wealthy?”

Millennials have proven their interest and passion in impact. It is time for them to put their money where their mouths are and take action by investing in the impact they want created.

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**CONCLUSION**

The impact investing ecosystem is made up of many parts; however, no matter what role you play, each one of us is investing time, energy, and brainpower in innovative ways to solve complex social, environmental, and economic problems that span the globe.

I believe that the only way to truly succeed in creating a more sustainable world is to find a way to utilize and capitalize on all available resources. To do this, each one of us must recognize that we are not only actors in the impact ecosystem, but also stakeholders. We all contribute to and are affected by the issues the impact industry is working to address. It is the role of the leaders of the impact industry to guide all actors towards positive participation in the ecosystem.

Within the ecosystem itself, we must celebrate entrepreneurship; both failures and successes. Together, we need to create an environment where failure is not the end of the story, but rather an opportunity to learn, mature, and re-create. We need an environment where creative construction goes hand-in-hand with creative-deconstruction; an environment where all actors celebrate and support each other every step of the way.

Impact Investing in Action (IIA|13) has provided a small, but crucial platform for important actors in the ecosystem to unite and continue the dialogue necessary to: 1) better understand the problem we are trying to solve; 2) realize our own specific roles in and the value we can contribute to the ecosystem; and, 3) discuss ways in which we can work together to leverage each other’s strengths.

We need to continue the process of building off the interactions and conversations that emerge at conferences throughout the space. This report serves to highlight and share the conversations that took place at IIA|13 so that these discussions can be continued and turned into concrete action.

With this report, we hope to deconstruct a few more silos and connect a handful of additional dots, ultimately strengthening the entire ecosystem and equipping its varied actors so they can more successfully tackle the problems we are all facing.

DANA WARREN, PROGRAM MANAGEMENT FELLOW AT AGORA PARTNERSHIPS
The disruptive awards recognize people who are working, in various forms, to unleash the power of entrepreneurship to build a better world. They are also a way of recognizing people who have helped to strengthen the agora community, and whose leadership inspires others. We firmly believe that the best way to create long-term change is by working together, in partnership. The disruptive awards are our way of celebrating some of the very best partners and leaders out there - the people who inspire us, and who deserve our admiration.

**Daryn Dodson**

Building the Field

For his leadership building the New Orleans, D.C., and global entrepreneurship movements and for the tremendous positive energy and action he brings to the impact investing field as an entrepreneur, investor, and mentor.

**Morgan Simon**

Building the Field

For her leadership growing the Responsible Endowment Coalition, co-founding and running Toniic, serving on the boards of Social Venture Network, SJF institute and La base, and for being a strong voice for equality and social justice within impact investing

**Rahul Desai**

Champion

For proactively coming to meet Agora entrepreneurs on the ground, for understanding the potential of the accelerator approach to development, and for successfully championing that approach within the Inter-American Development Bank.

**Martin Mayorga**

Impact Entrepreneurship

For his ethical and entrepreneurial leadership in building Mayorga coffee into a world class business, for working collaboratively in true partnership with farmers and cooperatives to build a more sustainable and successful coffee industry

**Gordon Bronson**

IIA|13 Partner

For volunteering his network, his time, and his ability to bring in new stakeholders to Impact Investing in Action 13 and for being a partner and a doer in the truest sense.
APPENDIX II:
UPCOMING INDUSTRY CONFERENCES

JULY
10th Unreasonable Climax [Boulder, CO]
10th-11th Partnering for Global Impact 2013 [Lugano, Switzerland]
18th-20th William James Foundation Gathering [Washington, DC]
24th-27th Nexus Global Youth Summit 2013 [New York City, NY]

SEPTEMBER
3rd-6th SOCAP – USA [San Francisco, CA]
10th-12th Global Youth Enterprise Conference [Arlington, VA]
12th Angel Venture Forum [Washington, DC]
17th Criterion Ventures Structures Lab [San Francisco, CA]
17th B Corporations 2013 Champions Retreat [Boulder, CO]
18th-22nd Social Venture Institute Hollyhock [Cortes Island, BC]
27th-29th A Better World by Design [Providence, RI]
30th-2nd ANDE Annual Conference 2013 [Glen Cove, NY]

OCTOBER
14th-19th Opportunity Collaboration [Ixtapa, Mexico]
17th-19th Feast Social Innovation Conference [New York, NY]
17th-20th SVN [Baltimore, MD]
24th-26th Net Impact [San Jose, CA]
25th-26th Social Venture Institute – Philly [Philadelphia, PA]
28th-30th SRI [Colorado Springs, CO]

NOVEMBER
12th-14th CDFI Bank 2.0 Innovation for Impact [Chicago, IL]

Special thanks to the
William James Foundation for helping to create this list.
Involving affected communities in developing products and programs increases those projects’ likelihood of success and sustainability. Many organizations in the impact space claim to make a positive impact on communities through new products, services, partnerships, and initiatives, but, unfortunately, sometimes they actually overlook beneficiaries. This can create friction between beneficiaries and entrepreneurs, and threaten the vision, mission, and impact of the aforementioned organizations. Before launching a social business or engaging in impact investing, investors and entrepreneurs should discuss their initiatives with relevant members of the community with the highest chances of being impacted. These beneficiaries can share valuable feedback and help design the venture so that maximum value is created and captured by all stakeholders involved. A great way to do this is by partnering with stable local organizations that have built trusted relationships with community members and can work with you to solicit their participation in developing products and services. Entrepreneurs and investors should also work more with the community through governance structures such as collective cooperative programs that assign ownership to and empower community members. This way the impact generated is welcomed and embraced by the community, and each stakeholder is able to create and capture value. Entrepreneurs can guarantee success and value added by investing time, energy, and resources into training and capacity building for local employees. Collective cooperative models can offer the best of both worlds.

The G8 governments have acknowledged the magnitude of impact investing in generating social and environmental value and are committing, according to their agreement at the G8 Social Impact Investment Forum, to help this field grow and attain maximum social benefit. In a letter organized by a handful of leaders in the impact investing industry, the tremendous importance of the G8 support is described: “by creating an enabling policy environment, G8 countries can support promising innovations and help scale market-based solutions across national borders. Collaboration amongst G8 governments will also help streamline efforts, enable cross-border capital flow, and avoid duplication as the nascent industry develops supportive infrastructure to help it grow into a global market.” More than 90 institutions have signed this letter and pledged “to support the task force appointed to carry forward the recommendations that emerge from this convening.” This is one of many important milestones that we expect to see in the coming years for the field of impact investing and its success is dependent on substantial collaboration from all players in the ecosystem. Now, more than ever, governments are getting on board with impact investing. As an industry we need to leverage this momentum, advocate for structural changes that will make impact investing easier, and increase the recognition of and legal protection for businesses that create impact.

APPENDIX III: ADDITIONAL OPPORTUNITIES

The following opportunities came from sessions at IIA|13 that were not covered in the report as well as important recent global events.

APPENDIX IV: REFERENCES


2,3,4,5 Bridging the “Pioneer Gap”: The Role of Accelerators in Launching High-Impact Enterprises, 2013

6,25,26 Investors Support G8 Efforts to Catalyse Impact Investing, 2013
http://en.giimap.org/

http://www.echoinggreen.org/sites/default/files/The_Social_Intrapreneurs.pdf

10 http://www.leagueofintrapreneurs.com/about

11 IDB and MIF team up to expand lending for women entrepreneurs in Latin America and the Caribbean, 2012:


http://criterioninstitute.org/womeneffectinvestments/gender lens-investing/

12 Women Entrepreneurs Focus of New Collaboration Between Agora Partnerships and The Eleos Foundation, 2012:

13 GEM 2010 Women’s Report, 2011:
http://www.gemconsortium.org/docs/download/768

14,15 IDB and MIF team up to expand lending for women entrepreneurs in Latin America and the Caribbean

16 GEM 2010 Women’s Report.

17 http://www.vitalvoices.org/node/166

18 http://en.giimap.org/browse/millennial+generation

19 http://www.bcorporation.net/

20 Millennials vs. Baby Boomers: Who Would You Rather Hire? 2012:
APPENDIX V: ADDITIONAL RESOURCES

A Portfolio Approach to Impact Investment: A Practical Guide to Building, Analyzing and Managing a Portfolio of Impact Investments

Accelerating Impact: Achievements, Challenges and What’s Next in Building the Impact Investing Industry

Coordinating Impact Capital: A New Approach to Investing in Small and Growing Businesses

Demand Dividend: A New Investment Vehicle for Financing Biotech Companies
http://bioscibd.com/biofi/demand-dividend/

Engines of Prosperity, Impact Report 2012

Fast Future: How the Millennial Generation is Shaping our World, By David Burstein
http://davidburstein.com/fast-future/

From Blueprint to Scale: The Case for Philanthropy in Impact Investing

Impact Investments, An Emerging Asset Class

Investing for Impact: How Social Entrepreneurship is Redefining the Meaning of Return

Market for Social Impact Investing by Private Equity Funds

Perspectives on Progress, The Impact Investor Survey
http://www.thegiin.org/cgi-bin/download?row=498&field=gated_download_1

Priming the Pump: The Case for a Sector Based Approach to Impact Investing

Standards of Evidence for Impact Investing

TONIIC E-Guide to Impact Measurement

Unlocking Growth Through Credit Guarantees: An overview analysis of loans to women-owned SMEs

22 Fast Facts: Poverty Reduction, 2013:

23 http://nexusyouthsummit.org/about/

24 Dana Warren is a Program Management Fellow at Agora Partnerships and is based in Managua, Nicaragua. Prior to working for Agora, she was a Frontier Market Scout and did her 6-month field placement in Guatemala where she worked for Pomona Impact, a pair of angel investors, to develop a pipeline of entrepreneurs and research the impact investing ecosystem of the country. Dana graduated from Kenyon College in 2012 with a degree in International Studies and a concentration in Environmental Studies.