



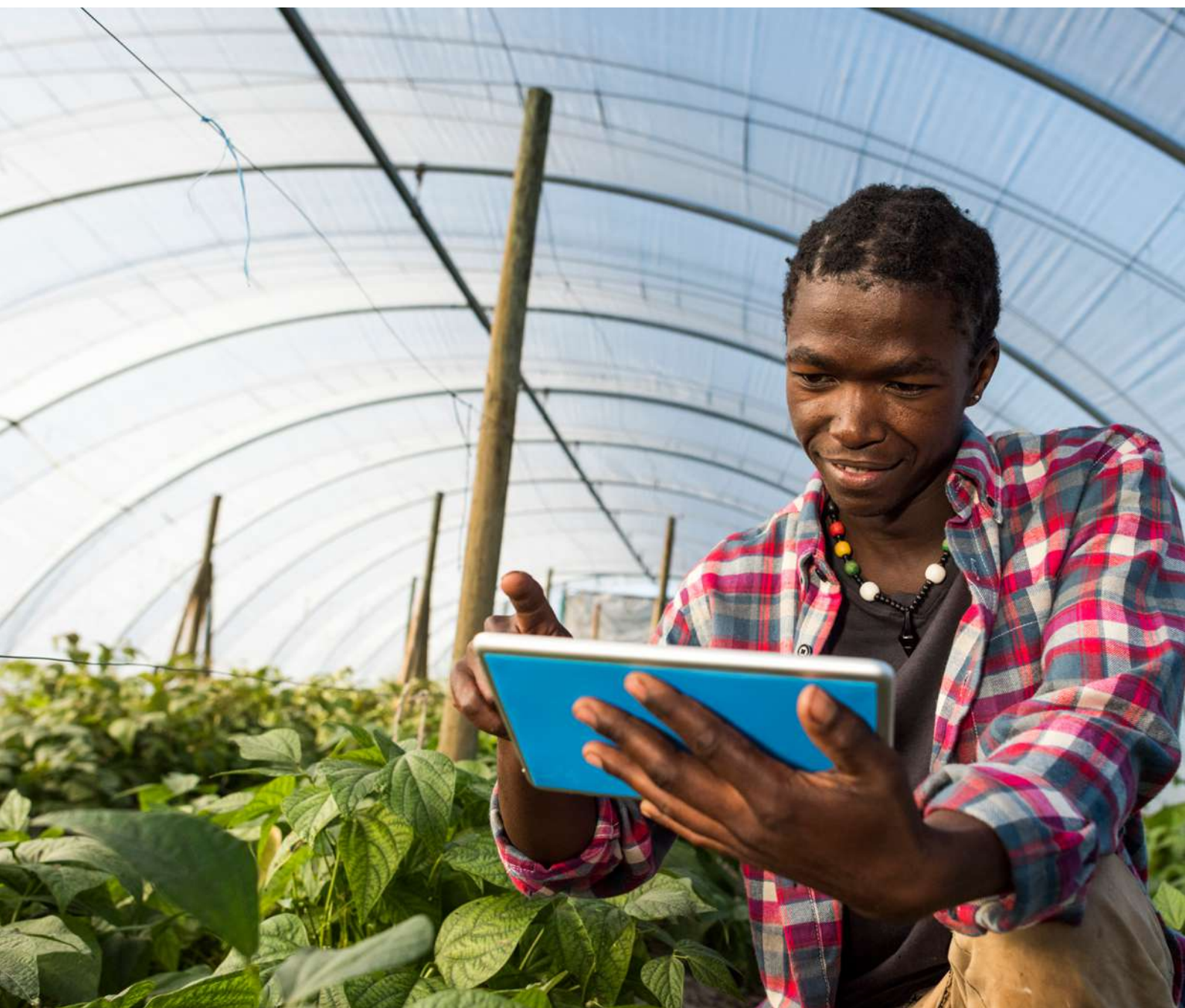
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Swiss Agency for Development  
and Cooperation SDC

# Achieving Development Outcomes with Social and Impact Enterprises

A guidance paper for Swiss Agency for Development and Cooperation staff and partners





# Introduction and scope

## Foreword

Private sector engagement (PSE) is a priority for the Swiss Agency for Development and Cooperation (SDC), as highlighted in the federal dispatch 2021–2024. Within the universe of potential private sector partners, Social and Impact Enterprises (SIEs) – those enterprises with an intention to solve a social or environmental problem – are a natural ally for actors like SDC to achieve development outcomes.

There are several reasons that make working with SIEs particularly interesting. There is an explicit alignment of vision and commitment to address a development challenge, when compared to other private sector partners. SIEs strive to be profitable and are sustainable beyond SDC support, when compared to not-for profit partners. They can therefore achieve high impact in a cost-effective way for SDC, since support is only supplemental and short-term. They can also promote highly innovative ways of achieving SDGs which can stimulate learning at SDC.

That said, PSE overall and SDC working with SIEs in particular, is a relatively new way of achieving development outcomes. Challenges include: questions on how to find the right partner, the ideal governance for a partnership, the best financial instruments to support the SIE, and impact management. Partnerships with SIEs require careful design and agile implementation management.

This guidance paper, the first of its kind, highlights some of these emerging issues. While the insights presented here do not constitute conclusive guidance on how to successfully engage SIEs, we discuss noteworthy findings and potential solutions.

## Structure of the Guidance Paper

This guidance paper is structured to allow any reader to grasp the key concepts. It aims to equip SDC staff with the most important tools, research insights and processes to engage with SIEs. Those who would like to understand the insights and details of the SIE ecosystem in greater detail, are welcome to refer to the Additional Resources section and the links provided.

While the guidance paper targets SDC personnel, many of the steps can also be enabled or supported by external consultants, partners and intermediaries.

The report is structured to harmonise with three of the SDC project cycle management (PCM) phases: Identification, Planning, and Implementation. Each chapter includes both descriptive and actionable sections.

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**BACKGROUND**

# Background

## 1.1 What are Social and Impact Enterprises?

There is no standard definition for Social and Impact Enterprises (SIEs) and SDC as an organisation does not have an internal one. The term SIE often refers to a grouping of both Social Enterprises and Impact Enterprises, which have relatively clearer definitions.

What we can agree on is that SIEs are organisations that operate as enterprises and aim for financial self-sustainability. They combine both a for-profit orientation with a social-impact orientation.

Which of these objectives is overarching for an SIE, varies on a case-by-case basis. There are some SIEs that exist “for impact” – where both impact and financial sustainability are equal and indispensable for self-sustainability. There are others that exist “with impact” – where impact is considered alongside the need for financial sustainability which is the primary objective<sup>1</sup>.

Alternatively, sometimes the term SIE is used interchangeably with High Impact Organisations. The additional resource link has more details.

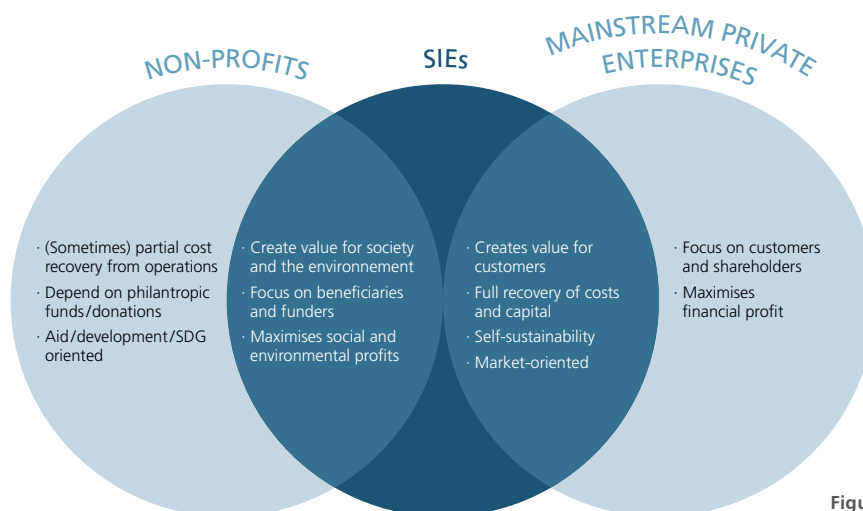
[Additional resource: High-impact Organisations \(HIO\) \(p. 46\)](#)

## Social Enterprises (SE)

The OECD was among the first international organisations to conceptualise social entrepreneurship, using a definition that remains a reference point for policy makers and practitioners. “Any private activity conducted in the public interest, organised with an entrepreneurial strategy but whose main purpose is not the maximisation of profit but the attainment of certain economic and social goals, and which has a capacity of bringing innovative solutions to the problems of social exclusion and unemployment”<sup>2</sup>.

Most scholars and practitioners agree that social enterprises are organisations or ventures that combine a societal (social and environmental) purpose with the pursuit of financial success in the private marketplace<sup>3</sup>. However, no globally accepted definition of social enterprises exists, with definitions differing across the board. These mainly revolve around the legal form, the use of funds and the mission statement<sup>4</sup>.

By virtue of pursuing a dual mission, social enterprises are “hybrid organisations that combine aspects of typical businesses (undertaking commercial activity) and not-for-profit organisations (pursuing a social mission)”<sup>5</sup>. As they seek both social and environmental value and commercial revenues<sup>6</sup>, they possess a mixed business model.



**Figure 1** SIEs in comparison to non-profits and private sector enterprises. Source own figure.

1 The use of “with impact” and “for impact” is a parallelism of EVPA’s Impact Strategies (2018) “Investing for impact” and “investing with impact” but used in the context of entrepreneurs. Refer [https://evpa.eu.com/uploads/publications/EVPA\\_Impact\\_Strategies\\_2018.pdf](https://evpa.eu.com/uploads/publications/EVPA_Impact_Strategies_2018.pdf)

2 OECD (2000), Social Enterprises, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264182332-en>

3 See for example Mair, & Ignasi (2006), Zahra et al. (2009) or Young & Lecy (2014).

4 For a comprehensive list of definitions see Annex 5.1 (p. 48)

5 Battilana, J. (2018). Cracking the organisational challenge of pursuing joint social and financial goals: Social enterprise as a laboratory to understand hybrid organising. *M@n@gement*, vol. 21(4), 1278-1305. <https://doi.org/10.3917/mana.214.1278>

6 See Paulami & al. (2019) for examples of hybrid business models.

As illustrated in Figure 1, the main difference between non-profit organisations (NPO) and private organisations is the pursuit of profitability. While some NPOs might have a trading model that can generate revenues, they do not maximise and generate profits that can be distributed to their shareholders.

Both social enterprises and NPOs seek and are founded with the purpose of, value creation for society and the environment. However, there is an existing tension between this purpose and generating profitability. Not all interventions can be delivered in a financially sustainable way. Those targeting vulnerable issues will probably rely on grant funding and subsidies.

In this sense, social enterprises can be distinguished from NPOs as they operate in a delicate balance of delivering products and services with a high social and environmental impact in a long-term financially sustainable model that generates profits.

One of the major differences in the definition is the degree of the intentionality of the social enterprise. Most definitions would place private enterprises with positive social impacts – but where the impact was not the intended goal of the creation of the enterprise – as an impact or socially responsible enterprise.

### Impact Enterprises (IE)

As the definition of social enterprises shows, impact can be created by a wide range of organisations. The term Impact Enterprise is thus broader. An excellent definition has been elaborated by the Yunus Center<sup>7</sup> describing organisations that “trade for the primary purpose of creating positive outcomes for people, planet and places”.

A trading activity is referred to as a viable and repeatable business model that trades goods, services or outcomes, on a financially sustainable basis.

The primary purpose of creating positive outcomes can be evidenced by:

- ▶ An explicit purpose statement, constitution or a binding legal structure, alongside business strategies that are consistent with optimising the stated purpose
- ▶ The majority of turnover being directly aligned with delivering the intended impact or stated purpose
- ▶ The majority of profits being reinvested into activities aligned with the stated purpose
- ▶ The enterprise being democratically owned and governed by the community it was established to serve
- ▶ Transparent reporting on what and how impact is being achieved, and for whom
- ▶ Strategies to optimise (positive) and mitigate (negative) other social, cultural and environmental externalities resulting from operations<sup>8</sup>.

[Additional resource:](#)  
[More definitions for Social Enterprises \(SE\) \(p. 45\)](#)



**Figure 2** Characteristics of an Impact Enterprise based on A Guide to Impact Enterprise. Source Yunus Center

7 Yunus Centre Griffith University (2020), “A Guide to Impact Enterprise” [https://www.griffith.edu.au/\\_data/assets/pdf\\_file/0037/959455/Guide-to-Impact-Enterprise.pdf](https://www.griffith.edu.au/_data/assets/pdf_file/0037/959455/Guide-to-Impact-Enterprise.pdf)  
 8 Ibid



**Exclusion note**

While Government should have an interest in supporting and working with SIEs, they are not defined as companies that deliver on a public mandate. An outcome payments scheme such as an Impact Bond is an example of an innovative way of working with SIEs, by providing them with a revenue stream from the public sector.

We propose a simple framework for assessing eligibility as a SIE. The framework consists of the following two dimensions:



Figure 3 Own figure

In order to qualify as an SIE, an organisation should meet both criteria simultaneously. The market-oriented business models of an SIE enhances the credible societal commitment by ensuring long term sustainability of the impact to society and the environment.

In order to identify SIEs that could become potential partners in PSE initiatives we must also understand where the impact mission aligns in broader frameworks such as the SDGs or impact areas defined by SDC and public sector.

**Note on working with NGOs**

In general, we advise caution when working with NGOs that seek to become SIEs (become profitable) or organisations with a dominant NGO-like culture. These organisations need to go through a cultural shift which might take longer than the life of the project, to ensure the necessary changes in their business model.

[Additional Resource: Examples of SIEs \(p. 47\)](#)

**1.2 Why work with SIEs?**

SIEs have a mission to address social or environmental problems. Some examples include, a mission to ensure employment to vulnerable people, access to health services for marginalised communities, or to foster the use of clean and renewable energy in rural areas. Often, their business model is congruent with the goals of the SDGs. SIEs can be a powerful ally to achieve SDC’s goals, which have the **ability to be or to become self-sustaining (independent of grants from SDC, other donors or government) over time, while ensuring mission alignment, impact creation and the ability to constantly innovate to reach more people or to offer better and more affordable products or services**. Additionally, working with SIEs may assist SDC to better address transversal themes such as gender and climate change resiliency.

Especially from a donor’s perspective, working with SIEs and their intermediaries carries many advantages compared to the more traditional forms of development assistance, though the country and sector context should be kept in mind. Some of the advantages are as follows:

- ▶ Established SIEs will have identified a social or environmental problem to be solved. **The initial task of ideation or piloting an intervention to solve a pressing issue can be omitted** by the donor. Validation of the approach (e.g. evaluating the theory of change applied) remains an important step, but this can be done quicker and more efficiently than a whole impact gap analysis. Working with SIEs can allow SDC to focus on supporting the enabling environment rather than developing specific solutions, implementing and testing them.
- ▶ Supporting SIEs enables donors to **encourage innovative technical and business solutions by reducing their first-mover costs and helping them achieve higher levels of success**<sup>9</sup>. A World Bank Group research paper based on programme evaluations highlighted that “financial aid provided by international organisations served to

test business models that traditional private sector actors would be unlikely to fund. Once a business model was tested, its subsequent success indicated that SEs were able to attract additional private funds that fostered their subsequent development and growth<sup>10</sup>.”

- ▶ Finally, SIEs already generate revenue from their operations in the market. **Supporting them may be much cheaper than traditional mandates or grants to NGOs**, where no market revenues are generated and where support has to be renewed, or reconciled with the end of the project. Support for SIEs can make a very good case when value for money needs to be demonstrated in international development financing.

Working with SIEs presents different challenges in comparison to traditional non-profit or developing programmes that have a ground-up approach. The challenges include:

- ▶ Smaller size
- ▶ Large diversity and heterogeneity of organisation types and business models
- ▶ High risk as they have innovative approaches and generally work with low-income beneficiaries or clients
- ▶ Need for intermediaries to enable scale and capacity building (such as talent, support services, financing) of the SIE market
- ▶ Lack of investment readiness to attract funding
- ▶ Lack of effective impact measurement systems
- ▶ Fragility and working on enabling environment
- ▶ Unclear regulatory environment

#### Note on working with incubation of SIEs

The insights that follow are based on the best practice of working with SIEs that already have a proven business model. However, depending on the context and sector, incubation might be included as a part of a comprehensive ecosystem development programme. For example, the B-Briddhi project in Bangladesh has covered SIEs that were not significantly past the ideation phase, and PES-Latam included SIEs with a Minimum Viable Product (MVP) already in place.

By working with incubators and accelerators, specific capabilities of SIEs can be strengthened, such as impact measurement and management. However, because the impact outcomes of incubation can rarely be seen in the short term as companies need time to grow and scale, incubation should not be the focus of a programme in of itself, but part of a wider approach to the value chain.

### 1.3 How SDC works with Social and Impact Enterprises

There are different ways to engage with SIEs, but for efficiency, we often choose to work with a portfolio approach via specialised intermediaries instead of working directly with singles SIEs. There are several reasons for this:

- ▶ Firstly, supporting SIEs (and individual organisations in general) means being prepared to engage directly and regularly with every single selected partner. This might require significant time and thematic resources that are often not available to SDC staff or donors in general.
- ▶ Additionally, SIEs might require highly specialised support in a number of specific areas which might fall outside the scope of SDC’s expertise. For example human resource management, finance, accounting, business planning, product marketing, etc.
- ▶ Under a portfolio approach, specialised intermediaries develop a formal agreement with SDC where responsibilities and objectives are outlined. They take on the day-to-day engagement with SIEs.
- ▶ SIE portfolios can also be relevant to regional or sectoral initiatives, not only for local or country level programmes.
- ▶ Finally, while engagement with SIEs is more frequently done through intermediaries, in the end, the best type of engagement should be decided on a case-by-case basis. This should be based on the goals and scope of a specific initiative and as a direct result of the specific context and sector.

#### Note on working directly with SIEs

We suggest proceeding with caution when deciding to work directly with SIEs. Working directly with SIEs is usually an exception, and often reserved for specific instances in which the SIE has a significant size and track record, with demonstrated scale and sustainability of the intervention. This approach is adopted when there is a high impact upside and when the project brings in new private sector partners.

For example, there was a case for direct intervention with a SIE, in the instance of a Swiss company seeking to expand globally to a new region. The project was structured with very specific timelines for evaluations, milestones and exit points, and it allowed SDC to work with new private sector contributing partners. However, as the enterprise was not used to working with donors, there was a lot of preparation work and burden on the organisation, for example, with regards to integration of gender considerations and impact measurement management.

Aside from a few exceptions, the best practice is still to work with intermediaries at a programmatic level who can do the due diligence and select the SIEs themselves, as they are better suited to identify them.

The following table summarizes the main differences between working through intermediaries and directly supporting SIEs.

	Directly supporting SIEs	Working through intermediaries
<b>Project management</b>	Own project management; Projects require more time and effort as the donor gets involved in the organisation's operations	Project management is handled by the intermediary while the donor focuses on monitoring and strategic guidance; Intermediaries are nimbler and react faster
<b>Costs</b>	Costs are typically higher when dedicated in-house staff is required (and so are transaction costs)	Economies of scale can be leveraged by working with a much larger universe of SIEs (one credit proposal for supporting many SIEs. e.g. 20, 80)
<b>Expertise</b>	A broader set of financial and non-financial skills is required (often unavailable at the donor level)	Intermediary has access to complementary resources and skills (including partner networks)
<b>Monitoring and learning</b>	Monitoring efforts are higher	Circular learning opportunities are amplified by continued collaboration
<b>Risk</b>	Risks are higher (including operational trouble shooting)	Risks are mitigated, e.g. through a portfolio of SIEs where impact stars compensate for failures

#### Note for nascent ecosystems or strong SIEs

In some situations there may be no suitable intermediaries for a relevant SIE. Before deciding that the best way forward is to work directly with the SIE, it may be important to understand why there aren't enough intermediaries. For example, sometimes, the local macro-economic and political economy cultures might be inhibiting entrepreneurship and private investment. In such cases, we need to understand if the intervention will actually work, given the fundamental market issues and the need to ensure sustainability.

[Additional Resource: Examples of programmes where SDC has been involved with local intermediaries supporting innovative and scalable enterprises globally \(p. 51\)](#)

[Additional Resource: Examples of SIE intermediaries \(p. 57\)](#)

## 1.4 Project Phases Blueprint

The process for developing projects that leverage SIEs centres on three phases: Identification, Planning and Implementation.



### Identification phase

The core objective is to define the development challenge to be addressed, including identifying potential solutions and partners.

Typically, the first step will be to understand specific societal or environmental challenges, their magnitude, what is holding these challenges in place, and a scoping of the relevant SIE universe.

Next, it is important to understand the SIE context and ecosystem support organisations in which SIEs are founded, supported and financed and validate these findings with local stakeholders.

### Planning phase

The core objective is to define the appropriate approach to address the defined development challenge, including selecting the approach as well as suitable partners.

An important first step is to complement the work done in the previous phase and to properly understand the real financial and non-financial needs of SIEs, in order to tailor a support programme to meet their specific needs.

Next, a comprehensive assessment is done for selection of the "right" intermediary. A clear and actionable Theory of Change (ToC) and risk assessment are developed to link challenges, activities and desired outcomes on a systemic level, and to understand the different types of potential risks for the project. Finally, a concrete project plan and budget to support SIEs and eco-systems are designed and submitted.

### Implementation phase

The implementation partners will be responsible for the successful implementation of the project. SDC's role is to negotiate the project objectives and success criteria, including defining the measure of success and the impact indicators.

SDC will take an active role in steering the project towards completion and ensure that the input and activities lead to the intended results. Finally, learnings will be shared as the project comes to an end, and decisions should be taken towards the next steps.

### 1.5 Strategic vs opportunistic approach

While the Blueprint is a suggested approach to creating a full-fledged programme to work with SIEs through intermediaries, sometimes an opportunistic approach might be more relevant or helpful.

In the identification phase, it might be hard to identify SIEs that are solving specific challenges in a determined sector. There might not be SIEs in every sector, particularly because some sectors might be nascent or because profitable models might be hard to develop.

In these types of scenarios, keeping an open approach to be able to find robust SIEs is recommended. Looking for SIEs or SIE initiatives in other sectors within the same country, or in other countries within the same region, or global initiatives could be a worthwhile approach.

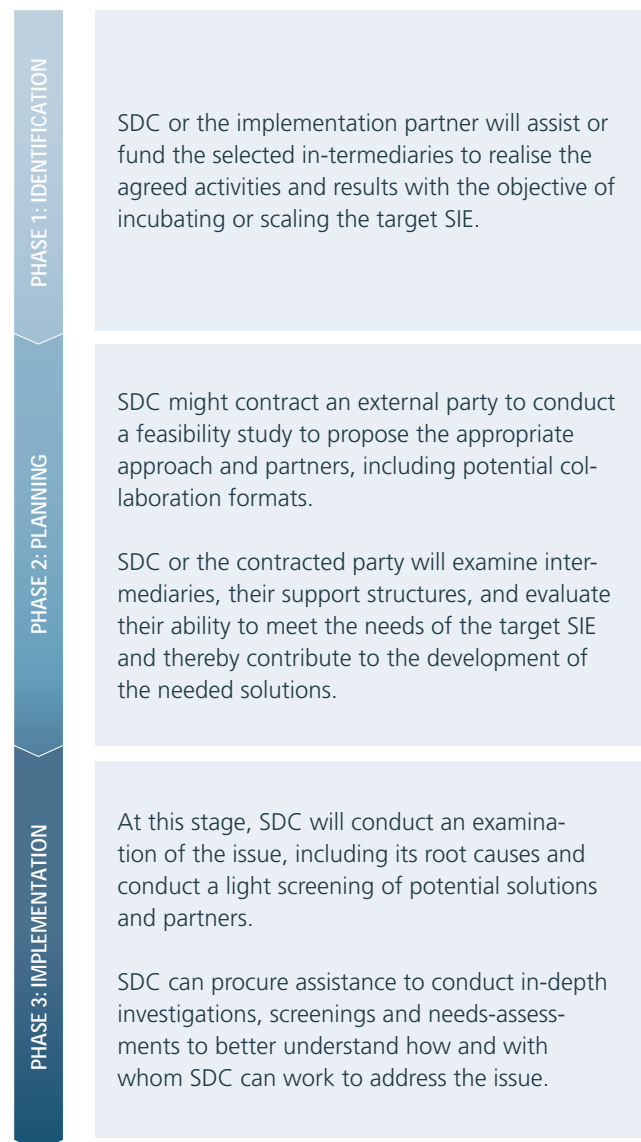
Taking a more opportunistic approach and understanding the broader SIE market opportunities will help you find strong SIEs, intermediaries or initiatives to work with. In terms of steps, this might allow the omission of some of the planning steps and require a moving to the implementation plan directly.

For example, there have been cases where other local Enterprise Development Projects have become the pipeline for SIE projects. This maybe through use of Impact-Linked Finance with high-impact enterprises, in order to enhance their impact.

It is essential to remember that many of the assessments done in the phase-based approach remain relevant and should not be left aside. Understanding the ecosystem and local context for SIEs is critical for the development of a project. For example, for B-Bridddhi in Bangladesh, their assessments indicated the need for a policy and influencing component. This was critical, as many times there are structural issues that SIEs face which cannot be addressed by focusing only on scaling the SIE.

### 1.6 Role of consultants and backstoppers

The following chart shows how consultants can support each phase:



Last but not least, it is also important to mention, that this approach is not set-in stone, and that steps and sub-steps can be outsourced or developed jointly. Maybe for some steps, analyses or studies have already been conducted, so there is no need to reinvent the wheel

There is no compulsion for SDC employees in cooperation of-fices and global programmes to execute all steps on their own. The SDC has an extensive internal and external network of specialists and consultants – managed by IED/CEP – as well as local expertise. This network is available to provide support in one or more of the steps in each phase.

While the exact proceedings for every phase and step depends on the context, goals and the degree of urgency, the following approach can be used as a rule of thumb:

- ▶ Conduct limited self-research on the internet to discover any helpful sources, tools, evidence and indications that could be helpful for every phase. You may ask for help from IED/CEP and their experts. However, do note that many SIEs might not appear on the internet and support from local organisations such as NPOs can be crucial in finding SIEs in less developed markets.
- ▶ Reach out to the [IED/CEP team](#) to be linked with colleagues who have already conducted similar projects or programmes.
- ▶ The IED/CEP team also has additional tools and resources available, which can be used at any phase or stage. These can help you with contracting of external specialists (including solutions to avoid procurement issues through the use of so-called CEP framework credits).
- ▶ Co-create ideas with consultants or even SIE support structures directly.



1.7 Blueprint for leveraging SIEs through intermediaries

PHASE 1: IDENTIFICATION (~ 4 – 8 WEEKS)			PHASE 2: PLANNING (~ 12 – 18 WEEKS)				PHASE 3: IMPLEMENTATION (24+ WEEKS)				
Step I: <b>Impact gaps analysis and screening lens (1–3 days)</b>	Step II: <b>Ecosystem Analysis (2–3 days)</b>	Step III: <b>Validation with local stakeholders (2–4 days)</b>	Step IV: <b>Assessment of SIE needs (2–4 days)</b>	Step V: <b>Assessment of Intermediaries (4–8 days)</b>	Step VI: <b>Define a first theory of Change and risks (1 day)</b>	Step VII: <b>Implementation plan (4–8 days)</b>	Step VIII: <b>Selection of implementation partners</b>	Step IX: <b>Steering, strategic decision</b>	Step X: <b>Monitoring of results and impact</b>	Step XI: <b>Revision</b>	
<b>OBJECTIVES</b>	Understand the societal challenges, its magnitude and what is holding the challenge in place	Understand the SIE context and ecosystem support organisations like incubators etc. in which SIEs are founded, supported and financed	Qualify the analysis of the challenge and ecosystem – and build relations to local stakeholders (including local government)	Identify main SIE financial and non-financial needs. Identify main policy gaps of ecosystem	Identify appropriate intermediaries or other donors based on the ecosystem analysis and the defined needs of the SIE, as well as systemic needs	Have a clear overview of the link between challenge, activities and desired outcomes on systemic level	Design the project plan to support SIE and ecosystems. Share with local government	Sign an agreement an implementation partner who will lead/ manage the implementation of the whole project	Take an active role in steering the project towards completion	Ensure that the input and activities lead to the intended results – or adapt input and activities accordingly	Assess results and plan next steps
<b>OUTPUTS</b>	1. Issue context 2. Screening lens for selecting SIEs	3. Ecosystem analysis for relevant SIEs and support organisations 4. List of relevant intermediaries	5. Confirmation and any additional insights for partner selections and project design	6. Scoping of SIE needs and components of projects	7. Assess potential implementing partners and like-minded donors	8. Create a Theory of Change and map out the risks of the project in alignment with local policies and needs	9. Create a workplan and budget for the project 10. Define a measurement and monitoring strategy (project level plus local government if relevant) 11. Conduct a Cost-Benefit Analysis	10. Sign agreements with partners	11. Participate during the life of the project to steer and achieve better results, including with local government and the private sector	12. Monitor results and collect data	13. Evaluate results, share learnings and incorporate them for a potential second phase





**IDENTIFICATION**

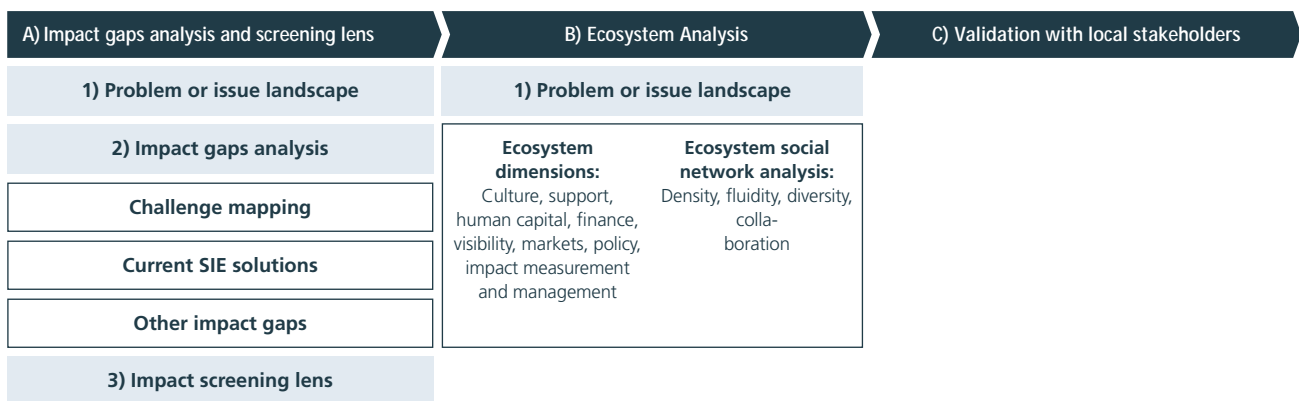
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# Identification

## 2.1 Things to do at the Planning phase

The Identification phase is all about an outline. What are the actual development challenges? Where are the impact gaps? How and with whom can they be addressed? Are there already proven solutions available that can be scaled? All these questions should be viewed from the perspective of the SIEs and their support structures.

The following sections allow a deep-dive into useful tools for the first phase.



### Note about using a global programme lens

If you are planning a project for a global programme, you will need to define if you are thinking about a global or a regional initiative, and which ecosystem is to be analysed. Based on this, the steps could actually be different.

## 2.2 Strategic priorities and impact gaps addressed by SIEs

In order to identify and compare appropriate approaches to address a given issue, it is essential first to list the **strategic priorities** of a country programme (e.g., climate change, employment and income, etc.) and also comprehensively map the **problem landscape and impact gaps** of those areas. Make sure to include relevant cross-cutting themes such as Gender or Climate Change Resiliency.

### Important questions to assess the problem or issue landscape

- ▶ Who or what is impacted?
- ▶ What is holding the current status quo in place?
- ▶ Who stands to be negatively impacted if the problem is solved?
- ▶ What other issues is this problem related to?
- ▶ What is the history of the problem?
- ▶ Who else is interested in solving this issue?
- ▶ What is the ecosystem of existing solutions?

**For global issues**

- ▶ What global issues could be addressed by social and impact entrepreneurs?
- ▶ Are there companies providing useful goods or services with big social or environmental impact in one country that could benefit people in another?
- ▶ Can local or global support for social and impact enterprises address some aspects of global challenges such as water, climate change, migration, health or food security?

[Additional resource: Problem Tree \(p. 53\)](#)

Once there is a better understanding of the problem landscape, the **impact gaps analysis** will help identify the appropriate entry points to add value to the ecosystem or solution, as well as potential partners. To complete an impact gaps analysis, ask the following questions in three steps. The responses in colour below are based on a fictional strategic priority, “Sanitation” in Myanmar.

**2.3 Impact gaps analysis**

	Challenge mapping	Current SIE solutions	Other impact gaps
<b>OUTPUT OBJECTIVE</b>	Define the challenge, its impact and root causes	Analyse the potential solutions	Identify impact gaps currently unaddressed by SIE solutions
<b>KEY QUESTIONS</b>	<ul style="list-style-type: none"> <li>▶ What is the challenge – and what is the impact or magnitude?                             <ul style="list-style-type: none"> <li>– Sanitation example: there are no toilets in slums in Yangon, Myanmar</li> </ul> </li> <li>▶ What are the root causes – why is this the case?                             <ul style="list-style-type: none"> <li>– Absence of public service</li> </ul> </li> <li>▶ What is holding the challenge in place?                             <ul style="list-style-type: none"> <li>– Bad governance, budget restrictions</li> </ul> </li> <li>▶ What is the history and expected future of the challenge?                             <ul style="list-style-type: none"> <li>– No change expected</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▶ What are the opportunities and potential solutions?                             <ul style="list-style-type: none"> <li>– Supporting a social enterprise or a water utility provider seeking to enter the sector</li> </ul> </li> <li>▶ Are there existing interventions addressing this or similar issues?                             <ul style="list-style-type: none"> <li>– There are social enterprises renting toilets in slums in Haïti, Peru, and other countries</li> </ul> </li> <li>▶ What is working? What’s not?                             <ul style="list-style-type: none"> <li>– Seek evidence &amp; data.</li> <li>– Poor clients cover part of the costs, some need to be covered by donors or public sector.</li> </ul> </li> <li>▶ What are the key success factors?                             <ul style="list-style-type: none"> <li>– SME efficiency, meeting clients needs, hybrid model with grant components and support from government</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▶ Where and what are the unaddressed obstacles?                             <ul style="list-style-type: none"> <li>– Affordable toilet services are not yet provided in a slum in Yangon, Myanmar and require SDC support to get started.</li> </ul> </li> </ul>
	Overview of challenges and root causes	Understanding current SIE solutions	Understanding of additional gaps

[Additional resource: Cascade Approach to understanding the right approach for SDC \(p. 54\)](#)

**Opportunistic approach**

It is crucial in this phase to include some additional opportunistic questions. Remember that the largest SDC SIE focused programmes (SIINC LAC, B-Bridhdi) did not have a focus on a single, well-defined issue nor even on a sector, indicating that a broader approach can also be relevant. This contrasts with focusing on a specific issue or sector. SIEs can be a nascent concept in some markets and we might not always find SIEs that are mature enough to work with.

**Some questions to consider for an opportunistic approach**

- ▶ Is revenue generation for the SIE solution a critical challenge? Are tradeable business models unlikely or absent?
- ▶ If we broaden the sector or scope, do more existing SIE solutions appear? Where?
- ▶ If we broaden the geographical region, do more existing SIE solutions appear? Where?
- ▶ What sectors in that country have the most robust SIE activity? Why?
- ▶ What are some of the relevant initiatives working with SIEs that address the same areas at local, regional, and international levels?

## 2.4 Impact screening lens

Based on the identified impact gaps, including the challenges and potential solutions, an impact screening lens can be developed to scope the universe of relevant SIEs.

Basic (Youth) Human Needs	Social Foundations of Well-being	Spatial Foundations of Well-being	Building Opportunities
<ul style="list-style-type: none"> <li>▶ Basic medical care and information (including mental health, sexually transmitted diseases and reproductive health)</li> <li>▶ K-12 education</li> <li>▶ Nutrition</li> <li>▶ Water and sanitation</li> <li>▶ Housing</li> <li>▶ Energy</li> </ul>	<ul style="list-style-type: none"> <li>▶ Sport, physical activity and active play</li> <li>▶ Safe and inclusive communities</li> <li>▶ Safe and relevant media, information and knowledge platforms</li> <li>▶ Political participation and advocacy</li> </ul>	<ul style="list-style-type: none"> <li>▶ Safe and affordable mobility</li> <li>▶ Access to green spaces</li> <li>▶ Youth-oriented urban planning and design</li> <li>▶ Safety &amp; security</li> <li>▶ Environmental quality</li> </ul>	<ul style="list-style-type: none"> <li>▶ Specialty education (21st century skills, language training, vocational skills, etc.)</li> <li>▶ Advanced education</li> <li>▶ Access to productive employment or entrepreneurship</li> <li>▶ Access to finance</li> </ul>
<ul style="list-style-type: none"> <li>▶ Equality (focus on gender, disability and minorities)</li> <li>▶ Youth-centred (focus on youth engagement and involvement)</li> </ul>			

**Illustrative example of primary type of target SIEs**

<ul style="list-style-type: none"> <li>▶ Healthcare clinics and digitally-supported healthcare companies</li> <li>▶ Tech-enabled supportive education companies</li> <li>▶ Nutrition-oriented or fortified foods companies</li> <li>▶ Sanitation companies</li> </ul>	<ul style="list-style-type: none"> <li>▶ Revenue generating sports and recreational clubs</li> <li>▶ Companies designing and providing sport and recreational centres and facilities</li> <li>▶ Media and social media platforms</li> <li>▶ Citizen tech platforms</li> </ul>	<ul style="list-style-type: none"> <li>▶ Mobility companies</li> <li>▶ Companies that address locally relevant issues for youth well-being, especially in relation to the built environment</li> </ul>	<ul style="list-style-type: none"> <li>▶ Training and language institutes</li> <li>▶ FinTech companies</li> </ul>
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**Suggestion**

Do not be too restrictive with the categories or criteria, otherwise there will be very few SIE to support.

## 2.5 SIE ecosystem needs

When looking at the local ecosystem, it is important to map and understand who the relevant actors are – including their strengths and weaknesses in supporting SIEs, as well as looking at the level of connectivity between the actors.










We suggest you apply both the ecosystem dimension and ecosystem network approach as illustrated below. Both approaches look at the ecosystem for enterprise development in general. As SIEs need most of these dimensions too, there is of course an important overlap. However, there may be few or no support organisations that deal exclusively with SIEs. Certain dimensions might be lacking such as impact measurement and management.

### Ecosystem dimension approach

The Ecosystem Dimension approach enables the understanding of whether all relevant ecosystem dimensions are present within the ecosystem i.e., can the needs of social and impact entrepreneurs be met throughout the entrepreneurial journey.

The Ecosystem Dimensions approach is based on what is said to be one of the most frequently used models to describe and understand entrepreneurial ecosystems coined by Daniel Isenberg<sup>11</sup> and is utilised by numerous ecosystem actors and ecosystem enablers globally (including OECD<sup>12</sup> and GIZ<sup>13</sup>).

The framework introduces between six and eight dimensions depending on its application. We focus on the following:

Ecosystem dimensions - Key elements of a successful (social) entrepreneurial ecosystem							
Culture		Support		Human Capital		Finance	
<ul style="list-style-type: none"> <li>▶ Motivation</li> <li>▶ Tradition</li> <li>▶ Role models</li> <li>▶ Educational focus and curriculum</li> <li>▶ Stereotypes and power relations</li> </ul>		<ul style="list-style-type: none"> <li>▶ Legal assistance</li> <li>▶ Technical assistance</li> <li>▶ Business Development Service</li> <li>▶ Mentoring</li> </ul>		<ul style="list-style-type: none"> <li>▶ Educational focus and curriculum</li> <li>▶ Business acumen</li> <li>▶ Professional experience</li> <li>▶ Co-founders</li> <li>▶ Early hires</li> </ul>		<ul style="list-style-type: none"> <li>▶ Seed funding</li> <li>▶ Growth funding</li> </ul>	
Visibility		Markets		Policy		Impact Management and Measurement	
<ul style="list-style-type: none"> <li>▶ Media focus</li> <li>▶ Events</li> <li>▶ Navigating relevant actors</li> <li>▶ Exposure to potential partners, clients and investors</li> </ul>		<ul style="list-style-type: none"> <li>▶ Size</li> <li>▶ Prototype markets</li> <li>▶ Scale markets</li> <li>▶ Competitors</li> <li>▶ Value chains</li> <li>▶ Understanding of the SIE concept</li> </ul>		<ul style="list-style-type: none"> <li>▶ Legal framework (e.g. ease of starting a business)</li> <li>▶ Infrastructure (such as access to stable internet)</li> <li>▶ Political economy</li> </ul>			
<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px dashed gray; padding: 10px; width: 100%;"> <div style="display: flex; justify-content: space-between;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold;">ACTORS</div> <div style="display: flex; flex-wrap: wrap; justify-content: space-around; text-align: center;"> <div style="width: 15%;">  Universities                 </div> <div style="width: 15%;">  Incubators Accelerators                 </div> <div style="width: 15%;">  Mentors                 </div> <div style="width: 15%;">  Networks                 </div> <div style="width: 15%;">  Financing sources                 </div> <div style="width: 15%;">  Media                 </div> <div style="width: 15%;">  Industry networks and actors                 </div> <div style="width: 15%;">  Government and public institutions                 </div> <div style="width: 15%;">  Donors, foundations, etc.                 </div> </div> </div> </div> </div>							

11 Isenberg, D. (2011): The entrepreneurship ecosystem strategy as a new paradigm for economic policy: principles for cultivating entrepreneurship.  
 12 OECD. (2014): [Entrepreneurial ecosystems and growth oriented entrepreneurship](#)  
 13 GIZ. (2018): [Guide for Mapping the Entrepreneurial Ecosystem](#)

### Ecosystem network approach

The Social Network approach builds on the research of the Kauffman Foundation and has among others, been applied by Swisscontact<sup>11</sup>. It supplements the Ecosystem Dimensions approach insofar as the approach investigates the relations and connections between the identified actors of the ecosystem dimensions, based on the indicators listed below.

Ecosystem social network analysis			
Density	Fluidity	Diversity	Collaboration
<ul style="list-style-type: none"> <li>▶ How dense is the ecosystem network?</li> <li>▶ How well are the ecosystem players connected, both horizontally (e.g. incubators with incubators) and vertically (incubators with accelerators, financial players, business networks etc.)?</li> </ul>	<ul style="list-style-type: none"> <li>▶ How are the services offered by Entrepreneurship Support Organisations (ESOs) accessed by entrepreneurs?</li> <li>▶ How inclusive is the ecosystem across the various types of entrepreneurs?</li> </ul>	<ul style="list-style-type: none"> <li>▶ How diverse are the services offered by ESOs?</li> <li>▶ Are all-important services available and are there signs of specialisation among ESOs?</li> </ul>	<ul style="list-style-type: none"> <li>▶ How much collaboration exists between the various ESOs?</li> <li>▶ Do ESOs embrace cooperation or do they prefer to offer all types of support service on their own?</li> </ul>

## 2.6. Rapid ecosystem analysis framework

After identifying the underlying causes of the problem with regard to your strategic priorities, the next step is about mapping and understanding the local ecosystem. This is done through a context analysis to determine what influences the targeted SIEs. This assessment will inform SDC's view of the situation and potential levers. This usually happens through a combination of desk research and interviews with experts and local stakeholders such as financial institutions, entrepreneurs, donor agencies, government officials, etc.

To complete an ecosystem analysis, consultants (ideally local) should start by identifying the relevant actors and assess their ability to meet the needs of the SIEs. The consultant should synthesise findings by noting the current status of the ecosystem.

Dimension	Key elements of a successful ecosystem	Status and relevant organisations (Example of SIE ecosystem)
<b>Culture</b> Tradition and motivation for becoming a social entrepreneur	<ul style="list-style-type: none"> <li>▶ Exposure to role models and success stories</li> <li>▶ High social status of social entrepreneurs</li> <li>▶ Entrepreneurship part of educational curriculum (including university capacity to design, implement and teach entrepreneurial curricula)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Large young population</li> <li>▶ Growing interest of younger generation to contribute to SDG achievement</li> </ul>
<b>Support</b> Access to timely, adequate, affordable support functions	<ul style="list-style-type: none"> <li>▶ Connected, mature and professional support structures, specifically:</li> <li>▶ Capacity and sustainability of the individual actors to provide the needed assistance to entrepreneurs</li> <li>▶ Qualified actors throughout the entrepreneurial journey, from pre-idea to well-established</li> </ul>	<ul style="list-style-type: none"> <li>▶ High demand for business, finance, and legal support, no demand yet for impact measurement and management</li> </ul>
<b>Human Capital</b> Education, skills and experience of social entrepreneurs, team members, mentors etc.	<ul style="list-style-type: none"> <li>▶ Well-educated population</li> <li>▶ Business acumen</li> <li>▶ Presence of serial entrepreneurs</li> <li>▶ Access to a network of qualified mentors and capacity building</li> <li>▶ International human resources</li> </ul>	<ul style="list-style-type: none"> <li>▶ Large proportion of young and educated population</li> <li>▶ Varying quality of entrepreneurship and training</li> </ul>
<b>Finance</b> Access to appropriate finance	<ul style="list-style-type: none"> <li>▶ Access to risk, seed and growth funding from various sources</li> <li>▶ Ability of entrepreneurs to meet the requirements of available funding</li> <li>▶ Patient and local capital</li> </ul>	<ul style="list-style-type: none"> <li>▶ There is limited but increasing access to working capital and debt instruments</li> </ul>

<p><b>Visibility</b> Exposure of social entrepreneurs to relevant stakeholders</p>	<ul style="list-style-type: none"> <li>▶ Exposure of social entrepreneurs to relevant stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>▶ Impressive SIE success stories serve as evidence for the investment case</li> </ul>
<p><b>Markets</b></p> <ul style="list-style-type: none"> <li>▶ Access to markets and established industry actors throughout the entrepreneurial journey</li> <li>▶ Understanding of the SIE concept and strong SIE sectors</li> </ul>	<ul style="list-style-type: none"> <li>▶ Access to prototyping market</li> <li>▶ Access to growth markets</li> <li>▶ Industry engagement in defining problems and enabling solutions</li> <li>▶ Industry maturity, proximity and engagement</li> </ul>	<ul style="list-style-type: none"> <li>▶ Large and untapped market potential: e.g. large unbanked population groups</li> <li>▶ Strong SIE market for inclusive fintech</li> </ul>
<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>▶ Enabling infrastructure and legal framework</li> <li>▶ Political economy and governance</li> </ul>	<ul style="list-style-type: none"> <li>▶ Well-functioning infrastructure</li> <li>▶ Smooth process of starting a business</li> </ul>	<ul style="list-style-type: none"> <li>▶ The regulatory landscape has improved with regards to MSMEs; however more focus could be given to SIEs.</li> </ul>
<p><b>External enablers</b> Coordinated efforts of local ecosystem actors</p>	<ul style="list-style-type: none"> <li>▶ Sharing of lessons learnt</li> <li>▶ Building of research &amp; evidence</li> <li>▶ Result-based funding</li> </ul>	<ul style="list-style-type: none"> <li>▶ Interest and activity from global donors and development communities, but no focus on SIEs</li> </ul>
<p><b>Impact Measurement and Management</b></p>	<ul style="list-style-type: none"> <li>▶ Specialised service providers exist and are accessible for SIEs.</li> <li>▶ Demand for impact e.g. by public sector and philanthropy</li> </ul>	<ul style="list-style-type: none"> <li>▶ SIEs that measure and manage impact are still the exception.</li> </ul>

[Additional Resource: Common Barriers to SIE \(p. 56\)](#)



Social Network Indicator	Key elements of a successful ecosystem	Status
<b>Density</b>	<ul style="list-style-type: none"> <li>▶ Tight connections between ecosystem actors (e.g. through collaborations, events, networks – including womens’ economic empowerment actors and networks)</li> <li>▶ Fast flow of talent, information and resources</li> </ul>	<ul style="list-style-type: none"> <li>▶ Concentrated ecosystem though predominantly facilitated by government capital injections and a few large private actors, but lacking special attention to SIEs</li> </ul>
<b>Fluidity</b>	<ul style="list-style-type: none"> <li>▶ Services are accessible to entrepreneurs</li> <li>▶ Inclusiveness across the various types of entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>▶ Relatively high accessibility of appropriate services – could be strengthened by digital approaches, in particular for SIEs outside the capital</li> </ul>
<b>Diversity</b>	<ul style="list-style-type: none"> <li>▶ Diversity of services offered</li> <li>▶ Are there signs of specialisation among service providers?</li> </ul>	<ul style="list-style-type: none"> <li>▶ Relatively low diversity due to the large role played by a few key actors</li> <li>▶ High concentration of fintech-focused actors in urban areas No specialised local service providers for impact measurement and management</li> </ul>
<b>Collaboration</b>	<ul style="list-style-type: none"> <li>▶ High degree of collaboration and interaction between key ecosystem actors</li> <li>▶ Established culture of collaboration</li> </ul>	<ul style="list-style-type: none"> <li>▶ Room for improvement</li> </ul>

[Additional resource: Types of intermediaries \(p. 57\)](#)

[Additional resource: Support structures \(p. 61\)](#)



**Opportunistic questions on the ecosystem analysis**

- ▶ Is the SIE market nascent?
- ▶ If so, are there critical macro challenges that are preventing its development?
- ▶ Are there some sectors that are more developed for SIEs?
- ▶ Are there SIE focused intermediaries?
- ▶ Are there SIE focused initiatives?

As part of this exercise, a list of relevant partners, especially intermediaries, is developed. This will be the basis for a short-list of targeted interviews in the subsequent Planning phase.

Once a validation exercise is conducted, as discussed in the next section:

- ▶ Procurement options and considerations can be assessed
- ▶ An entry proposal and opening credit might be submitted

We suggest using the [SDC Field Handbook](#) as an additional reference for these next steps.

**2.7 Validation**

The outputs of the two preceding steps – will be a clear impact gaps analysis as well as an assessment of the relevant ecosystem, including strengths, weaknesses, opportunities and threats. However, it is crucial to validate the findings with local stakeholders and experts.

The validation of the identified findings can take place either through bilateral exchanges with key experts, as well as by bringing relevant local actors, including relevant SDC staff together in a **workshop**. A validation workshop could include a presentation of the main findings, a collection of feedback and reactions as well as group work around specific tasks or challenges. The workshop can be concluded by summarising the outputs of this phase and discussing the next steps.

**2.8 Contribution, Co-creation or Mandate?**

In the chart below, there are several key questions based on the previous steps that can help understand what the right engagement format will be. Deciding the right engagement format early will make the Implementation process easier, since requirements and next steps can be anticipated.

[Additional Resource: the Project Process Cycle \(p. 69\)](#)





The starting point of the following procurement questions is to think about the list of **relevant partners identified during the ecosystem analysis**. Are there only a limited number of SIEs or intermediaries?

We suggest assessing the **opportunistic approach** questions shared earlier to help identify strategic ways of working with SIEs, especially when there are very few SIEs addressing a specific challenge. In this way, the following questions are not focused on the market but on the partners for the best strategic approach to working with SIEs in a specific or broad context.

Possible scenarios:

Few strong intermediary candidates for implementation

- ▶ If the ecosystem analysis assessment indicated that there are only a very limited number of SIEs or candidate intermediaries (only one or a small group that needs to complement each other) the project will probably follow a co-creation or contribution process.

- ▶ If there is a strong intermediary that is already developing an initiative (or interested in developing one) the engagement format becomes a contribution, if the organisation approaches SDC with a request for co-financing, while bringing funding (either its own or from other partners).
- ▶ If there are no current initiatives where SDC can be a contributing partner, then the appropriate engagement format is a co-creation between SDC and the intermediary.

Alternative scenario:

Many potential intermediaries for implementation

- ▶ If there are many potential candidates, the procurement process will be a mandate using a tender to select the implementer.
- ▶ As we can see engagement formats can be one of the following: **contribution, co-creation and mandate**.

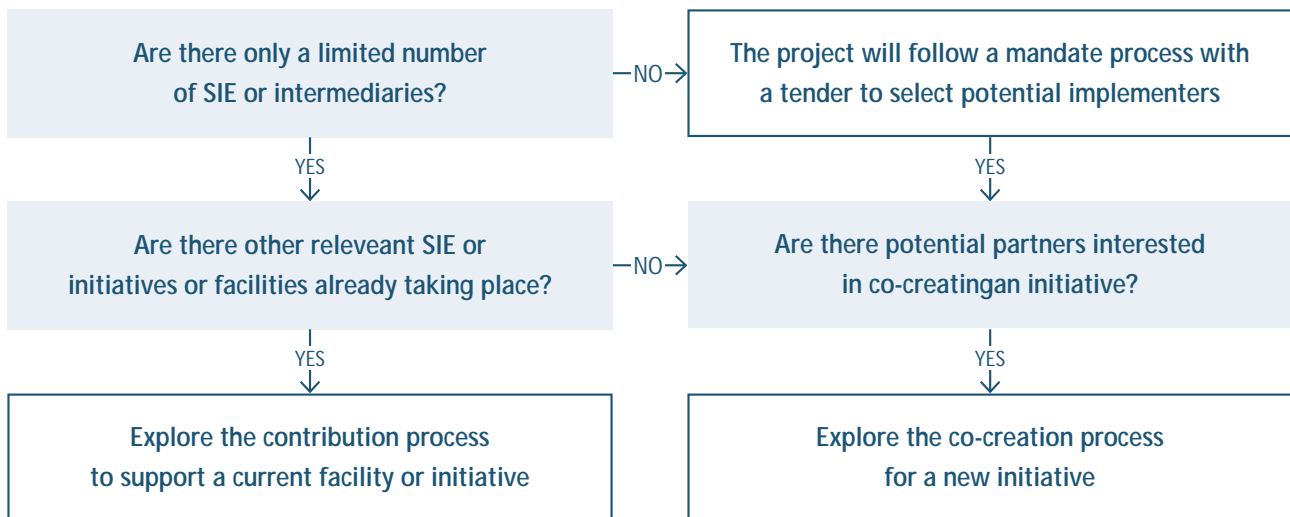


Figure 5 Engagement format decision tree

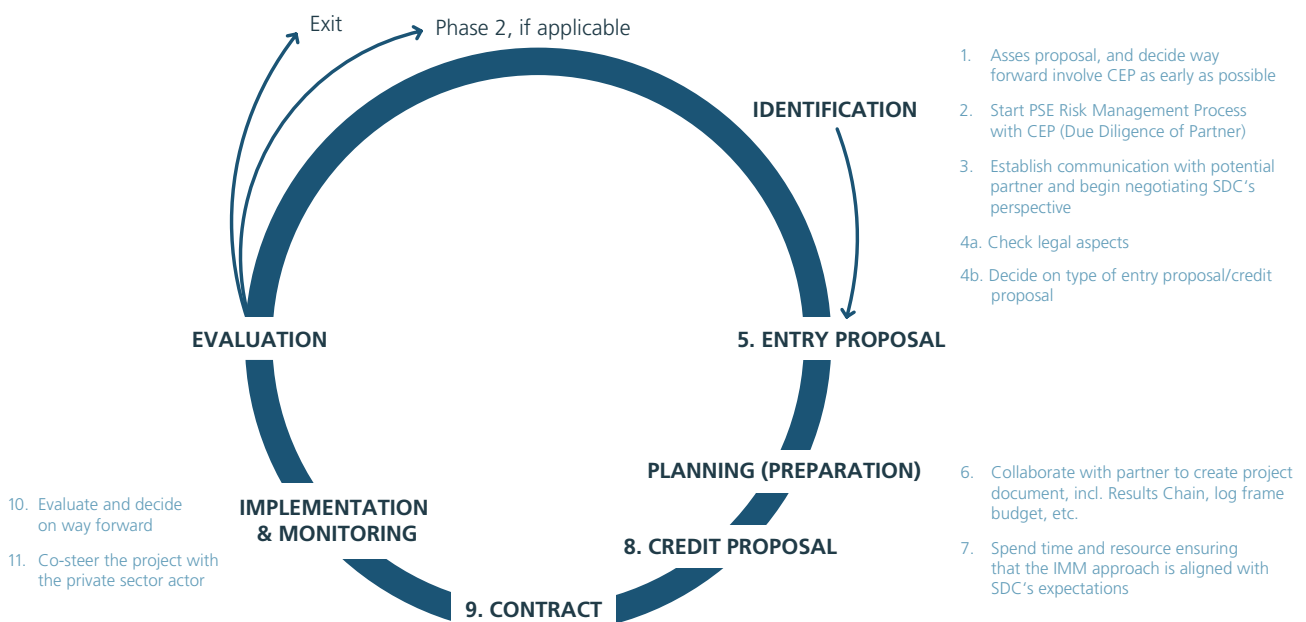
**1. Contribution**

A proposal could qualify as a contribution to a PSE intervention if it meets the following criteria:

- ▶ It is a private sector initiative
- ▶ Proposed activities and expected outcomes are in the public interest (it fulfils SDC objectives)
- ▶ Private sector brings its own meaningful contribution
- ▶ SDC is supposed to close the gap

**Aceli Africa, an example project for contribution**

Aceli Africa is a market-based facility providing financial incentives to lenders to mobilise private capital for development impact. It uses financial benchmarking data on lender economics to optimise the impact and leverage of a smart subsidy. The project is expected to award \$40 million in financial incentives for lenders and \$10 million in technical assistance for agricultural SMEs, mobilise over \$500 million in lending, and create over \$150 million in incremental income for one million smallholder farmers and enterprise employees by 2025.



**Figure 6** PSE along the Project Cycle for Contribution

## 2. Co-Creation

A proposal could qualify as co-creation when SDC and a private sector actor co-initiate a project.

Co-creation typically allows for some specific benefits, including:

- ▶ Working with a partner who shares a similar vision and motivation, resulting in a strong alignment of interests
- ▶ Programme design takes place between two or more parties at the same level creating a sense of partnership
- ▶ Sharing of financial burden, management as well as risk

[Additional Resource:](#)

[Specific considerations for a co-creation process \(p. 78\)](#)

### Lab of Tomorrow, an example project for co-creation

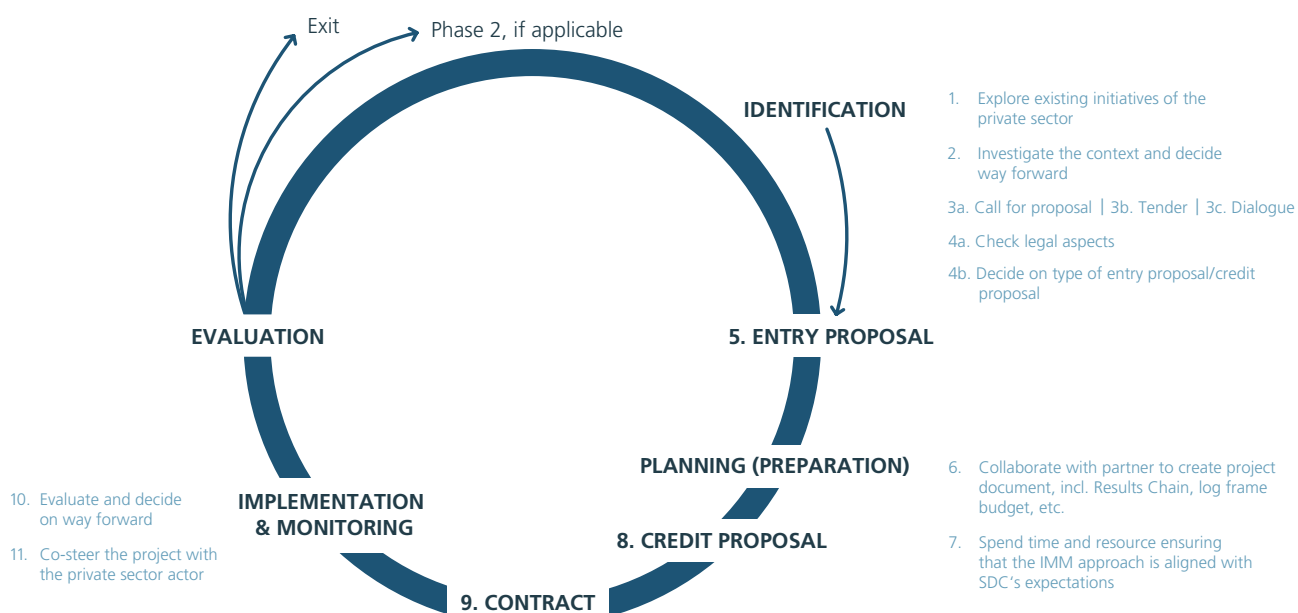
Lab of Tomorrow is an initiative with St. Gallen University seeking to co-create solutions to specific problems with private sector actors. It follows an integrated process for co-creating, testing, and iterating upon impactful solutions. The first pilot in 2021 sought to find solutions towards a circular food system in Rwanda. It involves SDC, private sector partners, civil society, academia, and other actors concerned with the specific development challenge to be addressed.



Figure 7 Lab of Tomorrow process steps

### 3. Mandate

A proposal could be qualified as a mandate if SDC realises that a strategic objective seems to be best solved by engaging with the private sector. (There should also be no existing initiative where SDC could contribute. In case there is, the choice should be contribution). SDC then mandates private sector actors to carry out the project and achieves development outcomes in this manner.



**Figure 8** PSE along the Project Cycle for Mandate

## 2.9 Key takeaways on the engagement format

- ▶ In the case of many potential intermediaries, a mandate may be the only way forward due to procurement rules. The tender document, therefore, needs to make sure that the identified potential intermediaries can and will apply. Ideally, they could progressively be transformed by the mandate to promote SIEs in the long run.
- ▶ For all procedural aspects, you need to collaborate closely with the competence centre for contracts, procurement and compliance (CPC) and for the content CEP may be of help, too.
- ▶ As tender procedures are lengthy and complicated, you need to plan ahead for resources and time. As you are usually not allowed to talk to bidders, we also suggest you check all options available to you.
- ▶ Or like in MSD programmes (see [SDC MSD guidance](#)) you could plan ahead for an inception phase in your entry proposal opening credit to collaborate closely with the winning bidder (team) on the prodoc, logframe, result chain, budget before writing the credit proposal and make a contract for the first phase.
- ▶ Again, seek collaboration with CPC as early as possible in case of tender.





**PLANNING**

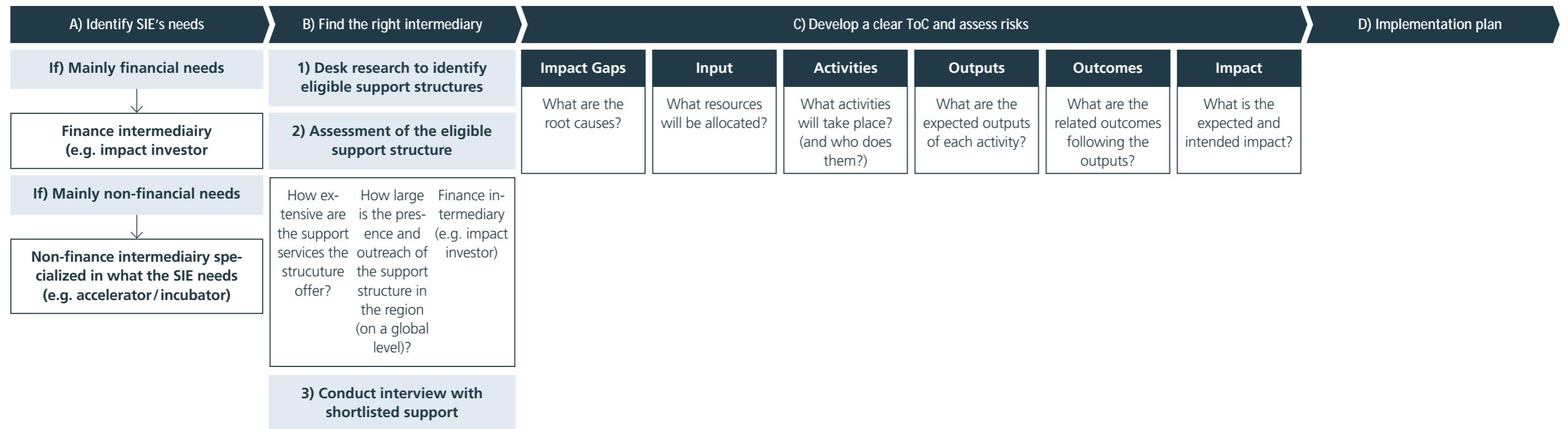
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# Planning

## 3.1 Introduction

After having outlined the big questions related to the challenges and approaches, the second phase lays the ground for a successful implementation. The key questions addressed in this phase involve the actual implementers, in this case the SIEs and their support structures, who they are and how they can be engaged. The goal is to develop a relevant and realistic theory of change to guide the implementation, measure results, agree on budgets and the financial management structure of the project.

### Things to do at the Planning phase



### 3.2 Assessment of SIE needs framework

An important step to complement the work previously done is to properly understand the real financial and non-financial needs of SIEs. This is in order to tailor the support programme to their real needs and allow them to contribute to the selected SDC development outcomes.

Backstoppers can support this assessment through interviews or having SIEs and ecosystem support organisations fill-out informational questionnaires. They can then suggest the most suitable type of intermediary. Here are a few examples for questions to ask:

[Additional Resource:](#)

[Financial mechanisms to support SIEs \(p. 69\)](#)

[Additional Resource:](#)

[Non-financial mechanisms to support SIEs \(p. 71\)](#)

[Additional Resource: Innovative finance tools \(p. 73\)](#)

#### Financial needs



Is the SIE financially sustainable or close to break-even, in order to afford debt or other forms of financing? If so, what tenor and what interest rate is adequate given the local macroeconomic context as well as their own financial projections?



What are the types of appropriate financing required?



Would the SIE be open to different financing instruments? Do the projected revenues and profitability justify such instruments?

#### Non-financial needs



Does the SIE have an adequate accounting and Management Information Systems (MIS) in place?



Does the SIE need support on product marketing and access to new markets?



Does the SIE have access to qualified human resources to build the team?

### 3.3 Assessment of intermediaries supporting SIEs

Following the route of SDC to work with SIEs through intermediaries such as accelerators and incubators, the selection of the “right” intermediary can be based on a comprehensive assessment based on a 3-step funnel approach.

Remember that intermediaries might not necessarily qualify as “private sector” players. Intermediaries could also be donorled initiatives or public sector organisations (such as universities).

#### First step

First, extensive desk research and many phone calls are conducted with the goal to map existing support structures in the country or region, as well as the leading and most reputed global support structures that might be eligible.

#### Second step

In a second step, all mapped support structures are screened and subject to a quick assessment. This quick assessment looks at a few criteria that are relevant for the programme design. The criteria provided here are for illustration purpose only.

##### Range of services

How extensive are the support services the structures offer? Do they offer technical assistance, administrative support, co-working spaces or funding? If they offer specific programmes for start-ups, how many of them?

##### Geographic outreach

How large is the presence and outreach of the support structure in the country or region and if applicable on a global level?

##### Mission fit

What is the focus of the support structure? At what types of businesses are their programmes aimed? How well does the mission of the support structure match with the SDC overarching goal of supporting social and impact enterprises?

#### Third step

In a third and final step, the highest ranking support structures from the short assessment are shortlisted.

##### Procurement considerations (to be reflected in TORs)

If the assessment indicated that there are **only a very limited number of candidate intermediaries** (only one or a small group that needs to complement each other) the project will probably follow a co-creation or a contribution process.

If there are **many potential candidates**, the procurement process will probably be a tender, and the selected organisations should be contacted to conduct an **initial high-level interview** and clarify if the support structure would be open for a collaboration with SDC (including an interest to bid) and to answer more in-depth questions.

##### Business insights

This area looks into the support structure on an enterprise level. The exact geographic outreach is clarified, as well as the efficiency and effectiveness of the offered programmes and the overall pipeline management and deal sourcing of the support structure.

##### Programme insights

This area focuses more on the content of the programmes the support structure offered for enterprises (typically accelerator or incubator programmes, as well as online trainings and networking events). Questions here include the selection criteria of the enterprises, the programme structures or curriculum as well as the resource allocation within the programme and the overall offerings of support for enterprises.

##### Overall fit with SDC

Last but not least, the overall fit with SDC is assessed. Criteria for this topic are existing experience working with other donors or the SDC itself, whether the support structures have a particular focus on low-income communities (or have previously offered programmes that have) and the overall mission and vision from an impact and system change perspective, and the potential for generating policy dialogue in the ecosystem.

Figure 9 Intermediary assessment tool

### 3.4 Theory of Change and risk framework

Developing a comprehensive, clear and actionable Theory of Change (ToC) and risk assessment from the donor perspective is the last step in the preparation. This enables you and your consultants to link identified impact gaps with desired long-term outcomes and impact achieved through a series of input, activities and intermediary results. See the table below for an example.

When planning the implementation of a project, we strongly suggest factoring in the timelines required to manage risks, particularly those dealing with internal regulations understanding the local legal frameworks.

While the information needed to complete the framework below can be provided from many sources, the perspective taken should be that of SDC's, so that key gaps and risks for SDC and other donors if relevant can be identified.

[Additional Resource: TOC and results chain \(p. 75\)](#)  
[Additional Resource: Project risks example \(p. 76\)](#)

Suggested Resource:  
[PSE Risk Management in the PSE Handbook](#)

### 3.5 Implementation plan aspects in tender and contribution

As with all projects, you need a project document, logframe, theory of change and budget to annex to the contracts. You also need to identify whether it is a contribution, a co-creation or mandate.

However, in PSE the spirit is about partnering. Ideally these documents will be elaborated at least to a certain extent, jointly. This means a higher level of effort for SDC staff, even if you can outsource a part of it to partners and consultants.

**Plan ahead for:**

- ▶ Partial actions in your credit proposal with funds for backstopping, funds for technical assistance and capacity building for you, colleagues, partners (if not foreseen in the main credit)
- ▶ Time to learn
- ▶ Support from colleagues, ideally working in teams (with colleagues from CEP or of your section/division/domain)

**Recommendations for each contract logic**

- ▶ Mandate: Get help from externals when writing the tender document and evaluating the bids
- ▶ Contribution: Make sure you have enough expertise and resources in your SDC team and network of consultants when negotiating the right objectives and when contributing to the elaboration of the documents
- ▶ Co-Creation: Make sure you have experienced support in the co-creation processes

	Impact Gaps	Input	Activities	Outputs	Outcomes	Impact
OVERALL THEORY OF CHANGE	What are the root causes?	What resources will be allocated?	What activities will take place? (and who does them?)	What are the expected outputs of each activity?	What are the related outcomes following the outputs?	What is the expected and intended impact?
RISKS / DEPENDENCIES						

Figure 10 ToC canvas

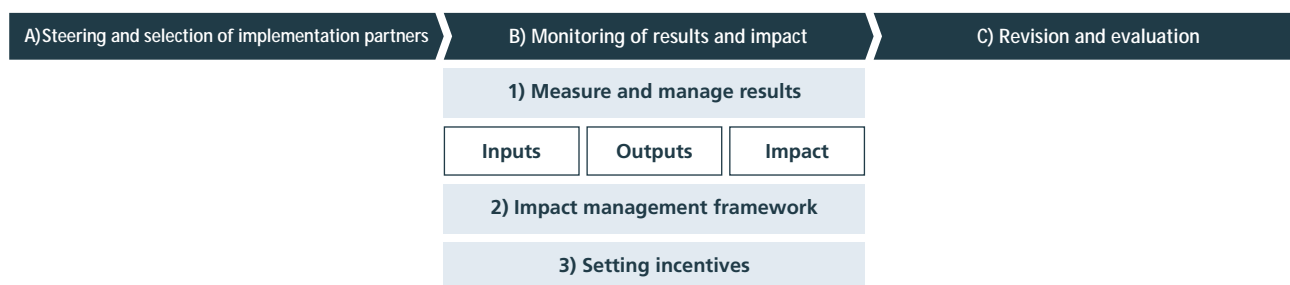


**IMPLEMENTATION**

**4**

# Implementation

## 4.1 Things to do at the Implementation phase



### 4.2 Steering and strategic decision making

#### Steering usually entails the following best practices:

- ▶ Prodoc and contract: describe the organisational setup as well as the decision-making processes of the project, i.e., Steering Committees, Advisory Committees, Investment Committees, Thematic Investment Committees, etc.
- ▶ There is no blueprint for the perfect organisation as every case is different. If you contribute to a running private sector enterprise, they usually have corporate governance in place where you need to plug in the project decision-making.
- ▶ Have a look at existing contracts and programmes to get inspiration (contact CEP).
- ▶ Consult with CPC as they are trained to anticipate what could go wrong and will help with being prepared in advance.
- ▶ Keep your level of effort and involvement in programme management reasonable, e.g., weekly calls may be fine for the first few weeks, but later on, you should be involved somewhat less often.
- ▶ Avoid “over-steering” as we are not technically equipped to guide the private sector on how to operate. Our focus should be to monitor results and impact critically.

#### Checklist on how to avoid trouble during a project:

- ▶ Strong project management
- ▶ Regular contact and good communication
- ▶ Develop trouble shooting guidelines beforehand
- ▶ Setting SMART and CLEAR goals and indicators
- ▶ Align expectations during kick-off
- ▶ Provide clear guidance on operational and financial reporting and communicate at the design or kick-off phase

### 4.3 How to measure and manage results

Defining, measuring and monitoring the impact of input and activities is of crucial importance for all development projects. However, the private sector and even SIEs are often lagging behind in this regard.

What you measure is what you get, so it is crucial that the impact management framework is aligned with the overall programme objectives. Therefore, the starting point for the design of the impact management framework is to consider the general aim of the programme.

To assess and monitor the results of an organisation and potentially link these to a reward, a set of metrics and target figures must be defined. The KPIs are specific to social and impact enterprise targets. For illustrative purposes only, the following KPIs using industry standards definitions provided by GIIN's IRIS database may be used:

For this exercise, we suggest checking the relevant SDC Aggregate Reference Indicators and Thematic Reference Indicators (see SDC Guidance Results Indicators).

Suggested resources:

- [Monitoring and Measuring Results in Private Sector Development](#)
- [DCED Standard for result measurement](#)
- [SDC Guidance Results Indicators](#)
- [GIIN IRIS Database](#)
- [60Decibels \(example of a service provider\)](#)



Sector	Outputs	Outcomes	Impact
<b>Health</b>	<ul style="list-style-type: none"> <li>▶ Number of patients screened for medical conditions, illnesses, or risk factors by a qualified healthcare professional</li> <li>▶ Number of healthcare professionals or institutions with remote digital expert support</li> <li>▶ Number of vaccines or medicines distributed</li> </ul>	<ul style="list-style-type: none"> <li>▶ Improved health of the beneficiaries or clients who were screened by the qualified healthcare professional</li> <li>▶ Improved health of the beneficiaries or clients who were screened or treated by the professionals or institutions with remote digital expert support</li> <li>▶ Improved health of the beneficiaries or clients who were provided with the appropriate medicines</li> <li>▶ Improved country healthcare monitoring systems</li> </ul>	<ul style="list-style-type: none"> <li>▶ Improved health and livelihood of the population</li> <li>▶ Reduced gap in health status between vulnerable population groups and the rest of the population</li> </ul>
<b>Education</b>	<ul style="list-style-type: none"> <li>▶ Number of students with access to digital education materials</li> <li>▶ Number of teachers trained and those with remote digital expert support</li> </ul>	<ul style="list-style-type: none"> <li>▶ Increased education continuity for students with access to digital education materials</li> <li>▶ Improved learning outcomes for students whose teachers were trained and had access to remote digital expert support</li> <li>▶ Improved country education monitoring systems</li> </ul>	<ul style="list-style-type: none"> <li>▶ Increased education continuity and improved lifelong earnings</li> <li>▶ Improved learning outcomes</li> <li>▶ Reduced gap in education continuity and learning outcomes between vulnerable population groups and the rest of the population</li> </ul>



### 4.4 Impact Management framework

If we are working via several intermediaries, a general overarching framework will be needed. Sub-frameworks at the level of intermediaries and potential “sub-sub frameworks” at the level of the SIEs may also be required. Since SIEs are in direct contact with the beneficiaries and the outputs created, it is very important to make sure that, as much as possible, IMM is taking place at the level of the SIEs. This can then be aggregated to the overarching framework level.

Remember, that SIEs and intermediaries are unfortunately not always strong in IMM. This is where SDC is probably making the biggest difference. You need to anticipate the time and resources required for learning-by-doing for intermediaries and SIEs. Usually external support is necessary. It is also important to set incentives to produce impact measurement data (see the next section on setting incentives) to ensure intermediaries and SIEs are focused on improving IMM.

To design an appropriate overarching impact management framework the following steps and considerations should be followed:

	Objectives	Theory of change	Metrics and indicators	Data management	Qualification
OBJECTIVES	Define the objectives and scope of the impact management framework	Draft the Theory of Change to illustrate the link between the activities and the expected impact	Identify a long-list of relevant metrics based on international standards acknowledging, that you may not know in advance the sectors, etc. where SIEs are active	Investigate what data is currently available and any opportunities to increase access to data	Understand if the impact management framework meets the requirements in a resource efficient way
KEY QUESTIONS	Define purpose: <ul style="list-style-type: none"> <li>▶ Why evaluate? (i.e. to learn, report to donors, public campaigns or results-based finance)</li> <li>▶ What do we want to know?</li> <li>▶ For whom?</li> <li>▶ In what form (what will the end result look like)</li> <li>▶ Define time-frame</li> <li>▶ Define budget and resources available</li> </ul>	Draft Theory of Change and results chains: <ul style="list-style-type: none"> <li>▶ What are the impact gaps?</li> <li>▶ What are the relevant activities?</li> <li>▶ Who are the main stakeholders?</li> <li>▶ What are the expected outputs, outcomes and impact?</li> <li>▶ What are the relevant externalities potentially increasing or preventing the impact?</li> </ul>	<ul style="list-style-type: none"> <li>▶ Identify relevant international best practices for the impact themes</li> <li>▶ Define levels of metrics to track (i.e. partnership level, intervention level, etc.)</li> <li>▶ Define long-list of relevant metrics, indicators and potential proxies</li> </ul>	<ul style="list-style-type: none"> <li>▶ Understand the data needed for each metric and indicator</li> <li>▶ Understand if the data collection relies entirely on or burdens stakeholders</li> <li>▶ Identify or adjust data-collection system, practice and reliability</li> <li>▶ Consider time-frame of impact evaluation, including reporting occurrence</li> </ul>	<ul style="list-style-type: none"> <li>▶ Cost-effectiveness</li> <li>▶ Avoidable burden on stakeholders and beneficiaries?</li> <li>▶ Gaps? (When compared with the ToC)</li> <li>▶ Need for baseline?</li> <li>▶ Need for external verification?</li> </ul>
OUTPUT	Overall impact management framework, including purpose, scope and audience	Operational Theory of Change and results chains	Map or table of metrics and indicators	Data management plan	A qualified impact management framework and plan

## 4.5 Setting incentives

A well-defined impact management framework can be utilised to set incentives for intermediaries and SIEs. The core idea is to reward better impact with better benefits. This includes financial benefits such as better loan terms or a grant bonus, or benefits related to access, such as access to technical assistance or assistance in accessing particular markets. Rewards incentivise a specific behavior that is believed to positively contribute to, or directly result in the achievement of development outcomes.

The exact structure can take many forms and should be considered based on the particular context. It goes without saying that the focus of the incentive should be aligned with the overall programme objective. Moreover, it should be considered whether a given incentive-structure unintentionally predisposes one type of organisation over another.

See below for illustrative examples on the programme level, intermediary level and SIE level.

Level	Desired impact	Desired behaviour	Indicators	Benefit
<b>Programme level</b>	Increased outreach and scale of interventions	Increased leverage of private sector resources used for SDG attainment	Leveraged private sector resources: ▶ Funding ▶ In-kind resources	Approval and potential extension of programme funding will be granted based on the level of private sector leverage
<b>Intermediary level</b>	Increased number and success of female social entrepreneurs	Improved quality and appropriateness of services delivered to women	Ability to support female entrepreneurs: ▶ Number of female entrepreneurs supported ▶ NPS for female entrepreneurs supported ▶ Success of female entrepreneurs supported	Loan or grant terms depending on ability to support female entrepreneurs
<b>SIE level</b>	Increased access to health-care services for target beneficiaries	Increased focus on and success with reaching target beneficiaries	▶ Number of target beneficiaries screened for medical conditions, illnesses, or risk factors by a qualified health-care professional ▶ Number of healthcare professionals or institutions with remote digital expert support ▶ Number of vaccines or medicines distributed to target beneficiaries	Grant funding provided based on ability to serve the target beneficiaries or Access to quality business development services and investors network depending on ability to serve target beneficiaries

15 The Net Promoter Score is one of the best indicators for an individual's overall experience with a product or service. It is calculated based on responses to a single question: How likely is it that you would recommend our company, product or service to a friend or colleague?

16 The definition of success can vary depending on the project objectives. Examples include: the company is still active after three years, the company has grown in number of FTEs, the company has achieved additional finance from private investors.

## 4.6 Revision and evaluation

The impact management framework, including results chains, lays the ground for constant revision and improvement of the programme. The choice of promoted SIEs will deliver the desired impact over time. Learnings need to be integrated into the framework constantly, as a practice of adaptive management.

Choosing the SIEs, the Cost Benefit Analysis is one of the most important tools and should be used by the partners. For example, how much impact will be gained by supporting a particular SIE with \$100,000?

Suggested resource: [SDC How-to-Note Financial and Economic Analysis of Projects with a focus on Cost Benefit Analysis \(CBA\) and Cost Effectiveness Analysis \(CEA\)](#).

Last but not least, the programme needs to be evaluated and reviewed like most SDC programmes on the OECD21 criteria. The evaluation should provide SDC with sufficient information about the programme performance in the current phase to proceed and design the next phase, or decide not to go forward. In most cases, a Mid-Term Review (MTR) will be undertaken halfway through the programme period.

What	Why	How
Define the objectives and processes	To inform the evaluators on the programme and the MRM system	<ul style="list-style-type: none"> <li>▶ Discuss the terms of reference, seeking inputs for the terms of reference and the potential evaluators.</li> <li>▶ Develop the terms of reference, specifying that the evaluation needs to make optimal use of the MRM system output (impact assessments, sector reviews, etc.) and should not attempt to “repeat” them.</li> <li>▶ Ensure that the evaluators are informed about the programme, the MRM system, and of the programme documentation that is available to them.</li> <li>▶ Ensure that the evaluators use the documented research generated by the programme.</li> <li>▶ Ensure they review the DCED audit report, and do not reassess the MRM system (that the DCED audit has done)</li> <li>▶ Ensure that the report includes an assessment that leads to learning: what worked, what didn’t work and why not.</li> <li>▶ How is that learning to be used within the programme, or can it be used more broadly? This learning should not be limited to the programme implementation level, but should be as wide as necessary (capacities, institutional arrangements, etc.).</li> </ul>

Source [Monitoring and Measuring Results in Private Sector Development](#)



**ADDITIONAL  
RESOURCES**

TEL \_\_\_\_\_  
IN CASE OF EMERGENCY  
PLEASE NOTIFY \_\_\_\_\_  
NAME \_\_\_\_\_  
TEL \_\_\_\_\_  
ADDRESS \_\_\_\_\_

# Additional Resources

## 5.1 More Social Entrepreneur definitions

*“A social entrepreneur is an individual who conceives of, and relentlessly pursues, a new idea designed to solve societal problems on a very wide scale by changing the systems that undergird the problems.”* Ashoka, 2020

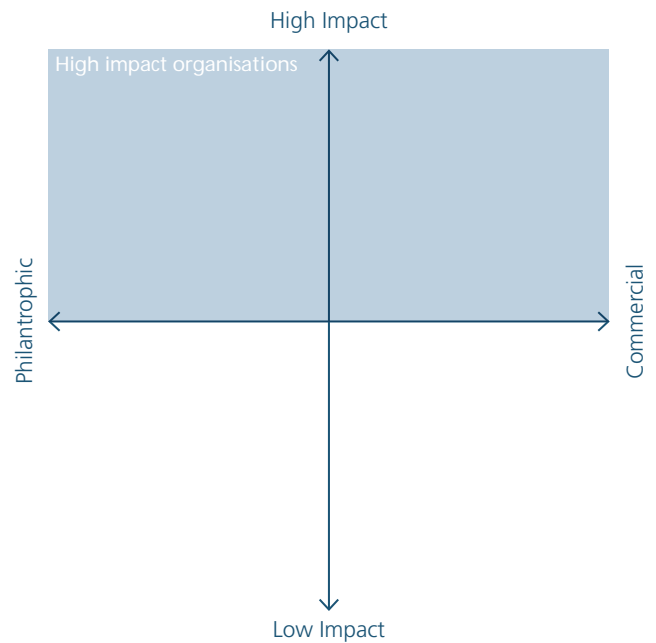
*“A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities”* European Commission, 2011

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

## 5.2 High Impact Organisations (HIO)

High Impact Organisations (HIO) can take many structural, legal and market-related forms, but they all share the property of creating social or environmental outcomes for their community, colleagues or clients. From a perspective of identifying HIOs, the following three characteristics are central:

- ▶ The **purpose** of an HIO is to contribute to social or environmental outcomes
- ▶ The mission is locked into the **activities and structure** of the organisation
- ▶ The **results** of the activities are monitored and reported



Purpose	Activities	Results
<p>The purpose of generating social or environmental impact will often be stated in central organisational documents, such as:</p> <ul style="list-style-type: none"> <li>▶ Vision and mission statement</li> <li>▶ Constitution or other legal documents</li> <li>▶ Organisational or business strategies</li> </ul>	<p>The activities of the organisation can be more or less commercial but should always be aligned with the purpose:</p> <ul style="list-style-type: none"> <li>▶ The majority of the turnover is directly aligned with the defined purpose</li> <li>▶ The organisation is owned by the community it serves</li> </ul>	<ul style="list-style-type: none"> <li>▶ The organisation demonstrates a commitment to the purpose by:</li> <li>▶ Monitoring results (both output and outcomes)</li> <li>▶ Sharing results with relevant stakeholders</li> <li>▶ Utilising results to inform the strategy and optimise (positive) and mitigate (negative) effects of its activities</li> </ul>

## 5.3 Examples of SIEs

### Tanzania produce<sup>17</sup>

#### The business

Aggregation, processing and distribution of fresh produce linking smallholder farmers across Tanzania to market vendors, hotels, restaurants and supermarkets.

#### Social outcomes

- ▶ Reduction of post-harvest losses and food wastage
- ▶ Increased efficiency of the food value chain
- ▶ Improved smallholder farmers' income

#### The story

Avith was born and raised in a Tanzanian family of food entrepreneurs, with his mother running a chain of restaurants in the Kilimanjaro region since the early 1980s. Having grown up in a family working closely with smallholder farmers at all levels, he developed a passion for the agribusiness industry and a deep understanding of the challenges for the farmers and their families.

Avith founded Tanzania Produce to tackle the problem of post-harvest losses by smallholder farmers as a result of poor farming, transport and storage mechanisms. Agriculture is the main economic activity in Tanzania

accounting for 45 percent of the country's GDP and employing 70 percent of the Tanzanian population. It is estimated that 48 percent of food produce in Tanzania is wasted annually throughout the supply chain.

Tanzania Produce aggregates, processes and distributes fresh produce linking smallholder farmers across the country to hundreds of informal market vendors, and more formal hotels, restaurants and supermarkets in Tanzania's commercial capital and largest city, Dar es Salaam. The company has built the infrastructure that enables it to collect produce directly from farmers and deliver it straight to these customers. That infrastructure includes collection and aggregation centres for produce in areas close to smallholders, and cold chain logistics such as refrigerated trucks and warehouses that increase produce shelf-life. In effect, Tanzania Produce replaces multiple middlemen, reduces wastage, ensures quality, passes more of the final price back to farmers, and reduces costs for vendors.

By investing in the training of the farmers, raising their income levels and providing predictable and well-documented cashflows, Africa Produce plays an important role in improving livelihoods of rural population and increasing their resilience.

## SIE Eligibility Criteria

### Business model

Tanzania Produce pursues a financial profit and has a scalable business model (aiming to scale internationally through exports).

### Commitment

Tanzania Produce's core impact objectives are declared in its articles of incorporation. The company provides recurring reporting on its impact KPIs.

## Luminus Education (Jordan)

### The business

Luminus Education Group is a vocational training organisation offering high-quality, affordable education (from short courses to a three-year degree programme) to increase employability and economic opportunities.

### Social outcomes

- ▶ Improved employability of youth (strong placement rate)
- ▶ Increased education and employment of women (44 percent of students)
- ▶ Increased education and employment of refugees and vulnerable youth

### The story

Luminus Education was founded in 2006 with a keen eye on the future and through recognition of a crucial need in the youth of Jordan. The Founder, Ibrahim Safadi, was frustrated with his own university experience, that he felt was not

equipping him with relevant skills for the job market. Safadi dropped out of university and started the long and challenging journey to promote vocational education in Jordan as a pathway to improving the career prospects of youth.

Jordan's youth unemployment rate is at around 50 percent. To ensure access to job opportunities, Luminus Education equips its graduates with the tools they need to triumph over the challenges of today's economy. They provide short courses, one and two-year accredited diploma programmes, a three-year degree programme, and professional training for organisations and individuals.

In 2021, more than 10,000 students had graduated, with 40 percent being refugees and underserved communities. The employment placement rate is over 80 percent. The company also focusses on women's education, has made a significant difference for thousands of female graduates around the country, and is helping to transform the workplace.

## SIE Eligibility Criteria

### Business model

While Luminus Education is an NGO, an important part of revenues come from the affordable offering of courses. They do receive donations to cover the costs of specific initiatives (such as with refugees).

### Commitment

Luminus is explicitly focused on helping combat Jordan's youth unemployment through training and education with high employability rates. The company also has a specific focus on women and has developed specific programmes with donors focused on refugees.



## Apon (Bangladesh)

### The business

APON is an omnichannel marketplace for low-income textile workers in Bangladesh and Asia. Through local stores in the factories, Apon offers affordable products such as daily necessities, health care, insurance and credit.

### Social outcomes

- ▶ Increased access to quality basic staples at affordable prices for factory workers
- ▶ Increase in savings for households of factory workers
- ▶ Access to financial services (credit card) and ancillary services such as healthcare and insurance

### The story

Saif Rashid founded Apon Wellbeing in 2016 to make a difference in the lives of textile factory workers who earn low wages that generally leave them with very little disposable income. Apon sets up their fair-price shops where they sell items at lower prices, leaving the workers with

more disposable income from the money that they save.

Workers also gain access to an advanced salary and free health, life insurance and loyalty points. The loyalty points also offer them an incentive to purchase goods as well as help them gain assisted access to healthcare.

The factories only provide an organised space and Apon does the rest. Apon is redefining the retail sector of daily necessities products and health services for a niche market of 40 million workers who share unique and identifiable characteristics.

Apon's business model develops a platform that facilitates businesses that cater to the needs of this group of population and generates savings. Apon is establishing its forward linkages through a partnership with garment factories and communities and develops backward linkages with insurance companies, manufacturers and service providers of essential goods and healthcare products.

## SIE Eligibility Criteria

### Business model

APON generates revenues through its sale of products in the factory shops and related services. The company also complements revenues with additional grant financing from funders.

### Commitment

Apon's products and services are fully aligned with its mission by providing quality necessity goods at low prices and bringing them to the doorsteps of the factories of the targeted workers.

## Novulis (Ecuador)

### The business

Novulis is a for-profit social enterprise that offers high-quality, low-cost dental care services through high-tech mobile and stationary clinics in Ecuador

### Social outcomes

- ▶ Increased access to affordable dental health, especially in rural areas
- ▶ Increased awareness of healthy dental habits for prevention and care

### The story

Greg Krupta founded Novulis in 2015 to solve a problem: three out of four people in Latin America lack access to adequate dental health. There are several barriers to access: economic (low income and little formal

employment), geographic, social (a poor public health system) and cultural (bad hygiene habits and lack of dental prevention). These barriers have an impact on people, especially in rural areas, where there is inadequate health infrastructure. The neglect of their oral well-being negatively impacts their health in general and therefore affects their daily work and educational performance.

Through an innovative social model, Novulis, together with its urban and rural patients, communities, civil organisations, private companies, multilateral organisations, NGOs, and universities, works to create a culture of dental health, generating optimal habits and performing high-quality dental care services. Novulis provides services all around Ecuador through mobile, portable and fixed clinics. It additionally offers direct financing of up to 6 months, through payroll deduction, and a one-year guarantee policy for the treatments received.

## SIE Eligibility Criteria

### Business model

Novulis generates revenues by offering dental care services. It reduces its cost structure through a hub-and-spoke model with fixed and mobile offices. It additionally provides an option of direct financing of up to 6 months, through payroll deduction

### Commitment

Novulis is explicitly focused on increasing access to dental services through its widespread clinics and affordable prices and financing. The company also measures and reports impacts and is a certified B Corporation.

## 5.4 Examples of SDC's work with SIEs

Programme	Description
<a href="#">PES Latam</a>	<p>PES LATAM is a global partnership between SDC, Ashoka, LeFil Consulting, New Ventures, and VC4A with the mission to accelerate the emergence and growth of social enterprises across Latin America and the Caribbean by identifying and supporting innovative, scalable and market-based solutions. The programme accompanies social entrepreneurs throughout their development and growth. To this end, PES Latam offers several support initiatives targeting social entrepreneurs at different stages and responding to different needs:</p> <ul style="list-style-type: none"> <li>▶ Early-stage support through Ashoka Fellowships: Start-up support for emerging social entrepreneurs through their election as Ashoka Fellows</li> <li>▶ Path to scale and sustainability through I3 LATAM: Scaling support for established social entrepreneurs through the I3 LATAM acceleration programme offered by New Ventures</li> <li>▶ Replication and systemic impact: System-change training offered by Ashoka, targeting social entrepreneurs who want to grow their impact beyond their own organisation</li> <li>▶ Partnership building: Facilitation of collaborations between and beyond social entrepreneurs</li> <li>▶ Capacity building: Free workshops and online courses on topics such as Leading with Data and Gender Mainstreaming</li> </ul>
<a href="#">cewas Middle East</a>	<p>SDC is supporting cewas, a Swiss start-up business incubator specialised in improving business practices in water and sanitation. Cewas Middle East is the regional programme of cewas and seeks to increase the role of the private sector and entrepreneurship in tackling the environmental issues of the region. To achieve this, cewas offers professional training, coaching, mentorship and consulting in business development for sustainable water, sanitation and resource management in Jordan, Palestine, Lebanon and Iraq with the mission to:</p> <ul style="list-style-type: none"> <li>▶ Bridge the entrepreneurship and water sector to create more sustainable solutions in water, sanitation and resource management</li> <li>▶ Support humanitarian water and sanitation actors in the Middle East to improve the sustainability of their services</li> <li>▶ Develop an innovative Resource Recovery and Reuse (RRR) project</li> </ul>

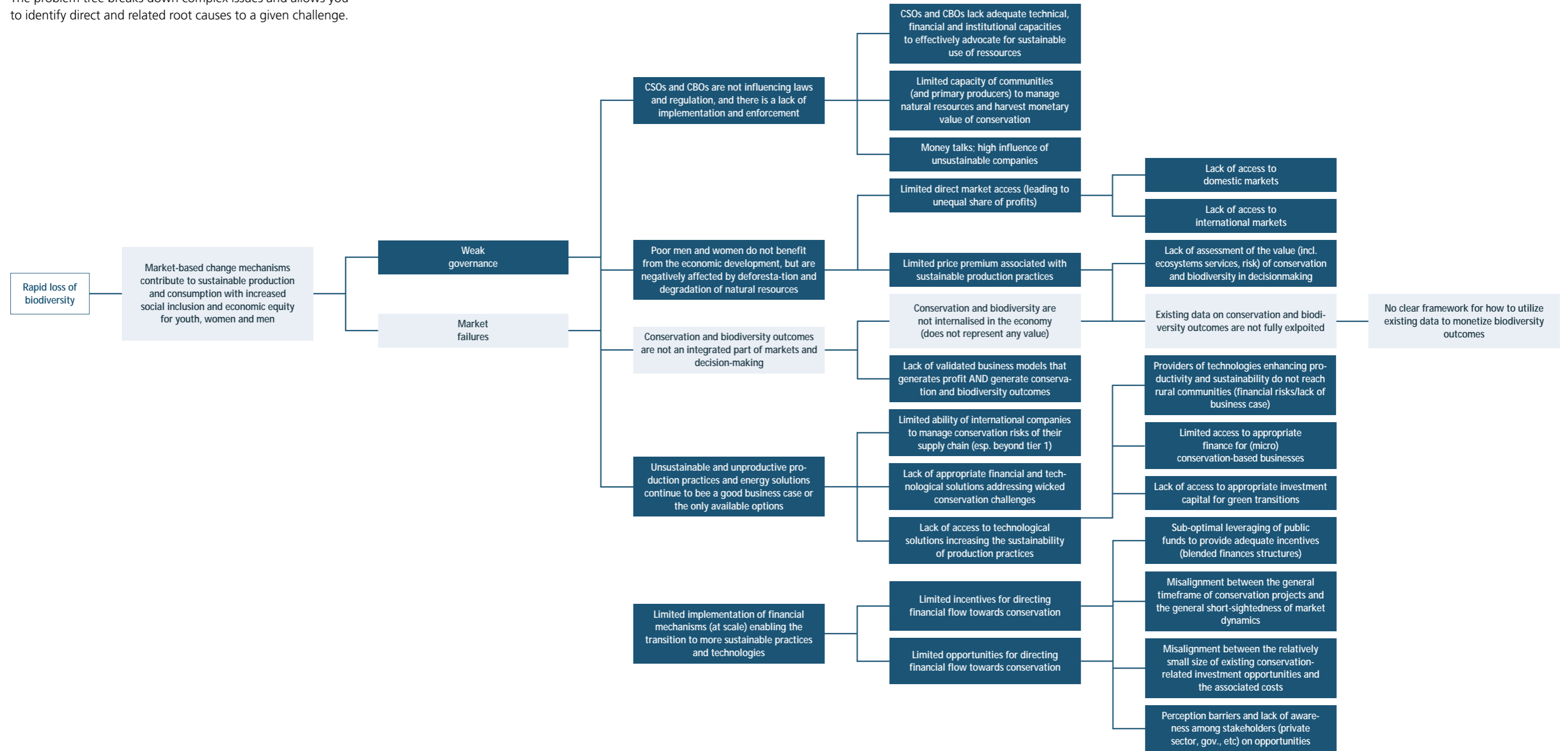
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Programme	Description
<a href="#">Biniyog Briddhi</a>	<p>Biniyog Briddhi is a multi-year programme dedicated to supporting a thriving ecosystem where impact enterprises of Bangladesh can grow and scale their impact. Set up as a public private development partnership (PPDP) between the Swiss Agency for Development and Co-operation, Roots of Impact, and LightCastle Partners, the programme strives to improve the financial, social and environmental performance of impact enterprises. The programme helps them to master investment readiness, impact management and prepares them to access innovative finance to scale. The programme builds on the contribution of many important stakeholders such as investors, private sector organisations, incubators, accelerators, support organisations and advocates for impact enterprises.</p> <ul style="list-style-type: none"><li>▶ Capacity building: Incubators, accelerators and impact entrepreneurs receive targeted capacity building in order to promote investment readiness and strengthen impact management. Train-the-trainer programmes for service providers and vouchers for impact entrepreneurs take these capacities to the next level.</li><li>▶ Catalytic funding: Impact entrepreneurs and investors benefit from more suitable and attractive forms of capital by using catalytic finance that attracts additional investment. In addition, entrepreneurs are incentivised to manage their impact, which creates more transparency and engagement from business angels to invest.</li><li>▶ Advocacy: Policymakers and advocates receive fresh ideas and impulses on how to create a more favourable framework for social and ecological innovation and mobilise more capital for the benefit of impact entrepreneurs.</li></ul>

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### 5.5 Impact Problem Tree

The impact gaps analysis can include the development of a problem tree – particularly in the case of complex challenges. The problem tree breaks down complex issues and allows you to identify direct and related root causes to a given challenge.



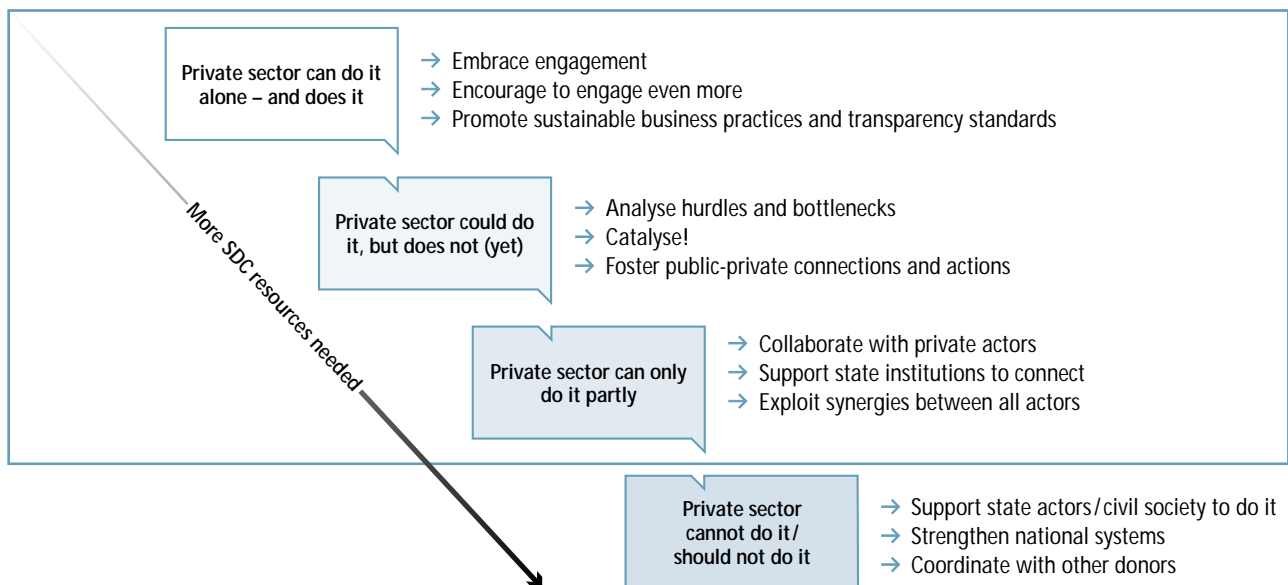
**Figure 11** Example of a problem tree illustrating the underlying root causes of the main challenge (extract). Own figure

## 5.6 Cascade Approach

The cascade approach offers a framework to identify whether official development assistance (ODA) funds should be spent to engage with the private sector. The approach is structured around three sequential questions which help to identify, how strongly the private sector should be able to address the chal-

lenges on its own, or if the involvement of the SDC is needed. This way, scarce public resources can be preserved for those interventions where such resources are most needed, i.e. where no other actor can help.

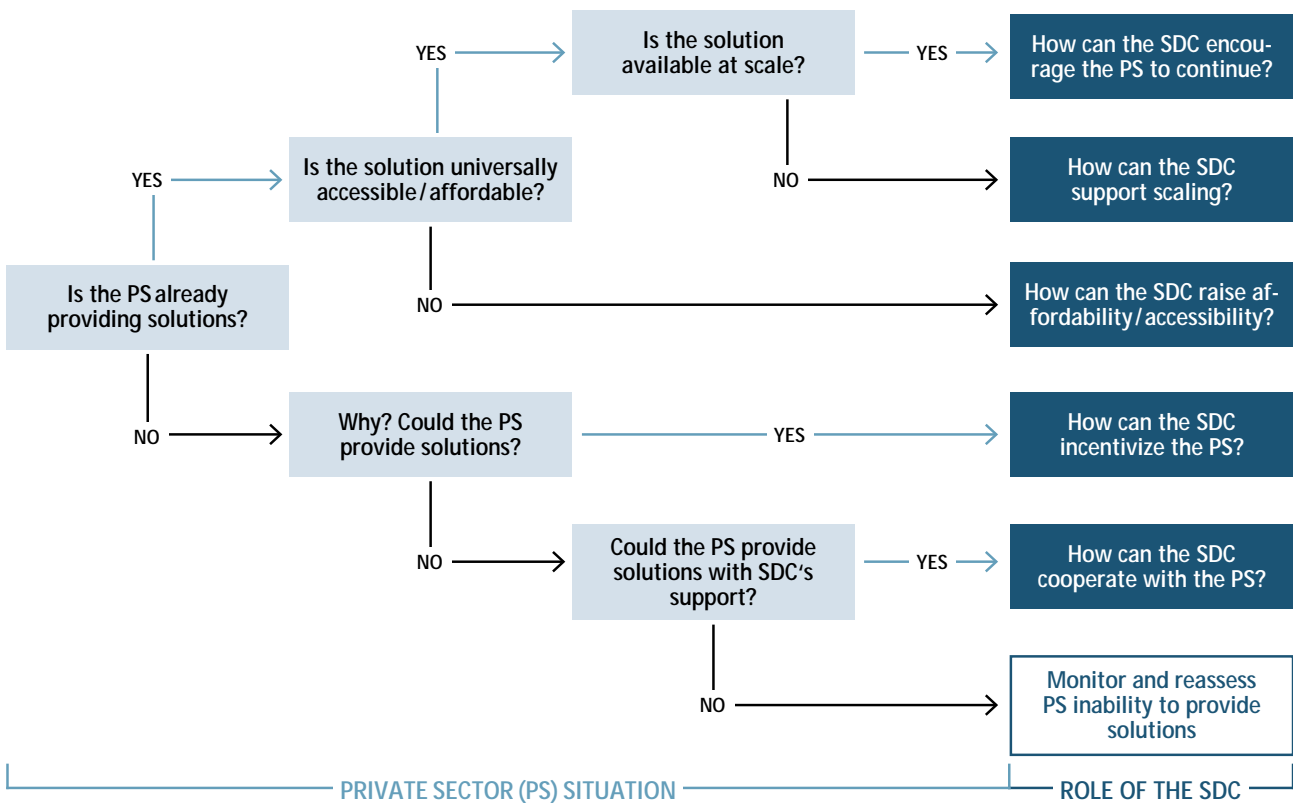
### SCOPE OF PSE HANDBOOK



How do we use the cascade approach? Once SDC has identified an unsolved impact gap, **the selection and design of an appropriate intervention is crucial**. Considering a potential role of the private sector, the following steps are recommended:

The decision tree below enables SDC to analyse the local context and understand the situation of the private sector as well as the role SDC could take.

- ▶ **Analyse the local context** to understand who the local private sector actors are and what role they currently play
- ▶ **Understand** which **role SDC** could play and through which measures it could act



## 5.7 Common barriers for SIEs

SIEs face a number of common barriers<sup>18</sup> which prevent them from reaching scale and becoming sustainable, many of which are common to Small and Medium-sized Enterprises (SMEs) in developing countries, as extensively researched by IFC and others<sup>19</sup>. These barriers can be classified in the following categories:



### Market constraints

These constraints arise from supply (products and services offered by SIEs) and demand (by the clients usually low-income, lacking information, access, etc). On the supply side, social and impact enterprises with a high impact model tend to focus on niche markets, particularly those at the 'base of the pyramid (BOP)<sup>20</sup> and it may not always be easy or possible to take advantage of gaps in the market<sup>21</sup>. On the demand side, their main clients often lack the necessary purchasing power or may be reluctant to pay for goods and services if they have been used to free or subsidised provision by government or development agencies. SIEs are often forced to look for alternative revenue models (subsidies, grants, diversification by customer group or region).



### Human resources constraints

Social and impact enterprises usually face constraints related to human resources that result from the peculiarity of their hybrid business models, though SMEs and NGOs share in some cases this challenge, too. Social and impact enterprises often struggle to attract and retain professional, especially middle and top management, often due to inability to pay market rates to key hires (including equity participation plans) and to the lack of networks. Human resource constraints like lack of specialised, professional management, may lead to weaker business planning and operational performance which can jeopardise business sustainability and growth prospects. The more professional SIEs are run, the likelier is higher impact.



### Financing constraints

Access to financing, like in all other commercial enterprises, is a critical component for enabling SIEs to scale and achieve greater impact. Access to finance is a key challenge as traditional financing sources often consider them as higher risk and less profitable (lower prices to make goods and services accessible for the needy, higher costs) than other businesses. Potential constraints on the redistribution of profits, employment of vulnerable workers, or simply a restricted knowledge of the social market by the investor makes access to finance a huge challenge for SIEs. Investors may even push for mission drift, i.e. serve richer clients. As a consequence, SIEs may, for example, face challenges in accessing commercial<sup>22</sup> finance, due to a lack of collateral, high interest rates or low flexibility in repayment cycles. A lack of investment readiness is also a factor leading to difficulties in accessing financing. Therefore, SIEs must deal with even bigger gaps in the financial markets than other businesses.

18 See Smith & Darko (2014), Barraket (2015), European Commission (2015), RippleWorks (2016), Sharma (2015), McKinsey & Company (2016), Zurich (2017) & Deloitte (2018), amongst others.

19 These include a lack of cooperation and networking between enterprises, increasing competition, inadequate policy or legal framework, misalignments between funders and investors, low visibility and recognition amongst the general public. For a comprehensive overview see the following studies:

<https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8877.pdf>

<https://www.weforum.org/agenda/2018/08/six-challenges-social-entrepreneurs-need-to-overcome/>

<https://www.weforum.org/agenda/2019/07/this-is-what-holds-social-entrepreneurs-back/>

<https://www.forbes.com/sites/quora/2018/12/18/what-are-the-challenges-of-running-a-for-profit-social-enterprise/#1f03cee02ac2>

[https://www.fi-compass.eu/sites/default/files/publications/Factsheet\\_Financial\\_instruments\\_working\\_with\\_social\\_entrepreneurship.pdf](https://www.fi-compass.eu/sites/default/files/publications/Factsheet_Financial_instruments_working_with_social_entrepreneurship.pdf)

20 Business at the Base of the Pyramid (BOP) refers to doing business with and for the world's poorest communities living with less than 2 dollars a day. While this untapped market is unfortunately very large (about 4 billion people) it is also very difficult and costly to access. More information:

<http://documents1.worldbank.org/curated/en/779321468175731439/pdf/B91270Next040billion.pdf>

21 For example, market penetration may be more difficult if the required technological infrastructure does not exist.

22 This could be somehow mitigated by potential access to philanthropic financing in the case of hybrid models. As commented in the first pages: this is the usual definition of hybrid: partly grant, partly market.



## 5.8 Types of potential intermediaries

For organisational and efficiency reasons it often makes sense for the SDC to work with specialised intermediaries rather than directly with SIEs. This section provides an overview of the most common support structures in a local entrepreneurial ecosystem, that are usually identified as part of the local ecosystem diagnostics. These support structures or intermediaries provide a variety of tools and resources to the enterprises. This includes, for example, equity or debt or everything in between financing, technical support, coaching and mentoring, office space arrangement, or access to business networks, among many others.

The most common intermediaries working with SIEs include:

<b>Universities</b>	Universities contribute to entrepreneurship through academia and research as well as extra-curricular activities such as pre-incubation programmes (e.g. hackathons). Universities might even run incubators or accelerators and provide finance.
<b>Incubators</b>	Incubators “incubate” individuals and ideas with the objective of establishing a business. Incubators may include office space and administrative support services such as legal, recruitment, IT, accounting, public relations, and pooled buying programmes. In addition, incubators may also provide coaching and mentorship. An incubator programme may include access to funding for the most promising ideas or businesses.
<b>Accelerators</b>	Accelerators “accelerate” businesses and support established SIEs in growing and scaling their businesses. They often focus on small teams rather than individual founders. The support is intensive and for a limited period of time, with active mentorship and networking. Like incubators, an acceleration programme may include access to funding or access to investor networks.
<b>Mentors</b>	Mentors are experienced individuals with the ability to support entrepreneurs and SIEs in general. They can also focus on specific matters, such as: business model development, leadership, organisational structures, go-to-market strategies or sector related technical matters. Mentors are often integrated in incubator and accelerator programmes.
<b>Business networks</b>	Business networks formed by the linkage of stakeholders or individuals can assist entrepreneurs in establishing business contacts and increase the outreach of a company.

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**Financing sources** Foundations are independent legal entities set up for charitable purposes. They typically support social enterprises through grants and donations and some foundations have dedicated programmes including technical assistance. Some foundations are starting to engage in Venture Philanthropy and provide finance too.

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Angel investors invest in ventures (primarily at an early stage) in their personal capacity (that is, investing their personal money) and may or may not have an active advisory or guidance role for the founders in the venture.

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Social venture capital funds are institutional investors that provide financing to start-ups and early stage firms. Usually venture capitalists look for high growth potential firms to exit the investment after a few years.

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Impact investors seek a measurable social and environmental impact as well as positive financial return. They typically support social enterprises by providing financing or taking an equity participation usually at a later stage e.g. to support scale.

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**Industry actors and associations** Industry actors and associations can support entrepreneurs in various ways throughout the entrepreneurial journey. For example, industry associations can pose issues for entrepreneurs to solve, support early-stage entrepreneurs through access to their infrastructure and expertise, enable exclusive partnerships to test prototypes and provide funding through mergers and acquisitions.

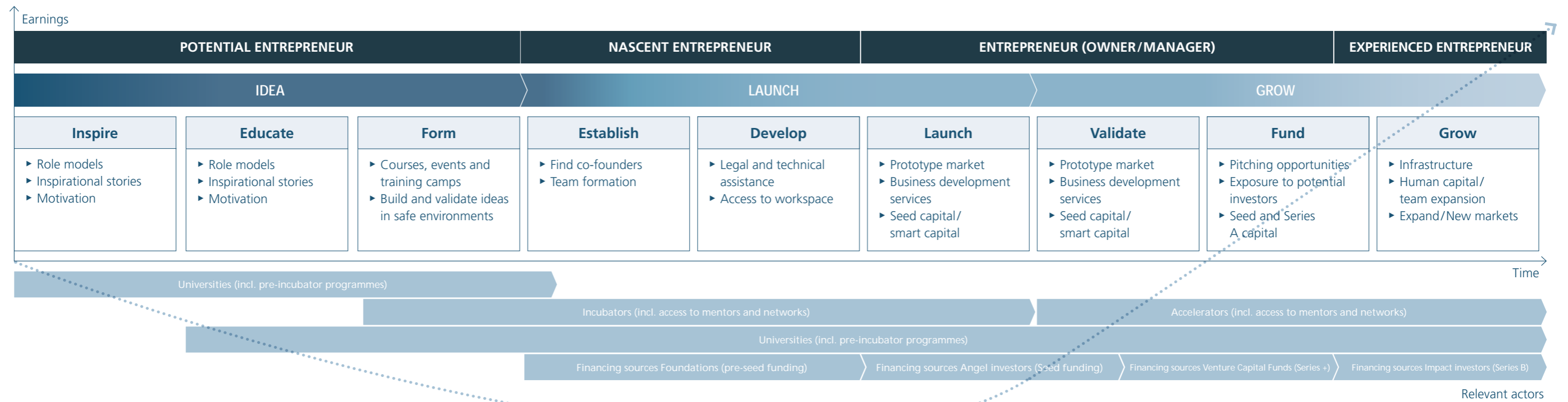
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Depending on the SIE stage, size and objectives, some intermediaries are better suited for certain activities than others. It is key that both SDC and its partners offer support to SIEs taking into account their specific needs depending on their sector activity as well as their business stage.



As shown in the figure, different types of support structures can be leveraged as intermediaries depending on the core objective of the engagement. For example, if the objective of SDC is to increase the number and quality of ideas generated to solve a particular issue, SDC might want to focus on universities and incubators. If the objective is to develop valid business models based on existing ideas and solutions, SDC might want to work with industry actors, foundations or incubators. If the objective is to scale validated solutions and business models, SDC might want to partner with accelerators and investors such as Angel investors, venture capital funds, or impact investors.

From the perspective of the SIEs, different types of support structures can be leveraged to meet the identified needs of the target SIEs. For example, incubators and foundations can assist entrepreneurs in turning their ideas into business models. Accelerators and angel investors can support entrepreneurs in professionalising their businesses and to reach new markets and investors, including social venture capital funds and impact investors.



## Examples of Intermediaries that SDC has worked with

Intermediary	Description
<b>Root Capital</b>	<p>Root Capital, founded in 1999 by Willy Foote, is a non-profit social investment fund focused on Africa and Latin America. They lend capital, deliver financial training, and strengthen market connections for small and growing agricultural businesses.</p> <p>Without access to capital and viable markets for their crops, millions of small-scale farmers are trapped in a cycle of poverty. Root Capital clients are associations and private businesses that help create sustainable livelihoods by aggregating the products of hundreds or, in many cases, thousands of farmers.</p> <p>Root Capital's lending is directed towards businesses that are too big for microfinance, but generally unable to secure credit from conventional commercial banks – “the missing middle” of developing-world finance.</p> <p>In 2019, Root Capital received a Social Impact Incentives (SIINC) from Roots of Impact, backed by an SDC and IDB Lab grant. The SIINC encouraged lending to early-stage agricultural enterprises with high impact potential, creating a market-correcting incentive that compensated for short-term unprofitability of this segment, thereby improving its long-term sustainability.</p>
<b>Aceli</b>	<p>Aceli Africa is a market-led platform to catalyse finance for credit-constrained East African businesses along selected agricultural value chains. They offer the best potential for income and job creation, food security and nutrition, gender inclusiveness, and promotion of climate-smart and agro-ecological smallholder agriculture for these businesses.</p> <p>The main sponsors of the platform were SDC, USAID, and IKEA Foundation. The target includes agribusinesses in Tanzania, Kenya, Rwanda and Uganda.</p> <p>To bridge the gap in financing for agri SMEs, Aceli Africa incentivises banks to loan and provides technical assistance. One of the incentive programmes that Aceli Africa employs is to cover the losses of the first loan that a financial institution gives to an African agri-SME. This works by depositing 2-8 percent of the loan's value in a reserve account that the lender can access when losses are experienced. This boosts risk appetite among lenders and makes banks and other institutions more willing to invest in agri-SMEs in Africa. Aceli Africa also provides technical assistance for financial management for African agri-SMEs through online tools and other in-person approaches to help smallholder farmers optimise growth using the loans they receive.</p>

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**Impact Linked Finance Fund**

Roots of Impact and iGravity have established the Impact-Linked Finance Fund (ILFF) as a platform to connect public and private sector investors and leverage resources and know-how for the benefit of these essential organisations, rewarding them directly with financial incentives for the impact they create.

The Fund, acts as a capital provider and knowledge hub for the practice of Impact-Linked Finance. It also advocates for embedding impact-related principles and terms, in other areas of business, policy and finance.

SDC has contributed to the ESA and Education windows:

- ▶ **ESA Window:** enterprises operating in Eastern and Southern Africa, including Tanzania, Mozambique, Uganda, and the Democratic Republic of Congo. The target sectors were Health (including nutrition and basic services), WASH (Water, Sanitation and Hygiene), sustainable agriculture and food security, and income and employment. Medicor was the co-sponsor.
- ▶ **Education Window:** enterprises operating in MENA and West Africa. The target sector is education (access to quality education for vulnerable youth) with Jacobs Foundation as a co-sponsor.

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**Bridges for Billions**

Bridges for Billions is a social enterprise that seeks to democratise access to entrepreneurial support worldwide. They work with entrepreneurs, companies, foundations, universities, and governments around the world to co-create innovation programmes. To date, they have supported more than 2000 entrepreneurs in 90 countries.

Pablo Santaefemia founded the company in 2013 understanding that there are millions of entrepreneurs around the world with talent, who lack resources and the support they need to develop their businesses. At the same time, there is the same number of people who are passionate and prepared to share their knowledge and experience.

Bridge for Billions connects qualified mentors with passionate entrepreneurs. The platform allows them to provide the tools needed for entrepreneurs to structure, develop and improve their businesses.

As part of the PES LATAM Alliance, Bridges for Billions offered social enterprises an incubation programme access for up to \$50,000 of seed capital, support through courses and events, training with alliance partners, and a community of entrepreneurs with potential ecosystem synergies.

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## 5.9 Support structures for SIE programmes<sup>23</sup>

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### Accelerator<sup>24</sup>

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#### Description

Accelerators support entrepreneurs and start-ups in the early stages of development and they often comprise the following features: (i) a highly competitive and open application process, (ii) provision of small amounts of seed investment, (iii) a focus on small teams rather than individual founders, (iv) intensive support for a limited period of time (usually 3-6 months), with active mentorship and networking, and (v) collaborative work among start-ups through cohorts or classes. Four distinct factors that make accelerators unique: they are fixed-term, cohort-based, and mentorship-driven, and they culminate in a graduation or “demo day”. Accelerators can take the form of an NGO or more profit-orientated company.

#### Roles & Focus

The accelerator experience is a process of intense, rapid, and immersive education aimed at accelerating the life cycle of young innovative companies, compressing years worth of learning-by-doing into just a few months. Accelerator programmes are usually focused on specific industry-verticals or a given community (e.g. women or minority-owned start-ups). Accelerators aim to distribute know-how to the companies and simultaneously create jobs through the supported companies.

#### Implications

The main advantage of accelerators is that their programmes are concentrated and tailored for the specific needs of start-ups. Being part of an acceleration programme increases the visibility and reputation of the companies. These benefits come however at a cost, as start-ups usually have to give up a certain part of their equity as compensation. This also implies that business needs and accelerator needs have to be aligned somehow, as accelerators can co-determine the future company strategy.

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### Angel investor<sup>25</sup>

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#### Description

Angel investors usually invest their money in early stage start-ups, typically willing to accept risk and demand little or no control in return for the chance to own a piece of a business that may be valuable someday. In contrast to accelerators, angel investors do not offer any formalised technical support to the companies, but do help out with connections and sharing of own experiences.

#### Roles & Focus

Angel investors invest relatively small amounts of money in early stage start-ups, aiming for a high return on investment if the start-up succeeds and the angel investor can sell its shares (either to a new, private investor or in an IPO). Angel investors are usually wealthy individuals and often former entrepreneurs that can provide valuable business insights to investees.

#### Implications

Angel investors usually give support to start-ups at the initial moments (where risks of the start-ups failing are relatively high) and when most investors are not prepared to back them. Typically, they invest small amounts in exchange of ownership equity, but the founders remain in control of the company.

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<sup>23</sup> Note that many of the stakeholders are drawn from general literature on entrepreneurship and start-ups but can also be applied to SIE. We have not included specific initiatives or multi-stakeholder platforms but these could also be relevant implementers.

<sup>24</sup> Harvard Business Review (2016). [What Startup Accelerators Really Do](#); Cohen, S. G. & Hochberg, Y. V. (2014). [Accelerating Startups: The Seed Accelerator Phenomenon](#).

<sup>25</sup> Entrepreneur.com (2019). [Angel Investor](#); Harvard Business Review (2016). [What Startup Accelerators Really Do](#).

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### Business network<sup>26</sup>

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#### Description

Formed by the linkage of several stakeholders and support structures, usually initiated by a representative group of a certain part of a country's economy.

#### Roles & Focus

Business networks or ecosystems can be found in almost every country that have a functioning private sector. Often such business networks serve primarily to establish business contacts and increase the outreach of a company. These structures try to go a step further and establish a functioning ecosystem offering a mix of support services, access to investors or clients and exchange with authorities to increase private sector activities in an economy and to foster new ideas, originating from start-ups.

#### Implications

Business networks and ecosystems offer the possibility to expand the company's network at no, or often at a very low, costs. At the same time it is worth noting that early stage companies need more support than just access to a network.

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### Incubator<sup>27</sup>

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#### Description

Incubators support start-ups by providing an office space and administrative services (legal, recruiting, IT, accounting, public relations and pooled buying programmes). In addition, incubators may also provide coaching, mentorship, and help with access to funding on an ad hoc basis. Start-ups pay rent (which is usually below the market rate) for the office space and normally a time limit is not set for staying in the incubator (the average length ranges widely from 18 months to five years). Some incubator providers may ask for a share of future profit or require minority stake in the start-up as a prerequisite for access to the incubator.

#### Roles & Focus

Incubators are often used at a very early stage of development, e.g., when an entrepreneur just has an idea of a future business, with not much more. The main objective of incubators is to facilitate the first steps of an entrepreneur, by developing his idea into a sustainable business model and focusing on product-market fit. Therefore, the main role of an incubator is to foster ideas and make them "market-ready".

#### Implications

The most obvious benefit of an incubator programme is the access to office spaces. For start-ups having access to a relatively cheap office space is crucial for sustaining their operations at the beginning. Further, incubators often have a large network at their disposal including for example lawyers, investors, trademark specialists, IT consultants to which start-ups are granted access to.

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<sup>26</sup> Ecorys (2014). [Business networks](#).

<sup>27</sup> Harvard Business Review (2016). [What Startup Accelerators Really Do](#).



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### Social Venture Capital Fund<sup>28</sup>

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#### Description

A form of investment funding that is usually provided by a group of social venture capitalists or impact investors to provide seed-funding investment, usually in a commercially oriented social enterprise, in return to achieve a reasonable gain in financial return while delivering social impact. It deviates from the traditional venture capital model, which focuses on simple risk and reward, because of its impact proposition.

#### Roles & Focus

Social venture capital funds are formalised investment structures used by impact investors. As the name suggests, this type of fund invests mainly in venture companies, meaning companies that are at very early stage. Their main role is to attract follow-up investments, to secure the company's existence, but with a strong focus on job creation given the social lens.

#### Implications

Social venture capital funds offer equity financing to early-stage ventures, in a stage where companies usually struggle to get access to adequate financing. These types of investments normally come together with hands-on strategic and operational support, including board representation.

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### Venture Capital Fund<sup>29</sup>

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#### Description

Venture capital funds are investment funds that manage the money of investors who seek private equity stakes in start-up and small- to medium-sized enterprises with strong growth potential. These investments are generally characterised as high-risk/high-return opportunities.

#### Roles & Focus

Theoretically, venture capital funds can be found in all areas, however they tend to focus on emerging sectors such as fintech or renewable energy at an earlier stage, as their focus is to support ventures that are just about to scale their business. Their main role is to attract follow-up investments, to secure the company's existence.

#### Implications

Although similar to the social venture capital funds, they are sometimes without a link to addressing social or environmental issues. Furthermore, VCs often seek a relatively fast exit from the investment, sometimes boosting short-term profits and the company's valuation for their own interest.

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28 Roots of Impact (2015). [Social Investing](#); Rajan et al. (2014).

29 VCpreneur (2019). [VC Funds 101: Understanding Venture Fund Structures, Team Compensation, Fund Metrics and Reporting](#); SECO (2012). [Venture Capital in Switzerland](#).

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**Foundation<sup>30</sup>**

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**Description**

A private foundation is an independent legal entity set up for solely charitable purposes. Unlike a public charity, which relies on public fundraising to support its activities, the funding for a private foundation typically comes from a single individual, a family, or a corporation, which receives a tax deduction for donations.

**Roles & Focus**

Usually foundations donate a certain amount of their income or assets per year to specific charitable projects. Some foundations have dedicated programmes supporting social enterprises in specific sectors or stages with grants and technical assistance. Additionally, more and more foundations cautiously start deploying their assets according to sustainability criteria or in impact investments.

**Implications**

Foundations usually have flexible funding instruments to support their causes with no return expectations when they work on the grant side. They usually follow strict requirements with regards to impact assessment and reporting.

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**Impact Investor<sup>31</sup>**

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**Description**

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market to market rate, depending on investors' strategic goals.

**Roles & Focus**

Impact investors finance social enterprises across sectors. The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, and microfinance. This also enables affordable and accessible basic services including housing, healthcare, and education.

**Implications**

Impact investments have grown rapidly over the last years and today make up over \$250 billion in assets. They usually balance their expectations regarding financial return and social impact, therefore the requirements towards the investees are relatively high. However, they are usually patient and supportive investors, which gives companies time to evolve and to scale their operations whilst sticking to their social mission.

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30 EFC (2015). [Comparative highlights of foundations laws.](#)

31 The GIIN (2019). [What you need to know about impact investing.](#)

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**NGO<sup>32</sup>**

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**Description**

A non-governmental organisation (NGO) is a non-profit, citizen-based group that functions independently of government. NGOs, sometimes called civil society organisations, are organised on community, national and international levels to serve specific social or political purposes, and are cooperative, rather than commercial, in nature. Two broad groups of NGOs are identified by the World Bank: Operational NGOs, which focus on development projects, and Advocacy NGOs, which are organised to promote particular causes. As non-profits, NGOs rely on a variety of sources for funding, including: membership dues, private donations, the sale of goods and services, and grants from donors, such as foundations.

**Roles & Focus**

NGOs are active in a wide range of areas. In their view, neither the private sector nor the government is addressing their particular challenges, such as environmental protection, human rights, development cooperation, anti-discrimination, migration and asylum, homelessness, drug counselling, etc. A number of large NGOs have dedicated support and investment programmes for either start-ups or SMEs.

**Implications**

NGOs are usually deeply connected with local communities and emphasise impact in the first place. Sometimes their funding models are not sustainable and not all of them embrace entrepreneurial approaches, which makes it difficult to scale.

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**Development agencies**

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**Description**

Development aid agencies provide regional and international development aid or assistance. These can be local, national or international organisations.

**Roles & Focus**

They incentivise support structures to promote, in particular, SIEs. They co-finance and co-create SIE support programmes.

**Implications**

Function can be achieved via grants and investments, depending on the instruments that are available to donors and the donor staff capacities.

Public donors can be very flexible, but are often strongly restricted by bureaucratic rules as well as political interference.

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## 5.10 The project process cycle

### **Suggested resource:** [PCM in SDC](#)

To implement a project at SDC a range of materials and documents must be developed and submitted for formal approval.

- ▶ The **Entry Proposal** as an SDC internal document is a suggestion to the Management for a specific new development intervention to be financed by SDC. It provides information on the strategic relevance of the intervention in relation to the context described, with more specific details to be included later into the Credit Proposal. The Entry Proposal is presented before any commitments have been entered into. It presents the expected relevance and results of the Swiss intervention, options for its design, and the main issues to be clarified before preparing the Credit Proposal. The Entry Proposal will be presented and discussed in the respective Operation Committee (OC) of the domain concerned. For additional information see SDC field handbook.
- ▶ Together with the Entry Proposal an **Opening Credit** can be requested. The purpose of this opening credit is not to finance the first phase, but rather to finance further preparatory steps for Planning the first phase, such as for example feasibility studies, support for tender processes or even a short inception phase. The term of an Opening Credit preparatory phase must not exceed 18 months but can nevertheless be extended if required.
- ▶ The **Main Credit Proposal** is principally an internal document that serves SDC as the basis for the operative, administrative and financial approval of its interventions and their results-based management. The Main Credit Proposal is based on one or several Project Documentation (Pro-Doc), agreed upon with the partner organisations, where applicable, or other relevant supporting documents, in particular a detailed budget, logframe, theory of change, result chain. See as well SDC field handbook for guidelines, working aids, etc.

After validating the results of the Identification phase, an Entry Proposal and Opening Credit can be developed based on the insights provided in this phase, and potentially some of the next depending on the specific engagement format.

## 5.11 Financial mechanisms to support SIEs

In recent years, actors supporting SIEs started realising that utilising a broader suite of financial instruments rather than just grants could be more effective to promote financial sustainability. This also allowed them to leverage their own contribution by attracting additional private investors. In fact, it was found that grants might even hamper the development of efficient, lean organisations and lead to NGO type working modes. In this mode the company's expenditures are designed in relation to a grant budget, rather than in function of what the market would be able to pay. Investors shy away from this type of SIEs, making scaling very difficult or impossible.

The following two tables describe both traditional and innovative financing tools and provide concrete examples of how they can support SIEs across the different growth stages. This deep dive is optional, but recommended as it is highly inspiring. If you would like to find out more, please also have a look at the innovative finance tool kit: <https://www.sie-b.org/expand-your-skills/innovative-finance-toolkit>

### Key terms related to innovative financial mechanisms

#### Catalytic capital

Capital that is patient, risk-tolerant, concessionary, and flexible in ways that differ from conventional investment. It is an essential tool to bridge capital gaps and achieve breadth and depth of impact, while complementing conventional investing.<sup>33</sup>

#### Blended finance

Blended finance is the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development.<sup>34</sup>

#### Impact investment

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. They can be made in both emerging and developed markets and target a range of returns from below market to market rate, depending on investors' strategic goals.<sup>35</sup>

### Traditional financing tools

Tool <sup>36</sup>	Description	Planned prevention and mitigation measures
<b>Grants</b>	A type of funding in the form of a cash allocation that establishes neither rights to repayments nor any other financial returns or any form of ownership rights on the donor.	Grant provided by Ashoka to SOIL, a social enterprise that works to promote dignity, health, and sustainable livelihoods through the use of ecological sanitation in Haiti.
<b>Debt instruments</b>	Capital provided by a lender to a borrower in exchange for periodic interest payments and with the obligation for the borrower to fully reimburse the capital within a fixed period of time.	Loan provided by Kiva to Jubu, a social enterprise tackling the drinking water and unemployment crises.
<b>Equity instruments</b>	Provision of capital to a firm, invested in return for total or partial ownership of that firm and where the equity investor may assume some management control of the firm and may share the firm's profits.	Equity Investment from Finca Ventures into MDaaS Global, which creates affordable and accessible diagnostic services in clinically underserved communities in Nigeria.
<b>Hybrid capital</b>	Contains elements of grants, equity and debt capital. The grant character can be explained through the fact that there are no interest costs and, in certain pre-agreed scenarios, the financing instrument is converted into a grant.	\$1 million equity and debt investment from GIF into MrGreen Africa, which recycles and sells ethically sourced materials with traceable social and environmental impact.

<sup>33</sup> <https://www.macfound.org/programs/catalytic-capital-consortium>

<sup>34</sup> <https://www.convergence.finance/blended-finance>

<sup>35</sup> The GIIN, Global Impact Investing network.

<sup>36</sup> Detailed explanations here: [http://www3.weforum.org/docs/WEF\\_Social\\_Investment\\_Manual\\_Final.pdf](http://www3.weforum.org/docs/WEF_Social_Investment_Manual_Final.pdf)



## 5.12 Non-financial mechanisms

While access to finance is vitally important to SIEs, other complementary types of support are equally needed throughout their developmental phase. Non-financial support mechanisms, also called capacity building or technical assistance, play a critical role in building social entrepreneurs' skills. For example, this could involve developing business plans and helping to access diverse funding sources, strengthening operations and procedures of the SIE, as well as getting them investment-ready.

The ultimate goal of non-financial assistance is to increase the operational strengths of enterprises, to build their financial sustainability which will generate lasting social impact, laying the foundation for growth which translates into more outreach and impact. The GIIN paper provides an overview of the most common non-financial needs of SIEs as well as the non-financial support mechanisms that can be provided by SDC or its partners, as well as information on capacity building.

The following table shows how non-financial support can be delivered to address the needs of SIEs.

Area of support		Objective	Examples of non-financial support activity	Examples	
Business / Financial sustainability	<b>Business / revenue strategy</b>	The SIE has a viable business model and strategy.	Business Development Services and Programmes that aim to build capacities of entrepreneurs or support in their scaling efforts. These programmes can be sector-specific and are typically conducted in group classes with a variable duration (1-6 months).	<a href="#">IBLATAM</a>	
	<b>Financial Planning</b>	The SIE has strengthened its accounting and budgeting skills.			<a href="#">Social Finance Academy</a>
	<b>Investment readiness</b>	The SIE is investment-ready.			
	<b>Access to finance</b>	The SIE is connected to potential financing sources, including investors.			<a href="#">Seedstars World Competition</a>
	<b>Market access</b>	The SIE is connected to potential suppliers, customers and partners.			Pitching events and competitions. Network facilitation.
Social Impact	<b>Impact strategy</b>	The SIE properly articulates its impact strategy, approach and priorities as well as develops a Theory of Change.	Workshops and advisory services from measurement and evaluation specialists or technical experts for example from local NGOs or impact-focused business hubs.	<a href="#">WWF and Impact Hub collaboration</a>	
	<b>Impact measurement and management (IMM)</b>	The SIE has an effective IMM system in place.			<a href="#">60decibels</a>
Organisational strength	<b>Human resources</b>	The SIE is able to attract and retain professional key people across the organisation.	Individual mentoring and coaching are provided by experienced individuals with detailed sector background, often in conjunction with business advisory programmes.	<a href="#">Ashoka: JPM mentoring programme</a>	
	<b>Governance support</b>	The SIE has a strong board allowing for sound strategic direction. The SIE has improved structures and processes.			



## 5.13 Innovative Financing Tools

## Guarantees

**Description**

A promise by one party (the guarantor) to assume the debt obligation of a borrower if that borrower defaults.

**Example**

[Bill and Melinda Gates Foundation](#) loan guarantee that allowed a charter school in Houston to raise \$67 million in commercial debt at a lower rate, saving the school and its donors almost \$10 million in interest payments.

## Outcome based payments

**Description**

An outcome payer - usually a public funder or philanthropic organisation – agrees to act as a key customer to the enterprise, paying premiums for its social contribution. These premiums are then disbursed in addition to the enterprise's regular revenues. Thus, impact is incentivised very directly. It becomes linked to the social enterprise's levels of profitability and automatically raises its attractiveness for investors.

**Example**

Roots of Impact [SIINC programme](#) in collaboration with Aqua for All. Outcome-based incentive payments are provided to impact enterprises providing products, services, infrastructure, and digital solutions in the WASH (water, sanitation and hygiene) space.

## Structured (blended) finance

**Description**

A (fund) structuring approach that allows organisations with different objectives (development banks, foundations and impact investors) to invest alongside each other while achieving their own objectives (whether financial return, social impact, or a blend of both).

**Example**

[The REFFA fund](#), regional education finance facility providing customised financial services for the education sector in a financially sustainable and socially responsible manner. Reffa offers three different investment tranches with different risk profiles: junior or equity, mezzanine and senior.

## Impact-linked Loans

**Description**

Debt instruments where terms and conditions of the financing are tied to realised outcomes. The instruments can also be structured with an equity component where the lender has the possibility to participate in the revenues of the SIE.

**Example**

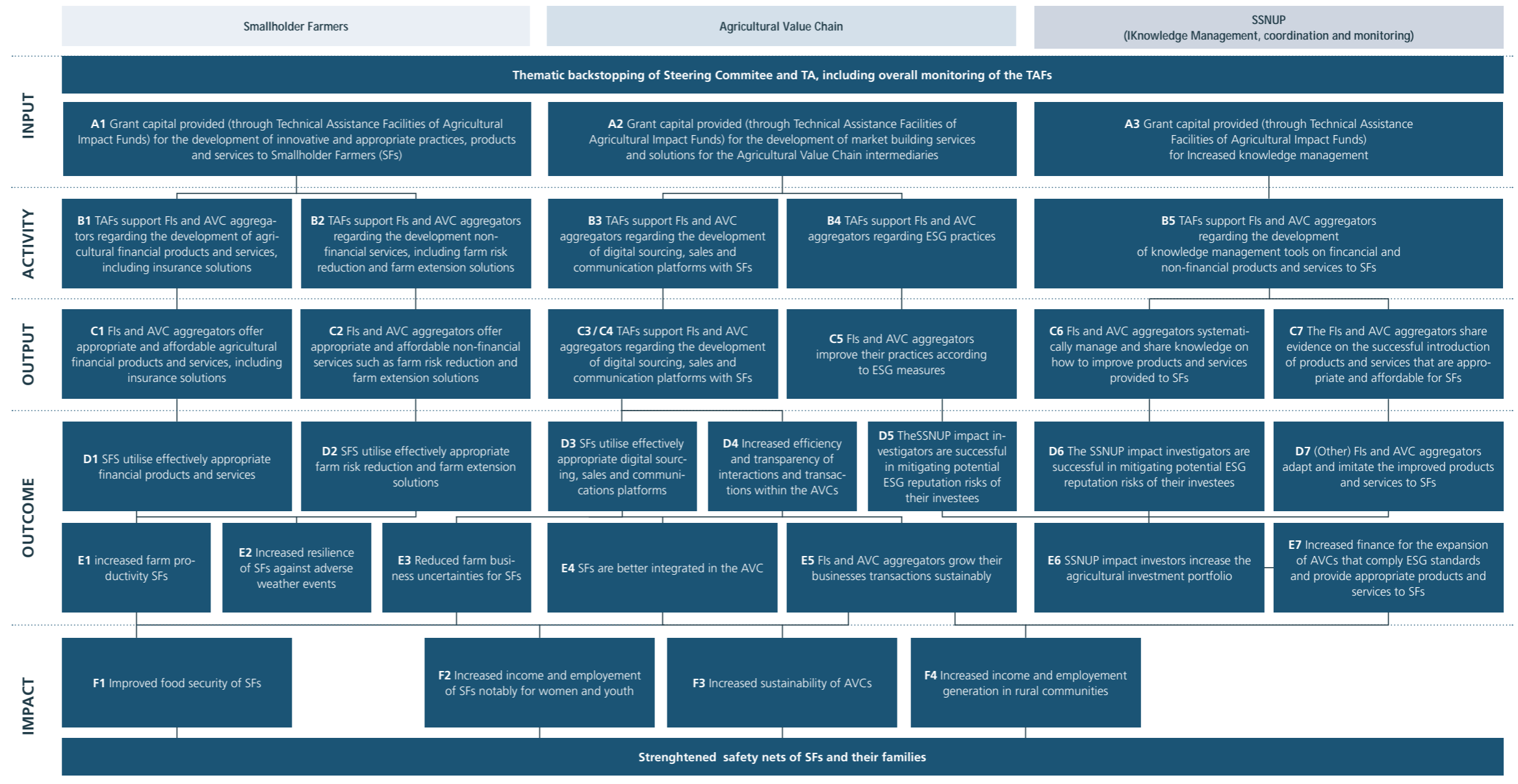
The Impact Investment Group (IIG) in Australia designed and led a [Beneficial Outcomes Linked Debt](#) – or BOLD, where the borrowers (Xceptional) loan balance will be reduced not just by their cash repayments but also by the number of people in the autism spectrum brought into specialised IT jobs. The model provides debt that is reduced based on repayments and impact, representing an innovation in results-based financial mechanisms.



### 5.14 Theory of Change and Results Chain

A Theory of Change (ToC) is a simple tool that illustrates how the planned activities will address the identified challenges, and lead to the desired outputs, outcomes and impact. The Results Chain is a powerful illustration of the ToC showing graphically which activities lead to what outputs, and what outputs to what outcomes etc. This is usually on just one sheet of paper as shown in the example below.

The ToC and Results Chain are useful tools when setting incentives and monitoring the impact of SIEs. The ToC can show how the activities of an SIE through the selected intermediaries, leads to desired outcomes addressing a given situation. The ToC can also help identify and set boundaries for the impact of the SIE. This includes giving attention to factors beyond the control of the SIE that can affect the long-term outcomes. As such, this ToC framework can be utilised to scope the programme design and capture information, findings and decisions throughout the project. It illustrates how the programme should address a defined challenge and lead to certain outputs and long-term outcomes, aligned with the development objectives of SDC.



## 5.15 Project Risks



For any programme, it is important to adequately flag the programme management and broader contextual risks, with corresponding mitigation measures.

**Example of risk assessment:** Gender Inclusive Fintech Fund (GIFF) ProDoc

Primary risks identified in relation to the intervention	Probability of incidence	Impact	Planned prevention and mitigation measures
<b>Not enough suitable target Fintechs can be identified</b>	Low	High	Given the well-diversified portfolio of partnering Investment Fund Managers and Ecosystem Enablers, the likelihood of this risk materialising is relatively low. Moreover, the facility managers will be following the investment process closely and be able to detect early if a weak pipeline issue emerges. This will ensure reasonable time to refine and adapt the process, other underlying assumptions and objectives.
<b>Target organisations not reaching the determined outreach and impact targets</b>	Low	High	The selection process for target organisations is highly selective and selection criteria will be carefully identified and agreed upon with the investees. Further, the fund will focus on investment readiness, and potential investees must demonstrate a solid track record with their business operations.
<b>Financial underperformance of Fintechs during the investment period and thereafter</b>	Medium	High	During the selection process special attention will be given to assessment of the business model, management team, scalability and potential for long-term sustainability. This is also ensured by the partnering Investment Fund Managers that have a vested interest in the financial health of their portfolio companies. During the investment period, progress of enterprises will be regularly tracked and reported to the Facility Managers. In case of negative deviations, adequate measures will be implemented, particularly in the case of negative external shocks. Re-negotiation of investment terms or re-structuring of the SIINC arrangements could be used to aid the investee.
<b>Political and security environment in target countries deteriorates, and prevents the Fund from operating</b>	Medium	High	The Facility Managers will have to adhere to security measures as stipulated in the security plan. Additionally, conflicts are closely monitored and in the case of escalation, the situation will be reassessed.

<b>The incentive payments or other rewards to select organisations could lead to market distortion</b>	Low	High	Given that the markets in question are largely underdeveloped, the provision of incentive payments and other rewards will help to build a more active ecosystem. The supporting of various actors within the ecosystem beyond only the enterprises, will also lead to more robust competition over time. Finally, the transactions will be structured so as to ensure minimal concessionality.
<b>Enterprises may seek to address only those market segments which trigger incentive payments or rewards and not necessarily those that most need support (i.e. cherry-picking)</b>	Medium	High	The structuring of the transactions will be conducted in such a way so as to ensure that practices aimed at optimising incentive payments and rewards at the cost of the most disadvantaged, will be strongly disincentivised.
<b>COVID-19 outbreak in target countries is not contained</b>	High	Medium	Management and coordination of COVID-19 preparedness and response activities will be ensured, including staff safety, travel advisories, and adapted programmatic operations (e.g. innovative participatory approaches, avoiding big gatherings, respecting physical distance, and using information and communication technologies), in full alignment with the WHO COVID-19 Strategic Response Plan.
<b>Initiatives to support women's economic empowerment are met with resistance by male counterparts</b>	Low	Medium	The GIFF theory of change and approach adopts a balanced gender and inclusion lens that includes an understanding of the drivers of women's economic empowerment and potential negative implications. The Fund has a broad gender sensitive and inclusive approach that explores benefits and risks for both women and men, and disadvantaged people. The GIFF will also minimise the risks of causing harm by monitoring any unintended adverse effects of the project on women and men.

## 5.16 Specific considerations for a co-creation process

Focus	Questions and considerations
 <p data-bbox="204 792 336 824"><b>Impact Gap</b></p>	<ul style="list-style-type: none"> <li data-bbox="399 539 1098 696">▶ Could the private sector address this problem by itself? Is there a market-based approach to the problem? Alternatively, could the public sector address the problem by itself? Are there any existing public-sector interventions that have shown to be effective in a similar context? See cascade, as well.</li> <li data-bbox="399 701 1098 824">▶ What expertise or support can the private sector provide other than capital, that is not capable of being provided by public sector actors? Is there a local capacity gap that the private sector can address?</li> <li data-bbox="399 828 1098 884">▶ Would a partnership significantly advance SDC's programmatic priorities?</li> <li data-bbox="399 889 1098 945">▶ Would this partnership be compatible with the interests or priorities of the national or local authorities?</li> <li data-bbox="399 949 1098 1008">▶ Are there specific impact criteria that a collaboration would attempt to achieve?</li> </ul>
 <p data-bbox="228 1404 308 1435"><b>Partner</b></p>	<ul style="list-style-type: none"> <li data-bbox="399 1077 1110 1178">▶ What is the unique reason for working with this partner? Would a partnership with SDC be strategic? Is this a one-off engagement for a particular project?</li> <li data-bbox="399 1182 1110 1216">▶ What are the shared values between SDC and the partner?</li> <li data-bbox="399 1220 1110 1321">▶ What are the interests of the partner and what are the constraints? What is their motive for collaborating with SDC on a particular project, i.e. core business, social responsibility, corporate philanthropy, etc.?</li> <li data-bbox="399 1326 1110 1404">▶ What would be the role of SDC in collaborating with the partner? What would be the partner's role?</li> <li data-bbox="399 1408 1110 1442">▶ What is their track record or engagement in the sector?</li> <li data-bbox="399 1447 1110 1592">▶ What are the financial or non-financial resources that the partner is planning to provide? How secure are these resources? Who will manage the project from the private sector's side? Is there enough engagement and commitment to the project from both leadership and on-ground staff?</li> <li data-bbox="399 1597 1110 1653">▶ What are the major risks of the partnership in relation to the counterparty actor? How can these be mitigated?</li> </ul>

**Solution**

- ▶ Does the solution meet the most pressing needs, gaps or priorities in the given geography?
- ▶ How locally relevant is it? What is its degree of context adaptability, including suitability to low-income or crisis contexts? Could it be adapted for these contexts?
- ▶ Is there empirical evidence of intervention impact? To what degree has the evidence been evaluated?
- ▶ Are all the costs clear and measured? If so, is it provided on a cost-efficient basis?
- ▶ Is it potentially scalable to new markets or countries? How would it be scaled if not already available in the geography of interest?
- ▶ How does it interact with the broader public ecosystem for a sustainable impact? Does it create a parallel system that competes with public sector resources?



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