

Dalberg

ShelterTech Andean Market Landscape *Country Analyses*

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Terwilliger Center for
Innovation in Shelter

Contents

1 Country Analyses

- Argentina
- Bolivia
- Chile
- Colombia
- Ecuador
- Peru



ARGENTINA



Argentina at a glance



Country Overview



44.6 MM people ¹

45% middle class ⁶

25.7% in poverty ³



\$11,684 USD GDP per capita (2018) ²

1.5% Avg. 2008-2018 GDP Growth ¹



41.4 GINI (1-100 Best) ²

0.83 HDI (0-1 Best) ³

45.2% Female employment to population ratio ²

Housing



Profile

67.7% Population with secure tenure ⁴

14.7% population in informal neighborhoods ⁵

26.4% qualitative housing deficit ⁴

12.6% quantitative housing deficit ⁴



94.3% pop. with access to sanitation services ⁵



100% pop. with access to electricity ²



Housing as a constitutional right ⁸: Yes

Subsidy programs: "Vivienda Nación", "Vivienda Sustentable", "Mejor Hogar", and promoted housing / public-private partnerships ⁷

Entrepreneurship



Sector

58.9 Ease of Doing Business Score (1-100 Best) ¹

49.3 Entrepreneurial Culture Index (1-100 Best) ¹



16% of GDP Domestic credit to private sector ²

2.6 Financing to SMEs (1-7 Best) ¹

2.3 Venture Capital Availability ¹ (1-7 Best)

106.3% of total tax and contribution rate (% of profit) ²

■ Average of study countries
■ LATAM average

Despite government's efforts to boost entrepreneurship, the macroeconomic crisis hinders growth

GOVERNMENT SUPPORT: strengthening the entrepreneurial ecosystem from all angles



Streamlining business setup procedures: In 2017, the Argentinian government launched the "Emprender, innovar, crecer" program, offering tools to create, develop, and consolidate business plans, guidance on investment opportunities, and management training. Additionally, the new entrepreneurship law established a new structure to setup enterprises online in 24 hours



Increasing financial support: In 2016, the Ministry of Production created ten investment funds to support accelerators and promote high-impact projects, through the "Fondo de Fondos" (fund of funds) and the "Fondo semilla" (seed funding) programs. The "Pac Emprendedores" program also grants capital through non-reimbursable contributions to entrepreneurs for expenses and investments associated with starting the business



Supporting accelerators and incubators: The Argentinian government provides selected accelerators with financial support "Asistencia Financiera a Mejor Fortuna (AFMF)". Accelerators obtain a grant funding to cover up to 50% of their annual operating costs



Integrating regions and network of entrepreneurs: The Entrepreneurship Under-Secretariat has the "Ciudades para Emprender" Program, which provides trainings and \$3,000 USD per municipality to develop projects to support entrepreneurs and enhance the ecosystem



Macroeconomic instability: Since 2019, inflation in Argentina grew 53.8% and the peso devaluated ~50% against the dollar, threatening private sector's solvency, consumption and investment climates.



COVID-19: The Federal Administration of Public Income (AFIP) enabled an online registration system for the Emergency Assistance Program for Work and Production (ATP), which includes the payment of up to 50% of wages for private companies.

Argentina has a developed ecosystem, in which it has been working to strengthen social enterprises

ENTREPRENEURSHIP ECOSYSTEM: encouraging entrepreneurial spirit through the strengthening of all actors



Strong track record of success: As of 2020, there are five Argentinian unicorns (Globant, MercadoLibre, Despegar, OLX, and Auth0). The last one became a unicorn in 2019 and consists of an authentication and authorization platform for web, mobile and legal applications



Developing networks among different actors: Ministry of Production's Social Innovation Nodes and "Academia Argentina Emprende" initiatives are promoting ecosystem integration through joint trainings with private sector organizations and events to strengthen networks among different ecosystem actors.



Social enterprises have access to special financing: The Ministry of Production offers funding for social startups in early stages for \$ 2,000 USD.



Despite the efforts, there is a gap in the availability of accelerators compared to incubators: For each accelerator program, there are about 30 incubators. Incubators are dispersed across the country, while accelerators are mostly based on major cities. The disparity among both models, creates bottlenecks in entrepreneurs' transition from incubator to accelerator programs.



Supporting women entrepreneurs: The Center for the Economic Development of Women was created in 2017 to generate networks for women and facilitate access to financing for female entrepreneurs.



Developing a legal figure for a social enterprise : Since 2018, the bill on Benefit Societies and Collective Interest (BIC) has been under debate. The law provides legal identity to Triple-Impact Companies, those that integrate the creation of economic, social, and environmental value. The BIC Law does not grant tax benefits.

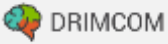





Key stakeholders in the social entrepreneurship system

- Not exhaustive -

Investors

| | |
|---|---|
|  | Specialized in impact investment |
|  | Support the development of enterprises with a social purpose |
|  | Contributes to empower and finance companies that promote social impact |
|  | It is the first "ethical investment fund" for the social and solidarity economy |
|  | Patagonia's corporate venture capital fund |
|  | Focused on business models that improve the lives of lower income population |





Capacity Developers

| | |
|---|--|
|  | Double and triple impact business incubator* |
|  | Investing in early stage equity of disruptive startups and scale-up companies* |
|  | Over 800K social actors in its network* |
|  | Boosts ventures with social impact* |
|  | Support programs for impact entrepreneurs |
|  | Plans to develop a housing program* |

Ecosystem Builders

| | |
|---|---|
|  | Offers tools and training for entrepreneurs |
|  | Platform for sustainable entrepreneurs |
|  | Global network of development entrepreneurs* |
|  | Association of entrepreneurs to connects ecosystem actors |
|  | Association of Private Capital, Entrepreneur and Seed |
|  | Construction of impact entrepreneurship ecosystems |

Shelter Entrepreneurs

| | |
|---|--|
|  | Eco-friendly water purification filter |
|  | Sanitary modules for low-income communities |
|  | Clean and renewable energy production at affordable prices |
|  | Block made from recycled plastic for construction |
|  | Manufacturing of plastic modules for construction |



* - Experience in shelter sector. Darker background identifies public sector actors

Spotlight: Shelter entrepreneurs in Argentina



- Founded in 2018
- Eco-friendly, simple and economical water purifying filter made from natural resources (clays) and agricultural residues (olive branch, the pit of olives and peaches)
- The project was elected as PROESUS Ambassador for 2019 and was selected among the 15 ventures that had been winners of the Third National Meeting of Sustainable Entrepreneurs
- Participated in the DRIMCOM incubator program



- Founded in 2015
- Non-profit organization formed by young professionals seeking to solve the sanitation emergency in Argentina (6 million people who do not have a bathroom in their home)
- They build bathroom and kitchen modules that are attached to the houses
- Each selected family collaborates physically and financially in its construction
- Main sources of revenue are direct donations of materials, philanthropy, payment of volunteers and a small fee to beneficiary families



- Founded in 2015
- Industrial process that allows, from the recycling of plastic materials, to build blocks of approximately 1 square meter used for construction
- Partnership with Coca Cola to recycle plastic waste from production
- Awarded the PROESUS award on sustainable entrepreneurship, convened by the Ministry of the Environment of the Nation. They also received the development grant from Fundación Yayaicú
- Participated in the DRIMCOM incubator program

Key barriers for entrepreneurs in the shelter sector

Capital



- Lack of proven track-record of success, cash flow levels and perceived lack of growth potential reduces investability
- High inflation rates and exchange rate volatility directly affects interest rates and business climate, lowering investment appetite from foreign investors

We don't have the scale for someone to invest in us, and at the same time, we can't scale unless we receive some investment
Argentinian entrepreneur

Labor



- Limited integration of business schools and academia in general with entrepreneurship sector and capacity developer programs
- Lack of appropriate skills in founders' teams given most entrepreneurs in the shelter sector have architecture and engineering backgrounds

We are having trouble designing the business model because we are all civil engineers

Argentinian entrepreneur

Efficiency



- Unstable exchange rates increases manufacturing costs for entrepreneurs that import materials from abroad
- Business models with no clear approach to balance social impact with a solid revenue generating mechanism
- High dependence on public funds or donations from foundations, affecting their long-term sustainability

The polypropylene and accessories that we imported became more expensive due to the rise of the dollar

Argentinian entrepreneur

Demand



- High inflation reduces the purchasing power of the market, particularly for social enterprises focusing on low-income communities
- Affordable housing market largely controlled by state agencies, and a few large construction companies with long-term government contracts

Financing people at the base of the pyramid is very complex in an inflationary context

Argentinian entrepreneur



COVID-19

Some entrepreneurs have seen opportunities thanks to the fact that the Government gave a subsidy to families at the base of the pyramid, which they did not lose their jobs. Consequently, these families now have that money to invest.

Impact investing is beginning to grow in Argentina yet pipeline development and understanding of the sector are still challenges

Key Trends

- From 2016 to 2019, Venture Capital fund managers financed 281 startups (not all focused on social impact)
- The number of fund managers grew from 25 in 2016 to 50 in 2019, and the amount invested increased more than 11 times between 2016 and 2019.
- **Invested Capital** - \$66 USD MM invested in 2016-17 in 20 deals¹
- **Ticket size** - \$3.3 MM USD on average
- **Instrument Type** - Equity is the most common instrument available, followed by debt
- **Top Sectors** – AgroTech, BioTech and software services (no MFI deals in 2017)
- **Returns expectations** – Investor expects at least a 5% return on invested capital
- **Exits** – No reported exits between 2014-18



COVID-19

The COVID-19 crisis and broader economic instability has caused investors to migrate their investments to Uruguay. Investors believe Uruguay is recovering faster from the pandemic and reaching the new normal before Argentina

Key Challenges

- **Lack of understanding of impact entrepreneurship** – Argentinian investors have been cautious to invest in social startups as it's still an untested investment sector in the country
- **Lack of impact metrics**- Argentinian investors have limited experience with social impact measurement methodologies to analyze potential investments

It's difficult to invest in ventures is that we do not have unified metrics to determine their value

Regional Impact







investor

- **Pipeline development** – few channels or agents to enable interaction with social entrepreneurs
- **Few government incentives for impact investment** - Pension funds and other forms of savings, such as mutual investment funds, do not have a defined contribution focused on impact investments

Most capacity developers in Argentina offer mentoring services in the early stages, and rely on international and national grants

- Not exhaustive -

Capacity dev.

| Type | Organization | Services | | | | Funding sources | | | | Enterprise Stage | |
|---------|---|-----------------|--------------|-----------|--------------|-----------------|---------|------------------|---------------|---------------------|--------------|
| | | Coworking space | Peer Network | Mentoring | Co-financing | Corporate | Grants | Impact investors | Members' fees | Seed / Early Stages | Growth Stage |
| Private |  DRIMCOM | | Secondary | Primary | Secondary | | Primary | | | Primary | |
| |  CYGNUS CAPITAL | | | Primary | | | | Primary | | Primary | Secondary |
| |  mayma <small>Center for Entrepreneurship</small> | | Secondary | Primary | | | Primary | | Secondary | | Primary |
| |  socialab | | Secondary | Primary | | | | | Primary | | Primary |
| |  FUNDACIÓN HORIZONTE DE MÁXIMA | Secondary | | Primary | | | Primary | | | Primary | |
| |  njambre. | Secondary | Secondary | Primary | Secondary | | Primary | | Secondary | Primary | |

Primary Secondary

Despite the high number of incubators, only a few have a social impact focus

Key Trends

- As of 2018, there were 489 business incubators registered with the Ministry of Production, 36% of them obtain funding from public institutions
- Currently, there are around 16 accelerators registered in the Ministry of Production; 11 of them are completely financed by the government, who also co-invests in startups
- **Sector** – Most of the portfolios are focused on technology and software offerings in the bio sciences and agricultural sciences
- **Start-up stages** – most programs are focused on early-stage startups



COVID-19

Programs are organizing hackathons to respond to the emergency crisis effects. An example is Argentina Hackea, the first hackathon organized by local entrepreneurs to counter the effects of the pandemic (focused on health and e-commerce services)

Key Challenges

- **Fragmented networks**– Actors of the impact ecosystem in Argentina are dispersed (geographically and by network of contacts), posing difficulties to find entrepreneurs at the right stage, high-quality mentors, and investors

We have tried to be financially sustainable, but even though we have participated in accelerator programs, we still are missing the network to find the right investor

Argentinian Ecosystem builder

- **Limited access to mentors** with social entrepreneurship experience as well as technical expertise, with long-term commitment to the entrepreneurs
- **Pipeline development** – complex and resource intensive outreach efforts required to find entrepreneurs with social startups, who often do not self-identify as social entrepreneurs

We know there are social entrepreneurs, the problem is finding them and directing them to impact programs

Argentinian Ecosystem builder

Opportunities in the shelter sector in Argentina

Market Conditions

- Key opportunity to develop solutions to resolve the qualitative deficit (26.4%). Within this deficit, sanitation services represent a market of 6 M people that lack basic sanitation facilities
- Due to the COVID-19 crisis, the government offered a subsidy to vulnerable people of around USD \$ 145, those that are still employed have an opportunity to invest in improving their homes (around 8 MM people benefited)
- The Housing Ministry's program in which companies can participate in the construction of social housing represents an opportunity for entrepreneurs
- Government committed to matching investments of up to USD \$50K to programs at the intersection of social impact and cryptocurrency exchanges which represent an opportunity for the housing sector
- While there's a significant presence of socially focused programs such as Njambre and Socialab, there are no sector-specific incubator and accelerator programs.
- There's an opportunity to improve the social impact measurement methodologies for local social entrepreneurs and impact investors

Key ecosystem actors *(not exhaustive)*

- To identify and recruit entrepreneurs: Ministry of Production, Socialab, ASEA, PROESUS
- To link entrepreneurs with investors: Ministry of Production
- For mentoring support: Ministry of the Interior, Public Works and Housing
- To strengthen the shelter entrepreneurship ecosystem: Njambre, DRIMCOM

BOLIVIA



Bolivia at a glance



Country Overview



11.2 MM people ¹

62% middle class ⁶

36.4% in poverty ³



\$3,459 USD GDP per capita (2018) ²

4.3% Avg. 2008-2018 GDP Growth ¹



42.2 GINI (1-100 Best) ²

0.70 HDI (0-1 Best) ³

60.8% Female employment to population ratio ²

Housing



Profile

65% Population with secure tenure ⁴

49.5% population in informal neighborhoods ⁵

30% qualitative housing deficit ⁹

N/A* Quantitative housing deficit



60.7% pop. with access to sanitation services ²



91.8% pop. with access to electricity ²



Housing as a constitutional right ⁸: Yes

Subsidy programs: Social and Solidarity Housing Program (PVSS) ⁷

Entrepreneurship



Sector

51.7 Ease of Doing Business Score (1 -100 Best) ¹

38.6 Entrepreneurial Culture Index ¹

66% of GDP Domestic credit to private sector ²

4.1 Financing to SMEs (1-7 Best) ¹

2.6 Venture Capital Availability¹ (1-7 Best)

83.7% Total tax and contribution rate (% of profit) ²

Legend:
 Average of study Countries
 LATAM average

Sources: (1) World Economic Forum 2019, (2) World Bank 2017-2018-2019, (3) UNDP 2018, (4) INESAD 2017, (5) SDG Country Profile 2016, (6) Página

Siete Bolivia 2018, (7) CENDOC 2010, (8) Thomson Reuters Foundation, (9) INE

*Latest figures of quantitative housing deficit are from 2010

Government policies pose a barrier to the growing entrepreneurial ecosystem in Bolivia

GOVERNMENT SUPPORT: early efforts to support entrepreneurship



Establishing first support program: in 2019, the government launched its first startup support program “BDP Lab”, that provides a co-working space and technical advice for entrepreneurs in the manufacturing, software, tourism, sustainable development, and agricultural industries.



Limited financial support for early stage startups: the single public fund for entrepreneurs “Fondo Capital Semilla”, requests startups to have 18-months of operation and traditional credit guarantees. No tax incentives or exemptions are offered to early stage entrepreneurs.



Lack of financial regulation to support entrepreneurs: equity markets and collective investments mechanisms such as crowdfunding are poorly regulated and supported. In March 2020, a new Entrepreneurship Support Law was proposed to regulate crowdfunding to contribute to entrepreneurship democratization.



Long bureaucratic requirements disincentivize entrepreneurs: registering a new business in the fiscal and labor ministries takes over 40 days and 12 different procedures with different institutions, driving most startups to remain informal in the first years of operation and preventing them from accessing financial instruments to raise funds



COVID-19: The Central Bank of Bolivia has a USD \$219 M Support Program for SMEs. This program includes measures such as the postponement of tax payments and the deferral of credits for SMEs.

The entrepreneurial ecosystem in Bolivia is in a nascent stage

ENTREPRENEURSHIP ECOSYSTEM: highly entrepreneurial spirit despite institutional barriers



Private initiatives fostering ecosystem growth: In 2013, Fundación Emprender Futuro launched “Bolivia Emprende” to support Bolivian entrepreneurs through training, creation of toolkits to register companies, and networking initiatives. In 2016, the Bolivian Social Entrepreneurs Network (CESBO) was created to unite social entrepreneurs in Bolivia and the Andean region



Building up its presence in the international entrepreneurship sphere: in the last few years, events such as 2018 Techstars Startup Weekend, the 2019 Global Entrepreneurship Week, and the 2018 Andean Business Encounter were held in Bolivia. In July 2020, Viva Idea and Bolivia Emprende are hosting virtually the VIVA Schmidheiny Awards 2020 competition for social entrepreneurs in Latin America



Inspiring startups success stories: Ultracasas.com, the main real estate portal in Bolivia has received over \$500K USD in funding. Similarly Netcomida.com, a delivery app, was acquired in 2019 by PedidosYa.com



Limited availability of capacity developing programs: as opposed to other countries in the Andean region, few private incubator and accelerator programs receive government support. While international programs such as Ashoka and Socialab are starting to recruit Bolivian entrepreneurs, they don't have permanent operations in the country



No single definition of what a social enterprise is: In Bolivian entrepreneur law, a social enterprise is made up of the active workers of a private company that is bankrupt or bankrupt. Therefore, the actors of the ecosystem prefer to speak of an inclusive market, as a term like that used in other countries as a social enterprise

Key stakeholders in the social entrepreneurship system

- Not exhaustive -

Investors

Capacity Developers



BIM Asset Management
Manages impact investments and funds*

pymo capital
Fund for socially responsible companies in Bolivia

SC Angeles
Bolivia's first angel investor fund

pro-rural
Manages a Business Investment Program (PIE)

BIP Lab
First public incubator program

UNIVERSIDAD MAYOR DE SAN SEBASTIÁN
Worker with over 140 entrepreneurs in Cochabamba

innova SANTA CRUZ COCHABAMBA
Recently created accelerator program with the support of CAINCO and IDBlab

novus
Focused on environmental ventures

7
Focused on technological ventures

Ecosystem Builders

Shelter Entrepreneurs

Ministerio de Desarrollo productivo
Promote the development of the country's industrial and manufacturing

caineco
Foster enterprises tech transformation and competitiveness

FUNDACIÓN EMPRENDEDOR FUTURO
Building entrepreneurs and investor networks across Bolivia

VIVA TOCA
Promotes social entrepreneurship among incubators, government and academia

CESBO Consejo Nacional de Emprendedores, Inversores & Asesores
Social entrepreneurs' network

DICCON
Construction system using aluminum blocks

Mamut
Floor tiles made out of recycled car tires

Banera
Fintech tool to personalize mortgage loans

* - Experience in shelter sector. Darker background identifies public sector actors

Spotlight: Shelter entrepreneurs in Bolivia

DICCON

- Founded in 2012 as a consulting and construction company
- Innovative construction technique using LEGO-like aluminum blocks reducing construction time in 70% compared to traditional methods
- The company started with a focus on affordable housing, but quickly switch to work on commercial construction projects as well
- They have partnered with IDB and CAF on affordable housing projects



- Founded in 2015
- Company dedicated to the manufacturing of floor tiles made from recycled car tires
- Current clients are private companies for corporate buildings, and regional governments for public parks
- Winners of the 2014 Innova Bolivia contest

ViaBanexo.com

- Founded in 2017
- Fintech to compare loan options for home purchasing or construction
- Customers respond to a 15-questions online survey, and two days later receive a report with credit options (free service), afterward they offer expert guidance to apply to the selected credit (50 USD)
- The company participated in the SeedStars Santa Cruz contest

Key barriers for entrepreneurs in the shelter sector

Capital



- Limited presence of international impact investors in the country
- Lack of proven track-record of success, cash flow levels and perceived lack of growth potential reduces investability
- Few public support programs to finance entrepreneurs
- Regulatory barriers hinders their ability to receive equity investments from international organizations
- Lack of networks that connect entrepreneurs with investors

I haven't heard much from impact investors, commercial banks are the ones lending to entrepreneurs
Bolivian entrepreneur

Labor



- Limited integration of business schools and academia in general and with entrepreneurs and capacity developer programs
- Lack of appropriate skills for the organization given most early-stage startups are family-businesses

I would appreciate some expert advice that would help me develop a sustainable business plan to later be able to measure impact and access capital
Bolivian entrepreneur

Efficiency



- Excessive regulatory requirements and high costs of formalization– entrepreneurs to prefer to remain informal
- Construction permits and basic utilities installation processes can take over 200 days to complete

Construction permits are easier if you're part of the Bolivian Construction Association, but it's too expensive to become a member
Bolivian entrepreneur

Demand



- Affordable housing market largely controlled by state agencies
- Corruption within government agencies limits entrepreneurs' ability to participate in bidding processes for public contracts
- Mismatch between innovative shelter products and services with low income families' needs and preferences (e.g. families used to live in houses, are now living in small apartments)
- Higher prices than the competition due to a high degree of informality in the shelter sector

I'd like to work with the government to scale my business, but bidding processes often involve bribes
Bolivian entrepreneur

COVID-19

Bolivian entrepreneurs have taken this time to do more research on the housing sector in Bolivia. On the other hand, entrepreneurs in the Shelter sector have not been so affected as this is a sector that has been activating relatively quickly, respecting other sectors

Despite adverse financial regulation, impact investments in Bolivia have grown in the last 5 years

Key Trends

- Bolivia is a global micro-credit pioneer market, with penetration rates as high as 33% of potential clients accessing credit, as such most impact investments are directed towards microfinance institutions
- 11 locally-based impact investment firms
- **Invested Capital** – USD \$40 M invested in 2016 to 2017 in 29 deals¹ (62% growth vs. 2014-15 with USD \$24.6 M invested)
- **Top Sectors** – In 2016-17, USD \$23.8 M invested in MFI deals (60%), few investments in shelter sector
- **Ticket size** - USD \$1.38 M on average
- **Instrument Type** – Equity investment and debt are the most widely used instruments
- **Returns expectations** - Most investors expect average returns of 12% from their deals
- **Exits** - Second highest proceeds from exits in Latin America (USD \$11 M in 2016-17)



COVID-19

- Most investors focused on protecting current investments by injecting liquidity
- Investors recognize an opportunity in the crisis as Bolivian startups are transitioning to digital business models, saving business ramp-up time, and increasing market potential

Key Challenges

- **Scale limitations due to small domestic market** – perceived lack of growth potential due to Bolivia's 11 MM population, bringing further need to invest in startups with potential for international expansion

I prefer to enter a large market like Colombia, rather than a small market like Bolivia or Ecuador
LATAM Impact Investor






- **Lack of investment-ready pipeline** - few Bolivian companies in the shelter sector comply with investors' profitability and scale criteria to be able to absorb large investments
- **Political instability and few government incentives** – complex legal requirements for foreign investments and recent political conflicts increase country-risk

We are waiting to see who the new President will be before making any investments
Regional Impact Investor

Most capacity developers in Bolivia focus on mentoring and are free to entrepreneurs

- Not exhaustive -

Capacity dev.

| Type | Organization | Services | | | | Funding sources | | | | Enterprise Stage | |
|---------|---|------------------|--------------|-----------|--------------|-----------------|---------|------------------|---------------|---------------------|--------------|
| | | Co-working space | Peer Network | Mentoring | Co-financing | Corporate | Grants | Impact investors | Members' fees | Seed / Early Stages | Growth Stage |
| Public |  | Secondary | | Primary | | | Primary | | | Primary | |
| |  | Secondary | | Primary | | | Primary | | | Primary | |
| Private |  | Secondary | Secondary | Primary | | Primary | Primary | | | | Primary |
| |  | | Secondary | Primary | | | | | Secondary | | Primary |
| |  | | Secondary | Primary | | | Primary | | | Primary | |

Capacity developing programs have begun to emerge, with significant gaps link to capital providers and long-term mentoring

Key Trends

- **Funding** - Most incubator and accelerator programs are financed by foundations and multilateral organizations such as The Swedish Cooperation and BID Lab, offering short-term programs with no access to capital
- **Portfolio** –portfolios are mainly focused on tech startups, with no specific-industry focus. A small percentage of programs have trainings for social entrepreneurs
- **Services** – most offered services are workshops (28%), conferences (16%), and competitions (15%)
- **Startup stages** – most programs focus on early stage startups. However, there is still very little support in acceleration



COVID-19

Increasing collaboration with the private sector. Founder Institute Bolivia organized the online forum: "Solutions to face the Covid-19 crisis" with industry experts from some of the largest companies in Bolivia such as Tigo.

Key Challenges

- **Lack of funding to offer specialized services**- most programs only master classes given their limited financial resources to offer more comprehensive or targeted programs
- **Fragmented ecosystems**- underdeveloped communication channels to link entrepreneurs to capacity developing programs

There are few formal entrepreneurship networks in Bolivia, I'd say most of what's been achieved so far in the ecosystem, is based on empirical knowledge rather than systematic research and alliances

Bolivian Ecosystem

builder

- **Pipeline development** – as Bolivia is an early-stage ecosystem, most startups lack a formal business plan and prototypes, resulting in few startups ready to join and incubator or accelerator program. Also, it is difficult to find social entrepreneurs since the

In Bolivia, there is a lot of entrepreneurship, but most businesses are informal, they wouldn't pass the first filter of most accelerator programs

Bolivian Ecosystem

builder

Opportunities in the shelter sector in Bolivia

Market Conditions

- Opportunity in access to sanitation (only 50% of the population in Bolivia have access to a basic sanitation service) and supporting secure land tenure (only 65%)
- Need to support entrepreneurs to deeply understanding the housing needs and preferences of rural and vulnerable populations
- The familiarity of impact investors with the Bolivian market due to its very active microfinance sector facilitates investors openness to expanding to other impact sectors; Bolivia was also the second highest number of exits for impact investing in 2017,
- The construction sector is growing, it accounted for ~ 4% of GDP growth in 2018. Santa Cruz is the second most profitable city in the real state sector in South America which could signal an opportunity for investors in this sector
- Many entrepreneurs are looking for incubation and acceleration programs to improve their managerial skills and expand their projects given that there are few programs in Bolivia. A high quality, sector specific program could provide significant value

Key ecosystem actors *(not exhaustive)*

- To identify and recruit entrepreneurs: Viva idea, Fundación Emprender Futuro, CESBO
- To connect entrepreneurs with investors: SC Angeles, BIM, BDP Lab, Ministry of Productive Development
- For mentoring support: Viva idea, CAINCO



CHILE

Chile at a glance



Country Overview



18.5 MM people¹

65% middle class⁶

36.4% in poverty³



\$ 15,923 USD GDP per capita (2018)²

3% Avg. 2008-2018 GDP Growth¹



44.4 GINI (1-100 Best)²

0.85 HDI (0-1 Best)³

47.8% Female employment to population ratio²

Housing



Profile

68% Population with secure tenure⁴

9% population in informal neighborhoods⁵

13.4% qualitative housing deficit⁹

6.4% quantitative housing deficit⁴



100% pop. with access to sanitation services²



100% pop. with access to electricity²



Housing as a constitutional right⁸: No

Subsidy programs: Fondo Solidario de Vivienda⁷

Entrepreneurship



Sector

75 Ease of Doing Business Score (0 -100 Best)¹

52.7 Entrepreneurial Culture Index¹

116.6% of GDP Domestic credit to private sector²

4.1 Financing to SMEs (1-7 Best)¹

3.8 Venture Capital Availability¹ (1-7 Best)

34% Total tax and contribution rate (% of profit)²

■ Average of study Countries
■ LATAM average

Chile has gained global recognition as one of the most efficient countries to start and run a business

GOVERNMENT SUPPORT: the bastion that has energized entrepreneurship in Chile



Innovation and entrepreneurship as part of Chile's growth strategy: CORFO, the Chilean Economic Development supports entrepreneurship through accelerators programs, access to seed capital, investors networks and risk capital funds. SERCOTEC, Chile's Technical Cooperation Services also provides management capacity developing programs, and access to seed capital for small businesses



Streamlining business setup procedures: The Chilean government created the Office of Productivity and National Entrepreneurship (OPEN) dedicated to implement regulatory reforms to increase productivity and competitiveness and facilitate entrepreneurship. In 2018, the government launched a new platform to ease entrepreneurs' interaction with the state: "Tu empresa en un día", which allows entrepreneurs to register a company in one day by offering services such electronic signature and digital municipal permits



Increasing financial support: In 2017, CORFO launched SME Credit Programme to improve access to non-bank financial intermediaries and other financing sources. Chile's National Bank also holds a public credit guarantee scheme (FOGAPE), that provides partial guarantees for loans to micro and small businesses



Government accelerator programs are a leading force in the country: Created in 2010, Start-Up Chile, CORFO's accelerator program provides technical assistance and up to \$ 40,000 USD in equity-free funds to Chile-based entrepreneur regardless of nationality. Recently, CORFO launched a new accelerator program called "Huella", focused on businesses with social and environmental impact.



COVID-19 – Support to SMEs address economic emergency: \$3 B USD on state guarantees for SMEs to have access to working capital credits, reduction by the Central Bank on the interest rate to 0.5%, flexibilization of loan maturities for SMEs up to 6 months, possibility to use mortgage guarantees for loans by SMEs, creation of "Compra ágil" website where SMEs can sell their products/services to public entities

Despite a vibrant entrepreneurial ecosystem, social entrepreneurship is just starting to emerge

ENTREPRENEURSHIP ECOSYSTEM: striving to strengthen social entrepreneurship



International recognition as an entrepreneurial hub: Chile was named the globe's most entrepreneurial nation according to the Global Entrepreneur Monitor due to its availability of startup funding, outstanding educational system, and a strong national entrepreneurial and innovative spirit. More than 80% of new entrepreneurs are confident that their product is new to at least a customer segment.¹



Growing integration within the ecosystem: Since 2011, The Chilean Entrepreneurs Association is leading the efforts to develop partnerships with government and private parties to improve business processes and increase investment. Recently, the government created a national program for business incubators, to support private incubator and accelerators programs with public funds to cover operational costs.



No need to capitalize entrepreneurship training: As part of CORFO programs, the government is collaborating with public universities and private incubators to design models of "education for entrepreneurship" to be deployed in schools and universities, to be included in the national curriculums in the future.



Despite being a small market, there is a solid investment landscape: In the last 10 years, the venture capital industry in Chile evolved to be one of the most developed in LATAM, with public investors such as CORFO. However, impact investing is still in incipient stages.



No legal figure for a social enterprise: despite a growing focus on social enterprises from the government side, social enterprises are not recognized as a separate legal figure, limiting specific support services for these entrepreneurs and the development of a strong impact investing industry in the country. However, there is a type of contract for social enterprises

Key stakeholders in the social entrepreneurship ecosystem

- Not exhaustive -

Investors

 Seed capital for entrepreneurs

 FCH Venture Capital Fund

 Focus on high impact entrepreneurship (a Masisa partner)*

 Pioneer in impact investing

 Impact investment fund for up to USD\$26 M

Capacity Developers

 Largest public accelerator program in LATAM*

 Promotes digitization in the construction industry*

 Specialized in architecture, and construction*

 Over 800K social actors in its network*

 SDG-aligned programs*

 Universidad Pontificia's Innovation Center

 Focus on impact entrepreneurship

Ecosystem Builders

 Finances StartUp Chile*

 The Chilean Chamber of the Construction Industry*

 Centro Tecnológico Construcción: holds construction technology workshops *


 Promotes SMEs internationalization


 Focus on sustainable development


 Global network of development entrepreneurs*


 Main association of entrepreneurs in Chile


Shelter Entrepreneurs


 Online leasing platform


 Building bricks made out of plastic waste

 Potable water system

 Finance mortgage loans

 Root mattress-thermal insulation for houses

 Interior and exterior coatings made out of plastic waste

 Cork-based multipurpose construction coating

* - Experience in shelter sector. Darker background identifies public sector actors

Spotlight: Shelter entrepreneurs in Chile



- Founded in June 2015
- Self-sustaining technology that produces drinkable water from the air, helping families on water-scarce sites
- Participated in Socialab & Agora accelerator programs
- Winner of the Chilean edition of Chivas Venture and the Natural Resources category at the Avonni Award 2015



- Founded in 2015
- Sustainable construction with thermal, acoustic and flame-resistant material
- Root mattress (CR) - Patented product
- Rootman participates in the construction of the 1st sustainable public school in Chile
- Participated in Masisa Lab & UDD Ventures accelerator programs
- Finalists of the challenge "Home of the Future 2018", and in 2017 they ranked among the best of the National Innovation Award Avonni



- Founded in 2017
- Participated in accelerator-UDD Ventures
- Project supported by CORFO and the regional productive development committee
- Circular economy model: creation of construction materials, such as cladding and bricks, using plastic waste
- Partnerships with garbage pickers associations

Key barriers for entrepreneurs in the affordable housing sector

Capital



- Harder access to traditional sources of capital and credit for social enterprises due to lack of a differentiated legal figure and due to the very nascent impact investing environment in Chile
- Lack of previous successful shelter enterprises and perception of low market potential as Chile's shelter needs are minimal discourages investors
- Limited knowledge and understanding of impact investing mechanisms such as social impact contract (CIS)

Impact investing is not developed in Chile, since there is not a clear mechanism to identify social startups
Chilean Ecosystem Builder

Labor



- Lower management skills of entrepreneurs in the shelter sector to make business profitable as most entrepreneurs have solely engineering or architecture backgrounds
- Challenge to offer competitive salaries due to lower profits as social enterprises are in early stages

We are looking for entrepreneurs who can learn and implement lean and agile management methodologies to scale their businesses, the social focus can come later
Chilean Accelerator Program

Efficiency



- Business models with no clear approach to balance social impact with a solid revenue generating mechanism
- Limited use of social impact measurement due to the difficulty in isolating the social effect of a specific product/service in terms of quality of life / health conditions
- High dependence on public funds or donations, affecting their long-term sustainability

Social enterprises are the new trend in Chile, but they still need help in jumping from the prototype to mass production
Regional Shelter Foundation

Demand



- New affordable housing market is largely controlled by state agencies or non-profit organizations
- Shelter market in Chile is limited, need to be able to expand market reach to other countries to achieve scale
- High resistance from potential consumers to use innovative construction materials

Chile, and the Andean region's native peoples have another view of the land, they are used to social housing provided by the government
Regional Shelter Foundation



COVID-19

Some Chilean entrepreneurs have had to close because they cannot provide their service virtually. Others have needed an injection of money to support the drop in sales. There are some sectors of entrepreneurs that are relatively benefited, such as telemedicine and distance education.

Impact investment is gaining relevance, however formal regulations are still pending

Key Trends

- There are **6 main impact fund managers in Chile**: FIS-Ameris, Fen Ventures, Sembrador, Sudamerik, Lumni, and Fundación Chile – that are estimated to have managed over USD \$138.2 M in 2018
- **Impact Invested Capital** - USD \$9 M invested in 2016-2017 in 9 deals¹ (vs. USD\$ 1.1 M invested in 2014-15)
- **Top sectors** – Agriculture, Technology & Software and Fintech (22% were MFI in 2016-17, no investment in MFI in 2014-15)
- **Impact ticket size** - USD \$1 M on average
- **Instrument Type** – the most common instrument is equity, but impact investors also use debt-type loans or convertible debt
- **Exits** - There were no registered exits of impact investors in 2016-17



COVID-19

Investors have seen sectors affected however they have continued to invest in projects with CORFO's support

Key Challenges

- **Lack of investment ready pipeline** – despite increasing number of startups, few are socially-driven, at the right stage, or focused on shelter sector

Few social businesses are able to absorb an average impact investment ticket of 500K USD

Chilean
Impact Investor

- **Lack of social impact measurement tools** - No single definition of social impact in Chile, and limited experience with social impact measurement methodologies to analyze potential investments

Perhaps in Chile, there is no investment in social ventures because there are none as measuring impact is not easy

Chilean Ecosystem Builder

- **Mismatched expectations** - expectations of rapid scale and high returns are not aligned with the reality of social enterprises in Chile

The integration of government, academic, and private actors facilitates the ecosystem growth in Chile

- Not exhaustive -

Capacity dev.

| Sector | Organization | Services | | | | Funding sources | | | | Enterprise Stage | |
|---------|---|------------------|--------------|-----------|--------------|-----------------|---------|------------------|---------------|---------------------|--------------|
| | | Co-working space | Peer Network | Mentoring | Co-financing | Corporate | Grants | Impact investors | Members' fees | Seed / Early Stages | Growth Stage |
| Public | ST>RT-UPCHILE | | | Primary | Secondary | | Primary | | | Primary | Primary |
| | OpenBeauchef Universidad de Chile | Secondary | Secondary | Primary | | | Primary | | | Secondary | Primary |
| | CENTRO DE INNOVACION UC ANSELITO ANSELINI P. Universidad Católica | | | Primary | | | Primary | | Secondary | Secondary | Primary |
| Private | UDD Ventures | Secondary | Secondary | Primary | | | Primary | | | | Primary |
| | MANNA Lab | | | Primary | Secondary | | | Primary | | | Primary |
| | COLAB | | Secondary | Primary | | | Primary | | | | Primary |
| | socialab | | | Primary | Secondary | | | | Primary | | Primary |
| | eNDEAVOR | | Secondary | Primary | Secondary | | Primary | | | | Primary |
| | AGORA | | Secondary | Primary | | | Primary | | Secondary | Secondary | Primary |

Primary Secondary

Despite powerful public actors such as Startup Chile, private capacity developers have limited interaction with investors

Key Trends

- In 2016, the Global Innovation Management Institute named StartUp Chile as one of the top 10 most innovative accelerators in the world and in 2014, Gust & Fundacity ranked it as the 4th largest accelerator in the world in terms of available budget
- **Funding** - Many incubators/accelerators in Chile receive resources from CORFO to support entrepreneurs
- **Portfolio** – Most capacity developers do not offer industry-specific programs; however Masisa Lab has one shelter-sector accelerator program
- **Startup stages** – most programs focus on growth stages
- **Female participants** –Chilean women are becoming more active in the entrepreneurship landscape, even creating the Association of



COVID-19

- Chilean capacity developers are launching webinars focused on e-health, e-commerce, and last-mile delivery
- Online program such as Startup Chile's "The S Factory" (TSF) continue operating

Key Challenges

- **Pipeline Development** – more outreach efforts required to find entrepreneurs with a social focus

Entrepreneurs who go from application to application are usually not as good. You must go out and look for the good ones

Chilean Capacity
developer

- **Developing networks** – the competition between some accelerators makes cooperation difficult. Limited partnerships with impact investors and other ecosystem actors provide direct access to investment and new markets

There are several accelerators that are jealous of their entrepreneurs success

Chilean Ecosystem
builder

- **Few incentives to focus on social entrepreneurs** – as most accelerator programs have equity participations in startups and there is no social enterprise legal figure, focus is on startups with potential for rapid growth

Snapshot: MASISA Lab



Overview

- Accelerator and corporate venture capital founded in 2010
- Focused on global construction with the potential to revolutionize the Design, Architecture, and Construction industry in Latin America

Portfolio

- Rootman
- Monitor
- PROFÁBRICA
- We Design
- Eligemadera
- Solcork
- Curvilux
- Fourdplan
- Remedi Perez Maker

Services

- Access to mentors and industry experts to strengthen internationalization and business capabilities, and help them with financial modeling
- Training in investment topics and access to investors
- Co-working spaces in Santiago, Mexico City, Sao Paulo and Concepción
- Lean Play : open innovation challenges for innovative technological, social and digital solutions for the architecture, design and construction industry in Latin America
- Three Lean Play cohorts: Digital Lean Play in partnership with Telefónica Open Future, R&D Lean Play in partnership with 3M, and Lean Play Social in partnership with Socialab
- **Lean Play Social: an open innovation challenge for social impact ventures**
 - Open innovation channel focused on social solutions for the industry
 - Selected entrepreneurs had access to six months of training and mentoring from industry leaders, seed capital of up to \$40K USD and access to other sources of funding

Opportunities in the shelter sector in Chile

Market Conditions

- According to the Global Competitiveness Report, Chile is the most competitive country in Latin America due to its stable macroeconomic conditions and well-developed infrastructure
- Take advantage of social investment initiatives such as: Inversión de Impacto Chile is leading the efforts to educate decision-makers about the importance of impact investing for sustainable development
- An opportunity exist to leverage government support such as the Huella program, a social spinoff of Startup Chile which will provide up to USD \$60 K to social startups in early stages. In addition, there is a potential opportunity to obtain resources through CORFO available to foreign entrepreneurs
- Chile has one of the lowest qualitative and quantitative deficits in the region and has the highest Digital Readiness Index in Latin America, which might represent an opportunity for PropTech.

Key ecosystem actors *(not exhaustive)*

- To identify and recruit entrepreneurs: CORFO, Startup Chile
- To connect entrepreneurs to investors: FIS-Ameris, Fen Ventures, Sembrador, Sudamerik, Lumni, and Fundación Chile
- For mentoring support: Chilean Chamber of the Construction Industry and the Construction Technology Center



COLOMBIA



Colombia at a glance



Country Overview



50 MM people ¹

31% middle class ⁶

27% in poverty ³



\$ 6,668 USD GDP per capita (2018) ²

3% Avg. (2008-2018) GDP Growth ¹



50.4 GINI (1-100 Best) ²

0.76 HDI (0-1 Best) ³

50.1% Female employment to population ratio ²

Housing



Profile

48% Population with secure tenure ⁴

28% population in informal neighborhoods ⁵

26.8% qualitative housing deficit ⁶

9.8% quantitative housing deficit ⁶



89.6% pop. with access to sanitation services ²



99% pop. with access to electricity ²



Housing as a constitutional right ⁸: Yes

Subsidy programs: priority interest housing (monthly salary of less than \$581 USD) and social interest housing (monthly salary of less than \$1130 USD) ⁷

Entrepreneurship



Sector

70 Ease of Doing Business Score (0 -100 Best) ²

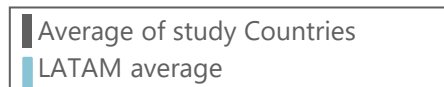
49 Entrepreneurial Culture Index (0 -100 Best) ¹

50% of GDP Domestic credit to private sector ²

3.9 Financing to SMEs (1-7 Best) ¹

3.2 Venture Capital Availability ¹ (1-7 Best)

71% Total tax and contribution rate (% of profit) ²



Colombia is increasingly becoming a top tier hub for entrepreneurs

GOVERNMENT SUPPORT: creating the best place for entrepreneurship in Latin America



Entrepreneurship at the core of the national strategy: In 2010, innovation was recognized as a key element to reduce extreme poverty and achieve environmental sustainability in the National Development Plan. As a result, the Chamber of Commerce created “INNpulsa Colombia”, the national agency for entrepreneurship and innovation, that holds specialized mentoring programs and co-finances projects to strengthen clusters in the country. The current government aims to become the best place for entrepreneurship in Latin America



Improving service provision and regulatory framework for entrepreneurs: In 2018, a single-window service (*Ventanilla Única Empresarial*) was launched in Bogota to facilitate the creation and operation of companies to entrepreneurs, since then, the service has expanded to other cities. As of Feb 2020, the government was moving forward on the development of a new “Entrepreneurship Law”, that will address key barriers for entrepreneurs through regulation of access to finance and strengthening acceleration programs



Improving ecosystem support and integration through C-Emprende Innovalabs: In 2019, the National Government launched a program to open innovation hubs to provide spaces for collaboration among entrepreneurs, investors, academia and the government



Expanding access to financial resources: In 2019, the government launched a USD \$38 M Colombian Fund of Funds focused on innovative entrepreneurship and the orange economy, operated by Bancoldex (Bank of Foreign Trade). Other initiatives include the National Training Service (SENA)’s Fondo Emprender, a seed capital fund to support early-phase startups, and the National guarantee Fund that facilitates access to credit for SMEs



SME support in response to COVID-19: the government offered credit guarantees of up to \$3 billion USD for SMEs in most affected industries such as restaurant, stores, tourism and entertainment. Credits will have a payment grace period of 4 months

The entrepreneurial ecosystem in Colombia is booming; however, the entrepreneurship of impact is not yet clearly defined

ENTREPRENEURSHIP ECOSYSTEM: growing ecosystem to support a highly entrepreneurial culture



Success stories fueling the entrepreneurship culture: Rappi (Colombia's first unicorn) and Platzi, an e-learning platform, have bolstered increased focus and interest in entrepreneurship among venture capitalists



Significant growth in support organizations, however highly geographically concentrated: According to the Ministry of Commerce, in 2018 there were more than 700 public and private organizations supporting entrepreneurs. Support organizations are mostly concentrated in Bogota and Medellin. The latter has become a world-recognized startup and investment hubs, due to public innovation and investment match programs such as Ruta –N Medellín, a regional innovation agency; growth of venture capital, and startup successes



Gaps remain in entrepreneurship education: while mentoring and capacity development programs are escalating in the country, lack of specialized mentoring and sector-specific knowledge discourage entrepreneurs from attending these programs



Missing middle between services targeting early stage and investors looking for mature investments: most impact investors' portfolios look for advanced startups with consolidated teams, while most capacity-building programs focus on early stages startups

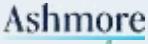


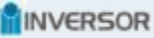



No single definition of what a social enterprise is: with no clear definition, and despite an increasing focus on social innovation in the country, support services offerings are limited and are not clearly differentiated of other organizations supporting for-profit entrepreneurs. However, in 2018, a law regulating the Benefit Corporation model in the Colombian legal system (BIC Law) launched






Select stakeholders in the social entrepreneurship system

- Not exhaustive -

Investors

-  **FONDO emprendedor** Offers to condone seed capital loans
-  **Ashmore** Low-income real estate fund*
-  **NESST** Launched USD \$20 M Fund for LATAM
-  **ACUMEN** Focused on post-conflict rural areas
-  **INVERSOR** Pioneer in impact investment in Colombia
-  **YUNUS negociosociales COLOMBIA** Focused on early-stage social startups





Capacity Developers

-  **iNNpulsa Colombia** Innovation at the center of their strategy
-  **SENA** Expanding entrepreneurship education
-  **Fundación Bolívar Davivienda** Capacity development programs to formalize social enterprises*
-  **socialab** Over 800K social entrepreneurship actors in its network
-  **ASHOKA** 69 social entrepreneurs in Colombia
-  **VillageCapital** Unique "peer-selected" investment process
-  **wayra** Open innovation hub focused on investing in LATAM tech startups

Ecosystem Builders

-  **Confecámaras** Promotes SME's formalization
-  **ANDI** Fosters an innovation culture within industries*
-  **ruta medellin** Created Medellín's Innovation District*
-  **Comfandi** Family welfare fund focused on low-income housing*
-  **Aspen Network of Development Entrepreneurs** Network and research organization on SGB and entrepreneurship
-  **CONNECT BOGOTA REGION** Houses the Virtual Center for Intellectual Property

Affordable Housing Entrepreneurs

-  **conceptos** Landmark housing startup in the region
-  **Suyo** Property formalization startup
-  **HomeCell** Eco-houses made out pre-made blocks
-  **MADERPLASTIC** Atmospheric water collector for houses



* - Experience in shelter sector. Darker background identifies public sector actors

Spotlight: affordable housing entrepreneurs



- Founded in 2011, innovative business dedicated to building sustainable homes for vulnerable communities with recycled materials, that are 30% cheaper than traditional materials.
- Plastic, recycled electronic parts, and rubber from old tires are recycled into Lego-like modular building blocks.
- Main clients are government, NGOs, charity organizations and private enterprises - partnered with UNICEF to construct educational spaces in Ivory Coast
- In 2016 represented Colombia in the "Chivas Venture" competition, receiving USD \$300K



- Leverages technology to provide affordable and reliable property formalization services
- SUYO unlocks the economic and social value of low-income families' homes, empowered with formal recognition of their property rights they have access to benefits such as credit, home ownership security and the ability to transfer rights.
- Have received investments from Omidyar Network, Mercy Corps Social Venture Fund, Echoing Green and Ruta Medellín
- Acceleration partners include with Miller Center, Agora Partnerships, Endeavor and Harvard Innovation Lab



- Founded in 2015, company specialized in the manufacture of plastic wood products made out of recycled raw materials from industrial and urban waste
- Daily processing of more than 3 tons of recycled materials
- Products include construction materials and furniture, and have a 50-year lifespan
- Created as part of the SENA entrepreneurship program. Fondo Emprender provided 25K USD in seed capital
- 640,000 USD in earnings during 2019

Little investment in the sector plus government regulations restrict social entrepreneurship in the shelter sector

Capital



- Lower access to capital and credit for social enterprises
- Impact investors focus on startups on growth stages with high investment requirements
- Lack of previous successful shelter enterprises discourages investors
- High regulatory requirements to operate in construction sector elevate costs for small enterprises
- Prefabricated housing projects are not financed in Colombia, hindering the business

Construction regulations are extremely strict in Colombia, only big companies can comply with all requirements
Colombian Welfare fund

Labor



- Engineers and architects leading housing startups often lack the administrative / business skills build sustainable business models and companies
- Challenge to be competitive in labor markets due to lower profit margins

More successful entrepreneurs are the ones that work in structured teams
Impact investor

Efficiency



- Business models with no clear approach to balance social impact with a solid revenue generating mechanism
- No social value measure as it is difficult to isolate the social effect of a specific product/service in terms of quality of life / health conditions
- Expensive for a business to survive due to high tax rates

Taxes and other government fees scare entrepreneurs
Colombian Incubator Program

Demand



- Affordable housing market is largely controlled by state agencies or welfare funds
- Corruption within government agencies limit entrepreneurs' ability to participate in bidding processes for public contracts
- Lack of confidence on the part of the population due to the scams they have suffered in the past
- In Colombia, it is difficult to access financial credits without real estate. In Colombia, it is difficult to access financial credits without real estate. That is one of the reasons why people need to have their own home in Colombia.

It is a very challenging sector due to the lack of confidence of people, considering the number of scams that have lived
Colombian Entrepreneur



COVID-19

- Most entrepreneurs stopped operations and are focused on updating business models and advancing sales efforts
- Limited access to government's emergency assistance mechanisms for SMEs
- Fear that consumers will decrease spending in shelter sector due to highly volatile exchange rates and labor markets

Impact investment is growing rapidly, with a strong focus on agriculture and financial inclusion

Key Trends

- The impact investment field in Colombia has developed over the last 15 years and accelerated in the last 5
- Impact investors active in Colombia include a mix of those dedicated to impact, PE/VC firms, foundations and family offices. While most investors continues to be international, the number of local investors is growing
- **Invested Capital** - from 2016-2017 identified USD \$86 M invested (162% growth vs. 2014-2015)¹
- **Instrument Type** - Debt is the most common instrument available, followed by equity. Mezzanine and quasi equity are gaining more relevance
- **Top Sectors** - Financial inclusion and agriculture are the top sectors. Low investments in the affordable housing sector in recent years (USD \$25 M in 14 deals in LATAM during 2018)
- **Returns expectations** - Most investors expect returns of 6-15% from their impact deals
- **Ticket size** - USD \$2 M on average
- **Exits** - limited exits prompting investors to look for structured exit models (USD \$18.2 M USD in 4 exits in 2017)



COVID-19

- Most investors focused on protecting current investments by increasing financial liquidity for the next 6-12 months
- Limited ability to conduct proper due-diligence results in paused or delayed new investments

Key Challenges

- **Lack of investment ready pipeline** - Colombia is an early stage ecosystem where enterprises often lack minimum revenues and collateral, and understanding of impact investing criteria

We focus on growth financing, startups with 2-3 years with revenues, fully-formed teams and who have passion for what they do
Colombian Impact investor







- **Impact investing networks are fragmented** - lack of networks for both Colombian entrepreneurs and investors to coordinate financing and investment needs
- **Lack of social impact measurement tools** – in Colombia there is a lack of knowledge and financial resources to translate intangible social benefits to measurable metrics
- **Mismatched expectations** - expectations of rapid scale and high returns are not aligned with the reality of social enterprises

It is important to show the benefits of impact investing to the broader investing communities; value investments are not much safer than impact investments

Colombian investor

A growing number of local and international capacity building programs operate in Colombia

Capacity dev.

| Type | Organization | Services | | | | Funding sources | | | | Enterprise Stage | |
|---------|---|-----------------|--------------|-----------|--------------|-----------------|-----------|------------------|---------------|---------------------|--------------|
| | | Coworking space | Peer Network | Mentoring | Co-financing | Corporate | Grants | Impact investors | Members' fees | Seed / Early Stages | Growth Stage |
| Public |  | | Secondary | Primary | Secondary | | Primary | | | Primary | Secondary |
| Private |  | Secondary | Secondary | Primary | Primary | Primary | | | | | Primary |
| |  | | Secondary | Primary | Secondary | Primary | | | | Primary | |
| |  | Secondary | Primary | Primary | | Primary | Secondary | | | Primary | Secondary |
| |  | | Primary | Primary | | | Secondary | | Primary | Primary | |
| |  | Secondary | Primary | Primary | | Primary | Secondary | Primary | | Primary | |

Primary Secondary

Despite large number of programs, gap remains in access to investment opportunities and high-quality mentors

Key Trends

- Innovation at the core of most programs due to strong momentum of public innovations and entrepreneurship programs
- Colombian accelerators / incubators programs are leaders in the Andean region, supporting more than 60% of startups created in these type of programs ¹
- **Most common sectors for ventures** - ICT (14%), financial services (13%) and agriculture (11%) ¹, few entrepreneurs in the shelter and adjacent sectors
- **Funding** – largest accelerators programs are part of private corporations' innovations programs such as Wayra and Fundación Bolívar; most other programs charge a small fee to cover costs or are part of a university innovation hub
- **Startup stages** – programs focus on early-stages startups offering mentoring, business training and access to networks
- **Portfolio** – most accelerators have diverse portfolios with no dedicated focus to a specific sector
- **Female participants** – in recent years, women in Colombia have started to explore entrepreneurship as a



COVID-19

- Lack of digital infrastructure and capabilities to support entrepreneurs on a remote-basis
- Entrepreneurs are pivoting their ideas toward potential solutions to address COVID-19 effects (e.g.: telemedicine, education)
- Liquidity issues for programs relying on entrepreneurs' fees

Key Challenges

- **Developing networks** - Limited partnerships with impact investors and other ecosystem actors to provide direct access to investment and to new markets
- **Low commitment from program advisors**- Limited access to high-quality mentors with social entrepreneurship experience as well as technical expertise who can accompany the entrepreneurs in the short and medium-term

Entrepreneurship ecosystems tend to be endogamic, there are no real global networks that allow entrepreneurs to access quality mentoring or investment
Colombian Ecosystem builder

- **Lack of legal training** – lack of specialized legal counseling and support to pay taxes and get financial control
- **Geographic coverage** – most programs are based in Bogota and Medellin, with little regional footprint, limiting the variety of entrepreneurs with different backgrounds

Most incubators are based in big cities, it is important to democratize entrepreneurship and support local and rural entrepreneurs
Colombian Ecosystem builder

Opportunities in the shelter sector in Colombia

Market Conditions

- Expand home improvement and formalization of land and house tenure services as Colombia's has the lowest land-tenure index in the Andean Region
- Take advantage of increase momentum in the sector of low-income housing with Ashmore Fund's USD \$50 M commitment to support new affordable housing developments for low- and middle-income families in Colombia
- Opportunity to engage with entrepreneurs at the right stage as they graduate from seed funding capital investments (e.g. Fondo Emprender)
- Seek opportunities to leverage the strong momentum in innovation and entrepreneurial culture with many government initiatives at the national and regional level (e.g. Ruta N Medellín)

Key ecosystem *(not exhaustive)*

- To identify and recruit entrepreneurs: Asociación Nacional de Empresarios de Colombia (ANDI), Ruta N Medellín, Servicio Nacional de Aprendizaje (SENA)
- To connect entrepreneurs to investors: Fundación Bolívar Davivienda, Ashmore Fund
- For mentoring support: Chamber of Commerce in Bogota, Medellín and Cali
- To strengthen the shelter entrepreneurship ecosystem: Comfandi, foundations working to solve housing crisis of displaced populations by the FARC conflict

ECUADOR



Ecuador at a glance



Country Overview



17 MM people ¹

38% middle class ⁹

23.2% in poverty ³



\$ 6,345 USD GDP per capita (2018) ²

2,7% Avg. 08-18 GDP Growth ¹

Dollarized economy since 2000



45.4 GINI (1-100 Best) ²

0.76 HDI (1-100 Best) ³

52.5% Female employment to population ratio ²

Housing Profile



64% Population with secure tenure ⁴

20% population in informal neighborhoods ⁵

36% qualitative housing deficit ⁴

15% quantitative housing deficit ^{4, 6}



88% pop. with access to sanitation services ²



100% pop. with access to electricity ²



Housing as a constitutional right: **Yes** ⁸

Main public programs: "Beneficiarios del bono solidario", "Mejoramiento de vivienda urbano marginal", and SIV-Programme for urban communities ⁷

Entrepreneurship Sector



48 Ease of Doing Business Score (1-100 Best) ²

44 Entrepreneurial Culture Index (1-100 Best) ¹



35.7% of GDP Domestic credit to private sector ²

3.7 Financing to SMEs (1-7 Best) ¹

2.7 Venture Capital Availability (1-7 Best) ¹

34.4% Total tax and contribution rate (% of profit) ²

Study countries Average
Latin America Average

The Ecuadorian government is building spaces for a still insipient entrepreneurial ecosystem

GOVERNMENT SUPPORT: developing the path to create a solid entrepreneurship ecosystem



Quito's entrepreneurial ecosystem is growing in 2013, ConQuito, Quito's Economic Promotion Agency, started conducting regular workshops to provide technical assistance to entrepreneurs. Now it offers co-working spaces, a 4-month incubation program, and Empretec, an international program led by the UNCTAD and Harvard University aimed to provide advisory services on entrepreneurship and SME development.



Establishing new agencies to support entrepreneurs: On 2019, the government launched the Entrepreneur Service Centre in Quito to provide technical assistance to create and improve business plans, obtain credits and formalize businesses. The Centre has representatives of the Ministry of Economy, Ministry of Production and the Internal Revenue Service, and holds entrepreneurship symposiums across the country.



Increasing financial support: The Secretary of Higher Education, Science and Technology (SENESCYT) launched the Banco de Ideas virtual program to provide seed capital to entrepreneurs. Recently, the Minister of Production, alongside two local accelerator programs Muyu and Master Game, launched a new pilot program to provide seed and venture capital to 250 entrepreneurs.



Regulatory framework for entrepreneurs : On January 2020, the Entrepreneurship and Innovation Law (LEI) was launched, focused on improving access to finance for entrepreneurs, promoting the entrepreneurial spirit through educational reforms, and enabling the establishment of new legal entities for single-owner ventures. It also established new regulations and public monitoring mechanisms to increase access to crowdfunding platforms for entrepreneurs. Since the end of 2019, there is an instruction (not a law) that allows companies to establish or adapt as a BIC.



COVID-19 Support to address economic emergency: Ecuador received 1.4 billion USD from the IMF, the World Bank, and the IDB to reactivate the economy. Additionally, the government deferred taxes payments and launched microcredits for SMEs.

Despite high rates of entrepreneurial activity, support mechanisms are just beginning to develop in the country

ENTREPRENEURSHIP ECOSYSTEM: paving the way to integrate holistic support systems for entrepreneurs



Entrepreneurship as national identity: Ecuador has had one of the highest Total Entrepreneurial Activity (TEA) rate in Latin America in the last few years. In 2017, 29.6% of adults between 18 – 64 years old (around 3 million Ecuadorians) were estimated to be starting or running a new business.



Growing integration within the ecosystem: Since 2016, The Alliance for Entrepreneurship and Innovation of Ecuador (AEI) is a private organization leading the efforts to develop strategies to support entrepreneurs with technical assistance, access to venture capital and entrepreneurial education. It also seeks to promote joint initiatives among, public, academic and private ecosystem actors to increase entrepreneurship and innovation in Ecuador.



Quito is positioning itself as a center for entrepreneurship competitions and events: such as Techstars Startup Weekend, Lean Startup Machine, MIT's Emerging Technologies Conference, IMPAQTO's Cumbre Latinoamericana de Inversión de Impacto (CLIIQ: NEXUS Latin America Summit), and the KIWA Investment Summit



Entrepreneurial education is spreading within public and private institutions, but quality is still lacking: Since 2016, public high-schools and universities include entrepreneurial and management subjects in their curriculum, and incubator programs are becoming common in the country, however there are few high-quality programs



Ecuador's small market calls for regional expansion for growth: Ecuador's 17 MM population not only limits entrepreneurs' market potential, but also reduces the incentives to invest for regional or global investors, as they will look for startups with scale potential and clear plans to grow in other countries

Key stakeholders in the social entrepreneurship system

- Not exhaustive -

Investors


 **GRASSROOTS BUSINESS FUND** Invests in businesses that impact the bottom of the economic pyramid


 **NESst** Has evaluated more than 50 startup ideas in Ecuador


 **Pomona Impact** Specialized in AgTech, housing and basic services*


 **OIKO CREDIT** Invests in financial inclusion and agriculture in Ecuador


Capacity Developers


 **CONQUITO** Provides technical support for entrepreneurs*

 **senescyt** Provides seed capital to entrepreneurs

 **IMPAQTO** First B Company in Ecuador*

 **unreasonable** Fast-track programs to prepare startups to be investment-ready

 **endeavor** Has joined forces with Banco Guayaquil to help entrepreneurs in early stages*

 **ASHOKA** The "Ashoka Joven" program works directly with people from 12 to 20 years old *

Ecosystem Builders


 **CERES** Leader in knowledge, training, and research on Social Responsibility


 **aei** Alianza para el emprendimiento e innovación. Network of public, private and academic actors*


 **CAMICON** Launches international fairs to promote innovation in the construction industry*

 **Aspen Network of Development Entrepreneurs** Network and research organization on SGB and entrepreneurship*

Shelter Entrepreneurs

 **ECUAPLASTIC SC** Tetra pack recycling to manufacture building materials

 **YAKU PURA** Tap filter for drinking water *

 **BIOM** Rice-straw insulation materials*



* - Experience in shelter sector. Darker background identifies public sector actors

Spotlight: shelter entrepreneurs



- Founded in 2008 as a family business with a \$5,000 USD investment
- Currently valued at \$1 million USD
- Manufactures ecological covers and boards for buildings with recycled Tetrapack materials
- Products are long durability, malleable and resists effects of weather and corrosion
- 20% of the material is sourced with families dedicated to recycling, the rest is mostly imported from Spain and Mexico

- Founded in 2018
- Activated carbon-based filter that can adjust to any size water tap for immediate and safe consumption
- They seek to reduce the use of plastic water bottles and increase access to drinking water
- Received seed capital from SENECAST
- Alliances with smallholder farmers for raw materials procurement
- Winners of the BID-FEMSA 2019 award for innovation

- Founded in 2018
- Manufactures eco-insulation materials for houses made out of rice straws
- Alliances with smallholder farmers and CESA, an NGO to procure rice straws
- Winner of the 2018 Challenge in Urban Entrepreneurship (Impaqto, IDB, FOMIN)

Key barriers for entrepreneurs in the affordable housing sector

Capital



- Limited of knowledge and understanding of impact investing mechanisms and institutions
- Limited access to impact investing funds due to lack of minimum revenue, years in operation or growth potential
- Regulatory barriers to receive foreign investment and/or export products to other LATAM markets

I haven't heard of any impact investors in Ecuador, I've taken bank loans to finance my operations

Ecuadorian entrepreneur

Labor



- Requires specialized personnel due to highly technical nature of the shelter sector
- Limited offer of innovation-oriented educational spaces for entrepreneurs

Training sales staff is always a challenge, they don't have the technical knowledge to sell the product

Ecuadorian Entrepreneur

Efficiency



- Excessive regulations to set up enterprises (48 days to set up an enterprise, LATAM average is 25 days)
- Lack of understanding of management tools and methodologies to manage business
- Low fiscal incentives to formalize startups

I paid penalties at the beginning because I didn't know how often I had to report my taxes

Ecuadorian Entrepreneur

Demand



- Limited ability to pay (buying decisions are driven by price and not quality)
- Higher prices than the competition due to a high degree of informality in the shelter sector
- Monopolized market largely controlled by state agencies, highly bureaucratic and expensive process to set up partnerships with the government

There are mafias in the construction markets that control the whole market

Ecuadorian entrepreneur



COVID-19

Some entrepreneurs in Ecuador are reinventing themselves. In the materials sector, entrepreneurs are taking advantage of their raw materials to make respiratory care products. However, most had to stop operations for several weeks. Entrepreneurs with business models based on circular economy see a benefit in changing people's mentality regarding caring for the environment

Even though the Ecuador market is small, impact investing has grown in recent years

Key Trends

- Impact investment deals have increased significantly in the last years in terms of quantity, from 7 deals in 2014-2015 to 189 deals in 2016-2017. However, the funds invested decrease
- **Invested Capital** - USD \$185 M invested in 152 deals during 2016-2017 (vs. USD \$199.6 M invested in 2014-2015) ¹
- **Ticket size** - USD \$0.98M on average¹
- **Instrument Type** - Equity investment is the most widely used instrument, followed by debt and convertible securities.
- **Top Sectors** – Financial inclusion and agriculture
- **Shelter Sector** - Ecuador became the first sovereign bond issuer for \$400 backed by Inter-American Development Bank to boost government housing program “Casa para Todos”
- **Risk profile** - Ecuador’s dollarized economy decreases currency risk

COVID-19

- COVID-19 has shone a light on Ecuador’s housing crisis and the need to increase public and private investment in the country
- Imminent economic crisis will incentivize mezzanine financing for investors in Ecuador

Key Challenges

- **Scale limitations due to small market potential** – with only 17 MM people, Ecuador presents further need to invest in startups with potential for international expansion

We want to invest in business models that are scalable, businesses that can grow rapidly in the next 2-4 years
Ecuadorian Impact Investor

- **High local taxes** – tax regulations increase the cost of doing business in Ecuador. Non-resident investors are due to pay 25% of any profits obtained
- **Lack of investment-ready pipeline** – Most Ecuadorian entrepreneurs in the shelter sector, are in early stages with no significant track-record on clients or revenue thus not complying with most investors’ criteria

Finding the right pipeline is always an issue, we see that most startups are not capable to absorb large investments
Ecuadorian Impact investor

Local capacity building programs are starting to build presence in the Ecuadorian entrepreneurial landscape

Capacity dev.

| Type | Organization | Services | | | | Funding sources | | | | Enterprise Stage | |
|---------|---|-----------------|--------------|-----------|--------------|-----------------|-----------|------------------|-------------------|---------------------|--------------|
| | | Coworking space | Peer Network | Mentoring | Co-financing | Corporate | Grants | Impact investors | Entrepreneur fees | Seed / Early Stages | Growth Stage |
| Public | CONQUITO | | | Primary | | | Primary | | | Primary | Primary |
| | aei Alianza para el emprendimiento e innovación | | Primary | Secondary | | | Primary | | | Primary | |
| Private | IMPAQTO | Secondary | | Primary | | | Secondary | | Primary | Primary | Primary |
| | unreasonable | | Secondary | Primary | | | | Primary | | | Primary |
| | ENDEAVOR | | Secondary | Primary | Secondary | | | | Primary | | Primary |
| | Krugerlabs Aceleradora Digital e Innovación Empresarial | | | Primary | Secondary | Primary | | | | | Primary |
| | | | | | | | | | | | |

While accelerator programs are expanding, access to high quality networks and legal assistance are key challenges to overcome

Key Trends

- Even when entrepreneurial spirit indicators are consistently high, social entrepreneurship activity is one of the lowest in Latin America due to a lack of specialized agents and success cases¹
- **Most common sectors for ventures** - financial inclusion and agriculture, few entrepreneurs in the shelter and adjacent sectors
- **Funding** – largest accelerators programs rely on entrepreneurs' fees for programs, and grants from international organisms such as IDBLabs and Corporación Andina de Fomento (CAF)
- **Portfolio** – most accelerators programs have diverse portfolios, with no specific focus on a particular industry or sector. Programs focused on social entrepreneurship are limited
- **Startup stages** - programs focus on early-stages startups offering mentoring, business training and access to networks



COVID-19

- Launch of webinars to help create a virtual community among entrepreneurs and help them transition to digital business models
- Liquidity issues for programs relying on entrepreneurs' fees

Key Challenges

- **Developing networks** - Limited partnerships with impact investors and other ecosystem actors to provide direct access to investment and to new markets

We are not Silicon Valley, investors are few, and finding the right investor is not easy
Ecuadorian Capacity Developer

- **Pipeline Development**– limited outreach efforts and entrepreneurial networks to find entrepreneurs with innovative ideas

We often find entrepreneurs by chance through other entrepreneurs, there aren't any official mechanisms or channels to find them
Ecuadorian capacity developer

- **Limited access to specialized mentorship** – low access to multidisciplinary mentors with technical knowledge related to startups core business as well as regulatory requirements to ensure entrepreneur's success

More useful programs for us were the ones that assigned specialized international mentors with a global perspective

Ecuadorian
Entrepreneur

Opportunities in the shelter sector in Ecuador

Market Conditions

- Focus on startups related to access to sanitation services and house improvement as Ecuador has a 36% qualitative housing deficit, significantly higher than the Andean Region average
- Increase in families' available income for home improvement due to new credits for low-income housing, with subsidized interest rates through "Casa para Todos" bond backed by the Inter-American Development Bank
- Growing confidence in the impact investing market in Ecuador, with the second highest investment market, and more than 180 deals in 2016-17
- Ability to attract foreign investment for entrepreneurs due to lower transactions costs and no currency risk for investors due to dollarization
- Shelter entrepreneurs can benefit from increasing government support (e.g. SENCYTEC to obtain seed capital)
- Opportunity to serve a niche market, as there are few incubator and accelerator programs, with one focused on social entrepreneurship (i.e. IMPAQTO)

Key ecosystem actors *(not exhaustive)*

- To identify and recruit of entrepreneurs: IMPAQTO and CERES
- To support mentoring: AEI, CAMICON
- To obtain financing: SENCYTEC, ConQuito and POMONA (for investment-ready startups)



PERU



Peru at a glance



Country Overview



32.2 MM people ¹

47% middle class ⁶

21.7% in poverty ³



\$ 6,941 USD GDP per capita (2018) ²

4.2% Avg. 2008-2018 GDP Growth ¹



42.8 GINI ² (0-100 Best)

0.76 HDI ³ (0-1 Best)

67.9% Female employment to population ratio ²

Housing



Profile

69% Population with secure tenure ⁴

34% population in informal neighborhoods ⁵

8.6% qualitative housing deficit ⁴

1.8% quantitative housing deficit ⁴



74.3% pop. with access to sanitation services ²



96.4% pop. with access to electricity ²



Housing as a constitutional right ⁸: No

Key public subsidy programs: "Techo Propio" and "Fondo Mi Vivienda" ⁷

Entrepreneurship



Sector

65.6 Ease of Doing Business Score (0-100 Best)

49 Entrepreneurial Culture Index (0-100 Best) ¹

44% of GDP Domestic credit to private sector ²

3.6 Financing to SMEs (1-7 Best) ¹

3.1 Venture Capital Availability¹ (1-7 Best)

36.8% Total tax and contribution rate (% of profit) ²

■ Average in Andean Region
■ Average in Latin America

Peru is fostering a culture of innovation throughout government agencies and academic institutions

GOVERNMENT SUPPORT: strengthening spaces and actors across the ecosystem



Developing programs to support entrepreneurs: " Innóvate Perú " is the main innovation agency in the country, its programs " Startup Perú" and " Emprendedor Peruano" provide technical assistance to startups in early stages



Increased ecosystem support through universities: In 2014, the Peruvian Government launched the University Law No. 30220, that established every university must set up an incubation program. Today 80% of incubators are housed within universities. Most public programs are financed with "Innóvate Peru" grants



Increase in funds for venture capital firms through Peru's development bank: COFIDE, the national development bank manages FONDEMi – an USD \$85 M fund designed to support SMEs with working capital. In 2019, COFIDE announced a new fund of funds to inject USD \$20 M into venture capital firms, and support approximately 120 startups



Support for innovation: Since 2007 the Ministry of Production has invested more than USD \$285 M in 3,500 innovation and entrepreneurship projects. Likewise, private companies investing in research and development will accrue tax benefits until 2022 as part of a national program to foster innovation in Peru



"Reactiva Perú" in response to COVID-19: Peru allocated 12% of the GDP to address the economic emergency caused by COVID-19. Programs include extension of the payment period of financial and tax obligations for SMEs, and an USD \$85 M fund to provide credits for SMEs. However, to this date, there are no specific actions for existing or aspiring entrepreneurs.

Entrepreneurs networks and private sector associations are leading the efforts to integrate all actors in the ecosystem

ENTREPRENEURSHIP ECOSYSTEM: developing support networks across a range of actors



Growing integration within the ecosystem: the Peruvian Association of Seed and Entrepreneurial Capital (PECAP) recently launched the Public Policy Committee to promote entrepreneurial capital in Peru alongside government authorities. Entrepreneurs networks such as The Association of Entrepreneurs of Peru (ASEP) and “Perú Emprrende”, also foster ecosystem integration through regional summits and events to expand entrepreneurial networks in Peru and the Latin American region.



Significant support to capacity developers, however highly concentrated in the capital: Since 2013, Innovate Peru has invested USD \$7 M in strengthening technical assistance capacity in incubators/accelerator programs, however support is concentrated in the capital as 75% of these programs are based in Lima

Investment networks are gaining momentum: over the last three years, local angel networks and venture capital funds started to finance tech ventures. In late 2019, Fundación Wiese through NESsT launched Fondo Emprendedor, the first impact investment fund completely financed with Peruvian capital.





There is no legal structure for social enterprises: Most social enterprises take the form of non - profit organizations, where all profits must be re-invested in the business limiting their ability to attract private partners and capital. The law of benefit societies and collective interest (BIC) is still under debate


Key stakeholders in the social entrepreneurship system


- Not exhaustive -


Investors

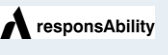
 **COFIDE** Peruvian development bank with increasing support to social entrepreneurs *

 **NESST** Manages first impact investment fund financed with Peruvian capital


 **ANGEL VENTURES** Focused on early-stage start ups


 **GRASSROOTS BUSINESS FUND** Invests in businesses that impact the bottom of the economic pyramid


 **SALKANTAY** Winner of the Venture Capital Promotion Contest by Innóvate Perú


 **responsAbility** One of its focuses is investment in energy access


Capacity Developers

 **endeavor** 9 Peruvian enterprises in its portfolio*

 **PONTIFICIA UNIVERSIDAD CATOLICA DEL PERU** Offers management workshops for entrepreneurs*

 **Emprende UP** Focused on sustainable development ventures


 **bioincuba** Well-connected to seed capital investors


 **USIL ventures** Promotes high-impact innovative business through the program BioStartUp


Ecosystem Builders


 **PERU INCUBA** Leaders of the Innovate Perú Program*

 **Sistema B** Strengthen companies to solve social and environmental problems


 **KUNAN** Space for exchanging experiences and skills development to support social entrepreneurship


 **CONCYTEC** Holds outreach events such as Emprendetech


 **ASEP** Offer spaces for outreach events and mentoring programs


 **PECAP**

Shelter Entrepreneurs

 **x-runner** Alternative sanitation projects*

 **CICLO** Recycle construction waste to transform it into sustainable materials*

 **M MUYO** Tech platform for architects interested in sustainable buildings / self-built houses*

 **inventum** Pukio provides solutions for access to drinking water*



* - Experience in shelter sector. Darker background identifies public sector actors

Spotlight: shelter entrepreneurs in Peru



- Founded in 2013 as a non - profit organization & limited company
- Generates alternative sanitation for hard-to-access communities with poor sanitation systems
- Monthly fee \$1 USD per toilet
- X-Runner is currently working with 900 families in 160 communities across the country
- Supported with grant funding but also raised capital from NESsT to import their first set of eco-toilets manufactured in Germany
- Winners of El Comercio Newspapers' 2017 Business Creativity Award



- Founded in in 2015
- Recycles construction waste in order to transform it into sustainable construction materials. Business model based on circular economy
- Main clients include social housing projects with LEED or EDGE certifications
- Beneficiary of the fourth edition of StartUp Peru and the winner of the «Audacious Ideas» contest organized by CONCYTEC's Cienciactiva program



- Founded in 2016, they have received seed capital from Universidad del Pacífico Incubator Program and Startup Perú
- Winner of the CEMEX-Tec Award
- Consists in two linked platforms: one project development platform where families can post housing needs, and another platform where architects post their proposals, afterwards families can use proposals to access state subsidies for house construction
- Architects receive a monetary prize from Mutuo
- Families pay a small fee to participate in the platform

Key barriers for entrepreneurs in the shelter sector

Capital



- Low access to low-ticket investments for business expansion, early – stage startups prefer to access funds from international NGOs or public programs
- Long and bureaucratic processes to access public seed capital
- Failure to prove competitiveness at the regional level prevents them to access international capital

Some of the government's programs asked for too many requirements for the amount of money to be received
Peruvian entrepreneur

Labor



- Lack of high-quality local talent with the technical and management skills to become part of an entrepreneur team
- Sales team are often formed by former customers with high local market knowledge but poor management skills

Community leaders are our most reliable salesman even if they don't have all management skills
Peruvian entrepreneur

Efficiency



- Long bureaucratic processes to obtain necessary certifications to participate in public biddings for shelter projects
- Lack of access to high-quality mentoring programs to develop business management skills
- High formalization costs – entrepreneurs prefer to remain informal

I'd like to have someone giving me guidance on how to enter new markets and how to grow my business
Peruvian entrepreneur

Demand



- Monopolized affordable housing market largely controlled by state agencies
- Low incentives to invest in home improvement from potential clients due to government' pledges to launch public housing programs
- Higher prices than competition due to non-regulated shelter sector markets and subsidized products
- High marketing costs in order to access bottom of the pyramid populations

The government keeps misinforming communities about upcoming programs, so they don't want to invest in their homes
Peruvian entrepreneur



COVID-19

The Peruvian startups in the early stage were hit very hard by COVID-19. After all, they could not access financing facilities because they still did not have positive cash flows. On the other hand, more mature entrepreneurs have had to relax the payments made by their clients

Impact investing in Peru is still growing, with microfinance holding the largest share of investments

Key Trends

- In the last year, the Peruvian investment ecosystem started to gain traction with NESsT's Fondo Emprendedor, the first impact investment fund completely financed with Peruvian capital
- **Invested Capital – Largest market for impact investment in Latin America** (USD \$218 M invested in 2016-2017 in 152 deals¹), of which 70% were microfinance deals
- **Ticket size** - USD \$1.4 M on average
- **Instrument Type** - Debt is the most common instrument available, followed by equity and promissory notes.
- **Top Sectors** – Microfinance and agriculture, low investments in the affordable housing sector in recent years
- **Exits** - limited exits prompting investors to look for structured exit models (\$6 MM exits in 2017)



COVID-19

Investors with Peruvian companies in their portfolios have implemented payment facilities. They are also providing technical advice to the extent possible given the current economic uncertainty.

Key Challenges

- **Lack of investment-ready pipeline**– most Peruvian startups lack minimum revenues and collateral to comply with impact investors' criteria

I'd like to have an investor coming onboard to the project, but we don't have the sales volume to qualify to their programs

Peruvian entrepreneur

- **Lack of interaction with other ecosystem actors** – Impact investing networks are fragmented with no clear channels to link entrepreneurs with investors

Impact investors are few, and have trouble finding the right pipeline with true market potential

Peruvian capacity developer

- **Mismatch return expectations** – expectations of rapid scale and high returns do not correspond to the reality of Peruvian startups, where 25% are early stage ventures

Risk aversion is greater in Peru - there isn't a strong investment culture








Peruvian Impact

Investor

Universities host over 80% of the incubator and accelerator programs in Peru

- Not exhaustive -

Capacity dev.

| Type | Organization | Services | | | | Funding sources | | | | Enterprise Stage | |
|------------|---|-----------------|--------------|-----------|--------------|-----------------|-----------|------------------|---------------|---------------------|--------------|
| | | Coworking space | Peer Network | Mentoring | Co-financing | Corporate | Grants | Impact investors | Members' fees | Seed / Early Stages | Growth Stage |
| University |  | Secondary | | Primary | | | Secondary | | Primary | Primary | Secondary |
| |  | Secondary | Secondary | Primary | | | Secondary | | Primary | Primary | |
| |  | Secondary | | Primary | | | Secondary | | Primary | Primary | |
| |  | Primary | Primary | Primary | | | Secondary | | Primary | Primary | Primary |
| |  | Secondary | | Primary | | | Secondary | | Primary | Primary | |
| Private. |  | Secondary | Primary | Primary | | | Secondary | | Primary | Primary | Primary |
| |  | Secondary | Primary | Primary | | | Secondary | Primary | | Secondary | Primary |

Primary Secondary

As the number of public incubators increases, quality of mentoring services varies across programs

Key Trends

- Since 2014, universities must establish an incubator program resulting in an expansion of programs but a wide range of quality levels
- In recent years, accelerators focused solely on social entrepreneurs have gained relevance (4 out of 7 PECAP's accelerator programs are social-focused)
- **Funding** -
 - The government has provided funds to support incubation and acceleration programs for universities and companies such as Endeavor (around USD\$4 M in 2016-2019)
 - Most other programs have a consulting branch or charge small fees to entrepreneurs to finance operations
- **Portfolio** – most programs are not tailored to specific startup sectors or growth stages
- **Startup stages** – most programs focus on early-stage startups offering mentoring services



COVID-19

Incubation and acceleration programs in Peru have used hackathons and webinars to further expand to other markets

Key Challenges

- **Generic programs** – Lack of specialized advice as most Peruvian programs offer seminar-based assistance to all types of entrepreneurs
 - Sectoral vs. General has a greater impact. It's hard to be good at being a generalist*
Peruvian Ecosystem builder
- **Lack of long-term support from sector experts**– limited one-on-one sessions with mentors and lack of follow-through on
 - It is like when you go to the gym: People can tell you that it is good, but only after months you will be able to notice the changes*
Peruvian Ecosystem builder
- **Over-reliance on public funds**– Most programs, private and university-based, rely in some degree on public funds to cover operational costs forcing them to prioritize other activities
 - Most entrepreneurs cannot pay incubators' programs. Incubators need to diversify and offer consulting services to make ends meet*
Peruvian Ecosystem builder

Opportunities in the shelter sector in Peru

Market Conditions

- Focus on startups related to land and house tenure formalization services, and water and access to sanitation services as Peru is below the Andean and LATAM average
- Low income families may increase their spending in shelter construction services as recently, the government re-instated public subsidy for public housing, and launched a “green bond”, in which social sustainable houses are eligible for a 40% discount on mortgage interest rates
- Peru is an attractive market for impact investing, due to its stable macroeconomic and political conditions, in 2017 they surpassed Mexico and Brazil as the largest market for impact investment
- Available impact investment capital in Peru may increase due to COFIDE’s fund of funds dedicated to invest in specialized venture capital firms focused on high impact startups
- Opportunity to serve a niche market, as there are few sector-specific incubator and accelerator programs, mostly based in universities with limited resources

Key ecosystem actors *(not exhaustive)*

- To identify entrepreneurs: Pontificia Universidad Católica de Perú, Kunan, and Peru Incuba
- To support mentoring: Peru Incuba, Global Shapers Lima Hub, Universidad del Pacifico
- To grow entrepreneurs’ network: USIL Ventures, PECAP, ASEP
- To finance entrepreneurs: COFIDE, Innovate Perú

