

Proposed Project: Feasibility study for a social enterprise accelerator in the Amazon Basin

Organizations: Frontier Market Scouts (the Monterey Institute of International Studies), Village Capital, and the Yachana Foundation

Location: Coca, Ecuador

Dates: September 2011 – January 2012

Within the past few years, impact investing has become a leading financial instrument for transferring much needed capital to deserving social entrepreneurs in emerging markets. An impact investment differs from a microloan in that it is greater in amount and typically does not require a direct repayment. Rather, repayment is sought in the form of dividends or a traditional “exit” (i.e. a merger, acquisition, etc.). Impact investment is truly a catalyst through which small, social businesses can grow to achieve the impact they wish to have. Although, it has been no secret that social enterprises have a difficult time attracting traditional venture capital in developed countries, let alone in emerging markets where capital markets may not even exist. Moreover, entrepreneurs and small-medium sized business owners require more start-up capital than a traditional microloan can offer. This dilemma posits an opportunity for a new type of development assistance, which is where the Frontier Market Scouts program at the Monterey Institute of International Studies (MIIS) and Village Capital have stepped up to play.

Village Capital is an Atlanta-based, 501(c)(3) organization that was started by the impact investment firm, First Light Ventures. The core mission of Village Capital is to create a peer network of entrepreneurs in emerging markets and run an intensive business accelerator program complete with professional mentorship and business and education. The key component of the Village Capital program, however, is that not only do the entrepreneurs gain exposure to a network of impact investors, but they ultimately choose among themselves which companies are the most investment-worthy, similar to the wildly successful group-lending model in microfinance.

Up until now, Village Capital has set up accelerator programs around the world in primarily urban areas in English-speaking countries. After a whirlwind of successes, they have decided to test the feasibility of the Village Capital model in a completely different setting: rural Latin America. When approached with the opportunity to run this feasibility study, I could not have said “yes” fast enough. Thus, For 5 months starting in September I will be working with Village Capital, the Yachana Foundation and Eco-lodge (Coca, Ecuador) and the Frontier Market Scouts program at the Monterey Institute of International Studies to test the feasibility of running a Village Capital program in the rural, Amazonian province of Orellana, Ecuador.

The Amazon Basin in South America is full of diverse natural resources and extremely talented entrepreneurs. More importantly, however, it is an area filled with poverty, unequal access to basic services, and is one of the most at-risk areas to climate change. There are currently 4

operating business incubators in Ecuador, though not a single one is dedicated to helping social enterprises in rural communities. This is where I come in!

Douglas McMeeking at the Yachana Foundation has graciously agreed to receive me as frontier market “scout” and provide a base where I can plan my research and perform several feasibility studies on the following topics:

- Is it possible to run a Village Capital program in the rural Amazon?
- What is the density of social entrepreneurs in the Orellana Province? In Ecuador? In the entire Amazon Basin?
- How “temperate” is the investment climate in Ecuador? Can social investors (domestic and foreign) easily transfer capital to local social entrepreneurs?
- Assuming the above results are favorable, what would be the most effect way to run a Village Capital program?
 - o What are the resources required, who are potential investment partners, NGO / organizational support, how would we structure scheduling, etc.

A series of case studies will be written on these above topics so that others can learn about the benefits of impact investment, both from a financial and social perspective, in Ecuador. I also plan to create a network of non-profit, government, and regional organizations who are in support of the Village Capital model so that the program can continue to thrive long after my research is complete. In sum, my over-arching goal while in Coca is to lay the foundation for a revolutionary program that draws social entrepreneurs *from* the Amazon Basin who have created affordable basic goods and services *for* the people of the Amazon Basin. These could include mobile healthcare, alternative energy, cell phone applications, and express mail services to name a few. In the event this is not feasible, other possible program options include: running a micro-village capital program whereby small business loans (not microloans) are granted as opposed to an equity stake, running a mock-village capital program at the Yachana technical high school to promote social entrepreneurship, or working with the 4 existing incubators to incorporate Village Capital-type accelerator programs.

By achieving these goals, entrepreneurs from an area that has been largely overlooked will have the opportunity to scale their businesses to achieve sustainable profits and expand the reach of their social impact. More importantly, the overall wealth of the region will grow as each entrepreneur becomes successful. Greater wealth leads to improved education systems, access to healthcare, and countless other social benefits which otherwise would cost governments and non-profits millions of dollars to implement. The Village Capital program truly breaks the mold of dependency, and allows a community to grow from within.