

LANDSCAPE STUDY OF ACCELERATORS AND INCUBATORS IN BRAZIL

July 2017

TABLE OF CONTENTS

5 - EXECUTIVE SUMMARY

1 9 - BACKGROUND TO THIS STUDY

2 11 - RESEARCH METHOD

11 - Research Objectives

11 - Methodology

12 - Process Overview

13 - Defining "Accelerators"

3 14 - KEY FINDINGS

14 - Sample Description

15 - Year of Inception

15 - Sector Focus

16 - Geographical Scope of Operations

17 - Investments

18 - Financial Sustainability

19 - Types of Programs Provided

4 22 - A FOCUS ON THE SOCIAL ENTREPRENEURSHIP ECOSYSTEM

22 - Sample Description

23 - Program Duration

23 - Investments

24 - Sector Focus

25 - Geographical Scope of Operations

5 26 - COMPARISON WITH ACCELERATORS FROM OTHER COUNTRIES

26 - Sample Description

27 - Program Characteristics

27 - Investments

28 - Funding Sources

6 29 - CONCLUSIONS

7 30 - RECOMMENDATIONS FOR THE SECTOR AND OPPORTUNITIES FOR FURTHER RESEARCH

32 - ABOUT THE GLOBAL ACCELERATOR LEARNING INITIATIVE

33 - REFERENCES

ABOUT THE PARTNERS

ANDE

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of organizations that propel entrepreneurship in emerging markets. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs will create jobs, stimulate long-term economic growth, and produce environmental and social benefits. Ultimately, we believe that SGBs can help lift countries out of poverty.

ICE

Created in 1999, the *Instituto de Cidadania Empresarial* (ICE) is a civil-society organization whose mission is to bring together transformative leaders in the development of innovative initiatives that maximize positive social impact in low-income communities.

With promotion of social innovation as its central purpose, ICE has chosen to focus from 2014 to 2020 on strengthening the ecosystem for social finance, and on incentivizing the creation of innovative financial mechanisms that seek to allocate more capital to projects and initiatives generating wide-scale social impact.

RESEARCH TEAM

ANDE

Abigayle Davidson, Genevieve Edens, Rebeca Rocha,
Rob Parkinson, Saurabh Lall, Tainá Costa

ICE

Fernanda Bombardi
Samir Hamra

ACKNOWLEDGEMENTS

We are grateful to the organizations that contributed data for this study and to all of the specialists who dedicated time to share their experiences and perceptions about the field in the interviews conducted.

We would like to also thank ANPROTEC who supported the research by facilitating connections with several incubators around the country.



NOTES FROM THE AUTHORS

We believe that programs dedicated to supporting entrepreneurs around the world are fundamental to the success of early stage businesses. Accelerators and incubators work in a crucial phase of business development, when entrepreneurs need to test ideas and hypotheses, build networks, and find strategic partners and financial investors. The roles that these programs play are fundamental for the healthy growth of the entire entrepreneurial ecosystem.

On the other hand, further data, analysis and comparisons about these programs are necessary to provide better and more detailed information on where they can focus, improve, and differentiate. In the following pages, you have the opportunity to find some of the most recent data about these organizations working in Brazil.

We intend this report to be the start of an ongoing effort to collect and analyze information about these players in Brazil and around the world, and to stimulate further conversation and investigation by and with other organizations.

EXECUTIVE SUMMARY

The idea for this study arose due to a perceived lack of consolidated information regarding the work of accelerators and incubators in Brazil, particularly how they engage businesses with a social or environmental mission, and also how they compare to organizations abroad that play a similar role. With these challenges in mind, the Aspen Network of Development Entrepreneurs (ANDE) and Instituto de Cidadania Empresarial (ICE) joined forces and outlined the following research objectives:

1

To deepen understanding of the operational models of accelerators and incubators in Brazil, in relation to geographic and sector focus, type of support offered and revenue models.

2

To investigate how accelerators and incubators in Brazil work with impact-oriented businesses, and what differences and similarities exist between those that do and do not work with this type of business.

3

To explore the differences and similarities between accelerators and incubators in Brazil and those in other parts of the world.

The study applies a combination of quantitative and qualitative analysis to address these objectives, and the research was carried out from May to August 2016.



SAMPLE CHARACTERISTICS

A total of 53 accelerators and incubators are included in the study.

All 5 regions of the country are represented, with particular concentration in the Southeast (approx. 60%) and South (approx. 25%).

Around 60% of respondents can be characterized as accelerators, and the remainder as incubators or other kinds of venture support.



SECTOR FOCUS

Less than 50% focus on businesses working in a particular sector or set of sectors.

The most common sectors of focus are ICT, health, and energy.

More than 14 different sectors were mentioned among respondents.



OPERATIONAL MODELS

Almost half of respondents (42%) operate in more than one city.

Program duration ranges from less than six months to more than two years.

Approximately one third of respondents guarantee financing to some or all of the businesses supported, with equity being the most common form of investment.

The most common sources of funding for operations are government, philanthropy, and venture fees, with each being cited by almost half of the respondents.

On average, the funding sources that make up the largest portions of operating budgets are government (median contribution 60%) and philanthropy (median contribution 50%).



APPROACH TO SOCIAL / ENVIRONMENTAL IMPACT BUSINESSES

Approximately one quarter of respondents intentionally support ventures with social or environmental objectives.

On average, respondents with an impact orientation run shorter programs.

Respondents in our sample that have an impact orientation are less likely to guarantee investment to supported businesses.



COMPARISON BETWEEN BRAZILIAN AND INTERNATIONALLY-BASED ACCELERATORS

The Brazilian accelerators in our sample run longer programs on average than accelerators based in other countries.

The Brazilian accelerators in our sample have fewer program applicants on average.

Brazilian accelerators are similar to those based in other countries in terms of number of cohorts ran per year and most common funding sources.

RECOMMENDATIONS

Based on this study's conclusions and other information available about the entrepreneurial ecosystem in Brazil, we recommend the following:



HELP ENTREPRENEURS MAKE THE MOST OF THE CHOICE AVAILABLE

The diversity in the way accelerators and incubators operate provides entrepreneurs with a considerable amount of choice, which presents both opportunities and risks.



TEST NEW FUNDING MODELS

Given the current macroeconomic and political situation in Brazil, accelerators and incubators should consider diversifying their funding sources, perhaps by exploring possibilities for corporate partnerships¹, or expanding the use of venture fees or equity stakes. Organizations investing in the entrepreneurial ecosystem should pay close attention to the specific role and needs of accelerators and incubators when defining funding priorities.



INCREASE DIALOGUE WITH IMPACT INVESTORS

This study shows that there may be a mismatch between the sectors that are of most interest to impact-oriented accelerators and to impact investors. Accelerators and investors should also think collaboratively about how to address the challenge of funding for early-stage ventures.

¹Among those accelerators and incubators in Brazil who are also members of ANDE, there are already examples of corporate funding for supporting specific cohorts.

BACKGROUND TO THIS STUDY

Incubators and accelerators have become an increasingly common element in discussions about new business development in recent years, both in Brazil and internationally. Investors, development agencies, and governments are excited by their potential to drive growth, spur innovation, solve social problems, and increase employment opportunities in emerging markets.

Despite this interest, rigorous research on the effectiveness of acceleration methods has not kept pace, and little is currently known about their effectiveness or how differences across programs and models influence entrepreneur performance.

In Brazil, two related studies were released in 2016. One of these, carried out by Abreu & Campos (2016), focused exclusively on Brazilian accelerators, and suggested that there are around 40 such organizations in Brazil. This study collected and analyzed quantitative data from a sample of 31 accelerators, investigating topics such as geographic reach, program duration, selection criteria, and tools and services offered in supporting ventures. The study found a strong concentration of accelerators in the Southeast region – particularly in São Paulo state (53% of the sample) – and an average program age of 3.5 years, with a range from 7 months to 10 years. It also found an average program length of 6 months, with a range from 1 month to 2 years.

The other 2016 study, coordinated by Anprotec² and SEBRAE³, focused exclusively on incubators, looking particularly at their economic impact. The Anprotec/SEBRAE study suggested that there are 369 incubators in Brazil, and through collecting and analyzing quantitative data from a sample of 65 incubators, found that they generally have a positive impact on both venture revenue growth and job creation, as well as indirect impact on the development of the local economy. A 2014 study by ABRAII⁴ showed that accelerators also have a positive impact on revenue growth and job creation, based on analysis of data collected from 15 accelerators, all members of ABRAII. The ABRAII and Anprotec/SEBRAE studies, while considering the impact of accelerators and incubators respectively, do not seek to investigate the nature of the organizations themselves and the programs that they operate. An earlier study by Anprotec and the Brazilian Ministry of Science, Technology and Innovation did look at characteristics such as years of operation, focus sectors and revenue models. However, the data used were collected in 2011. Since the entrepreneurial ecosystem has advanced rapidly since then, and has garnered increased attention from various groups such as individuals, media, and academic institutions, we see an opportunity to contribute a more recent view of the landscape. Additionally, none of the studies mentioned above consider accelerators and incubators together, to understand their similarities and differences in practice.

²The National Association of Entities that Promote Innovative Enterprises (Authors' translation from the original in Portuguese)

³Brazilian Support Service for Micro & Small Businesses (Authors' translation from the original in Portuguese)

⁴Brazilian Association of Companies that Accelerate Innovation & Investment (Authors' translation from the original in Portuguese)



In 2015, among its recommendations for advancing the field of social finance and impact business in Brazil, the Brazilian Social Finance Task Force set the following goal: by 2020, at least 10% of incubators & accelerators in Brazil self-report that they are working with impact businesses in a significant proportion of their portfolios, and are using indicators to measure the impact of the businesses supported.

The Social Finance Task Force explicitly recommended both strengthening accelerators and incubators that already work with impact businesses, and getting those that do not to incorporate these businesses into their work. In its progress report released at the end of 2016, the Task Force highlighted several advances towards the goal for incubators and accelerators, including a training program for these organizations run by ICE, Anprotec and SEBRAE, the inclusion of an impact business category in the Inovativa Program run by the Federal Ministry for Trade & Industry, and pilots for programs focusing on low-income entrepreneurs and civil-society organizations.⁵

BRAZILIAN SOCIAL FINANCE TASK FORCE

The Brazilian Social Finance Task Force is a movement that maps, connects and supports organizations and strategic agendas in order to strengthen investments and enterprises that combine social and/or environmental impact with financial returns. Inspired by the trajectory of other countries, it invited leading figures from diverse sectors to take part, officially launching in May 2014. With the aim of increasing the amount of capital mobilized for social finance to 50 Billion US dollars annually by 2020, the Task Force defined 15 recommendations, which should be implemented collectively to strengthen the field.

⁵See more in: *Brazilian Social Finance Task Force (2016)*.
http://forcatarefainancassociais.org.br/wp-content/uploads/2017/02/Relatorio_2016_FTFS.pdf

2

RESEARCH METHOD



RESEARCH OBJECTIVES

Given the context outlined in the previous section, the objectives of this study are to:

Deepen understanding of the operational models of accelerators and incubators in Brazil, in relation to geographic and sector focus, support offered and revenue models.

Investigate how accelerators and incubators in Brazil work with impact businesses, and what differences and similarities exist between those that do and do not work with this type of business.

Investigate the differences and similarities between accelerators and incubators in Brazil and those in other parts of the world.

We believe that these objectives will contribute to a better understanding of the challenges and opportunities for accelerators and incubators in Brazil, particularly for organizations interested in designing strategies to work with these types of organizations.

METHODOLOGY

This research was conducted by the ANDE Brazil Chapter team in partnership with the Global Accelerator Learning Initiative (GALI). GALI is a collaboration between Social Enterprise @ Goizueta at Emory University (SE@G), ANDE, and a consortium of public and private funders, including the U.S. Global Development Lab at the U.S. Agency for International Development, Omidyar Network, The Lemelson Foundation and the Argidius Foundation.⁶ GALI seeks to answer two questions: what is the state of the accelerator landscape? and, does acceleration work? GALI's Global Accelerator Survey provided the opportunity to study acceleration and incubation in Brazil in comparison with global trends.

⁶Global Accelerator Learning Initiative: <https://www.galidata.org/>

I. PROCESS OVERVIEW

- a Desk research on accelerators and incubators headquartered in Brazil identified 256 potential participants;

- b A questionnaire was sent to the 256 organizations identified in the desk research, resulting in 53 responses;

- c Analysis was carried out on the 53 valid responses received, firstly considering the whole sample, and then investigating differences between accelerators and incubators, and between participants that support impact businesses and those that do not;

- d 30 of the 53 respondents met the criteria to be considered an accelerator and were compared to other Global Accelerator Survey respondents;

- e The ANDE Brazil Chapter conducted qualitative analysis in addition to the survey. A subsample of 14 accelerators and incubators was selected, representing all 5 regions of Brazil. The team then conducted individual interviews of approximately one hour with each of them.

The results below start with data for the whole sample, followed by comparisons of accelerators and incubators, respondents that do and do not focus on supporting impact businesses, and lastly Brazilian versus internationally-based respondents. In each section, we have selected observations and quotes from the qualitative analysis to illustrate or complement the quantitative findings.



II. DEFINING “ACCELERATORS”

Below are the three common criteria for defining an accelerator (to differentiate from an incubator or other entrepreneurial support program), and the way we addressed these in the survey⁷:

COHORT-BASED MODEL

- a Q: Do your accelerator programs accelerate a cohort or batch of ventures at a time?

TIME-BOUND PROGRAM

- b Q: What is the typical duration of your accelerator programs? Please enter the duration (in days, weeks, or months) that each venture spends in your accelerator program.

INVESTOR DAY/PITCH EVENT

- c Q: Do your accelerator programs feature a “Demo Day,” “Pitch Night,” or offer any other opportunities at the end of the program to connect participants to potential investors?

For this study, we consider respondents to be accelerators if they reported to follow a cohort-based model and have a typical program duration between 30 - 360 days. We did not exclude those who do not have an investor event, as there is early evidence that this element is less common in emerging markets.⁸ Using these criteria to define accelerators made it possible to compare data for those organizations with the global data in GALL. For the purposes of this study, those organizations that did not meet the accelerator criteria are referred to as “other support programs”.

⁷Cohen, S. & Hochberg, Y. V. (2014).

⁸Dempwolf, C. S., Auer, J., and D'Ippolito, M. (2014).

3

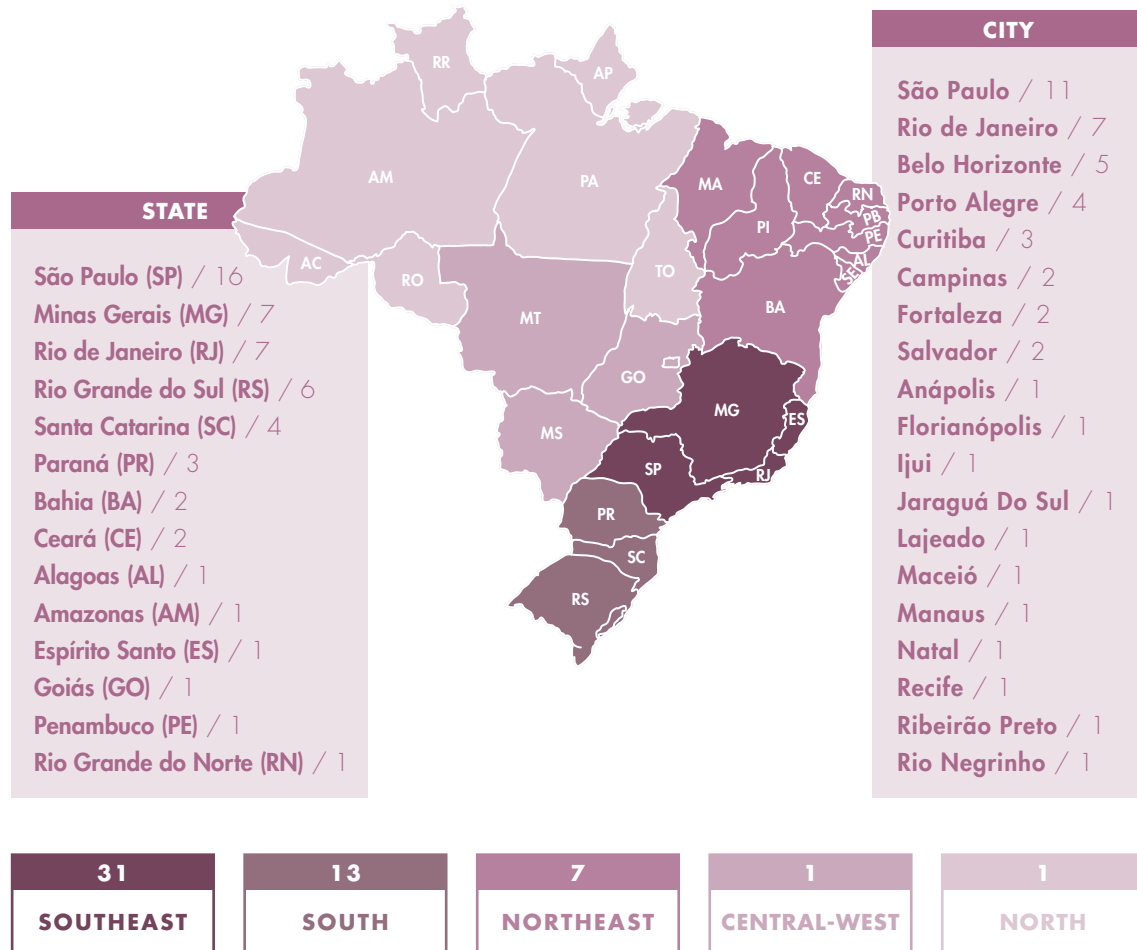
KEY FINDINGS

SAMPLE DESCRIPTION

This study's sample of accelerators and incubators have supported a total of 4,438 ventures through all of their acceleration/incubation programs as of December 2015.⁹

Respondents are headquartered in 14 different states and 25 cities. The majority are based in the Southeast region. The city of São Paulo holds the largest proportion of our sample, followed by Rio de Janeiro.

TABLE 1: LOCATION OF HEADQUARTERS BY CITY, STATE AND REGION

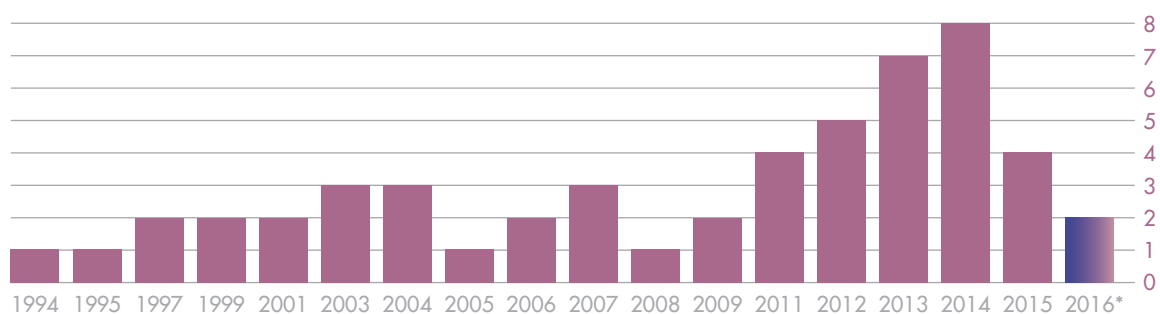


⁹The total number of startups supported is calculated as the sum of 52 respondents (out of 53 total respondents). One response was excluded, as it reported 30,000 entrepreneurs supported, considerably higher than all other responses.

YEAR OF INCEPTION

We asked organizations when they first ran an acceleration program, and the answers ranged from 1994 to 2016, with the majority having been started after 2010.¹⁰

FIGURE 1: YEAR OF FIRST PROGRAM



*Data collected until April 2016

SECTOR FOCUS

25 respondents (47%) focus on ventures in a particular sector or set of sectors. Among those that do, the top sectors of focus are Information and Communication Technology (ICTs), Health, and Energy.¹¹

TABLE 2: SECTORS OF FOCUS

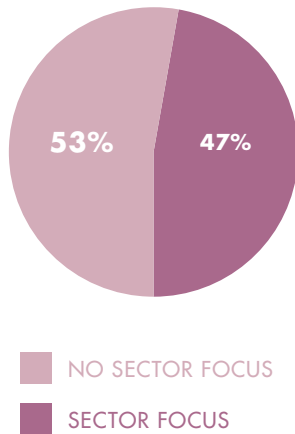
SECTOR FOCUS AREA	FREQ.	SECTOR FOCUS AREA	FREQ.
ICT	14	TOURISM	2
HEALTH	9	INFRASTRUCTURE	1
ENERGY	7	SUPPLY CHAIN SERVICES	1
ENVIRONMENT	5	TECH. ASSIST. SERVICES	1
AGRICULTURE	4	WATER	1
EDUCATION	4	OTHER	9
FINANCIAL SERVICES	3		

¹⁰Accelerators and incubators were identified for this study from 2015 into early 2016, so it is likely that 2016 is under-represented in this analysis (there was not necessarily a drop in launches in 2016).

¹¹Respondents were asked to select their top three sectors of focus in 2015.



FIGURE 2: PERCENT WITH A SECTOR FOCUS



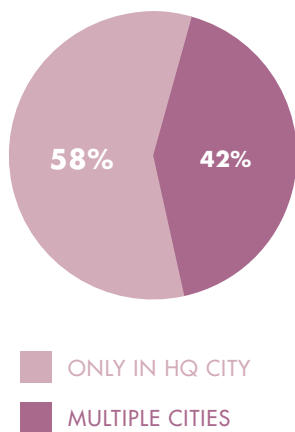
SECTOR FOCUS

For the organizations in our qualitative sample that have a sector focus, most support technology-intensive enterprises and, perhaps unsurprisingly, these are all based inside universities or science parks, where they have access to cutting edge research facilities and knowledge.

GEOGRAPHICAL SCOPE OF OPERATIONS

22 organizations (42%) reported that they operate programs outside of the city where they are headquartered, and 18 of those gave specific other locations (rather than stating that they work with entrepreneurs nationwide).

FIGURE 3: GEOGRAPHICAL SCOPE OF OPERATIONS



GEOGRAPHICAL SCOPE

The sample used for the qualitative portion of the study comprises organizations representing all five regions of Brazil.

"Our decentralization and the fact that we are present in many locations across the state [set us apart], because it helps us identify promising entrepreneurs and to promote more activities to develop a pipeline."

Accelerator/Incubator interviewed for the study



INVESTMENTS

Only 18 (34%) of respondents guarantee financial grants or investments to entrepreneurs, either directly or through a related funding arm. Eleven of these 18 guarantee funding to all (rather than just some) participating entrepreneurs.

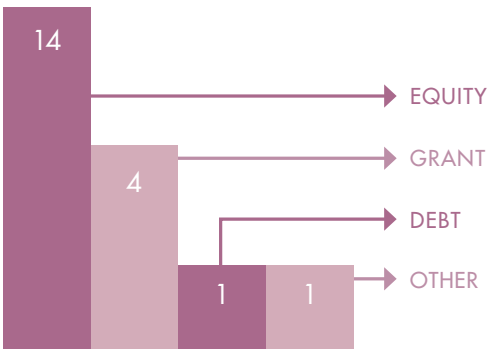
FIGURE 4: GUARANTEED FUNDING



For those that do guarantee funding, equity is the most common form. The median total amount invested (from all sources) in 2015 was \$50,000.¹²

FIGURE 5: INVESTMENT TYPES

Sample size: 17
(respondents could select more than one funding type)



INVESTMENT APPROACH

Four of our interviewees offer direct financial support to startups in the form of equity, ranging from 6 to 10 percent, and most of them offer connections with investors through their networks. Our interviews uncovered a wide range of approaches to investment.

“We don’t take equity and what we really want is to foster pure entrepreneurship, make companies grow sustainably. This is the motto for what we do”.

“Our long-term focus, or the ability to focus on the long term, depends on progress and results, and the fact that our support is both technical and financial. That’s the main thing [that sets us apart from others]”.

Accelerator/Incubator interviewed for the study

¹²13 respondents provided their total amount invested in 2015.

FINANCIAL SUSTAINABILITY

Government, philanthropy, and venture fees were the most common sources of funding in 2015, and government and philanthropic support were relied upon for the greatest percent of total funding (medians were 60% and 50%). Few respondents generated revenue from equity returns or investor fees.

Additionally, 23 respondents (45%) reported that they are affiliated with a university.

TABLE 3: FUNDING SOURCE FREQUENCY AND RELIANCE AS PORTION OF TOTAL FUNDING

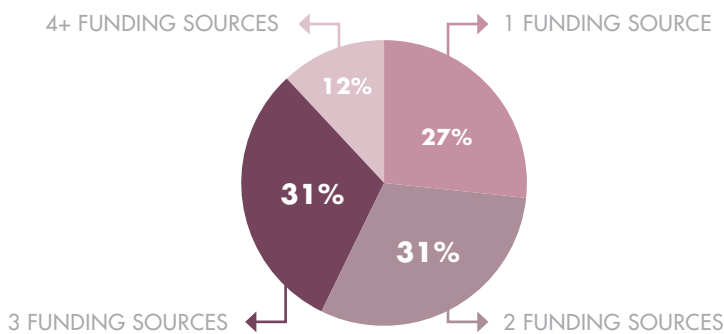
Sample size = 52

FUNDING SOURCE	NUMBER THAT RECEIVED FUNDING FROM THIS SOURCE IN 2015	MEDIAN CONTRIBUTION OF THIS SOURCE TO 2015 FUNDING
GOVERNMENT	24	60%
PHILANTHROPY	23	50%
VENTURE FEES	23	18%
CONSULTING REVENUE	15	33%
INVESTOR FEES	6	35%
EQUITY RETURNS	4	15%
OTHER ¹³	11	64%

The majority of respondents rely on between one and three funding sources (about 30% fall into each category). Less than 15% rely on four or more.

FIGURE 6: NUMBER OF FUNDING SOURCES IN 2015

Sample size = 52



FINANCIAL SUSTAINABILITY

“We have a balanced financial equation. We found that balance in the long time we’ve been operating, and that sets us apart. Many organizations end up closing their doors because they don’t have a financial sponsor and are not able to find other sources of income”.

Accelerator/Incubator interviewed for the study

¹³“Other” includes royalties, high net-worth individuals, courses and industry contributions via the Sistema-S program.

TYPES OF PROGRAMS PROVIDED

As explained earlier, this research used three common criteria for defining an accelerator (to differentiate from an incubator or other entrepreneurial support program). These are a cohort-based model, a time-bound program, and an investor day or pitch event.

For this study, we consider respondents to be accelerators if they reported to follow a cohort-based model and have a typical program duration between 30 - 360 days. We did not exclude those who do not have an investor event, as there is early evidence that this element is less common in emerging markets.¹⁴

30 respondents met the cohort-based and time-bound criteria and are considered accelerators, while 23 did not and are referred to in this section as “other support programs”. Table 5 shows us that accelerators have a median program duration of six months, considerably shorter than other support programs at 2 years. Additionally, accelerators have more competitive selection processes and are more likely to hold demo days/pitch nights (which affirms that this is a core program component of accelerators).

THE ROLE OF GOVERNMENT AND OTHER PARTNERSHIPS

Perhaps reflecting its important financial contribution to the accelerators and incubators in our survey results, government was also cited most frequently in interviews as a player that could do more to support the ecosystem. Criticism relating to bureaucracy, sluggishness and lack of openness to innovation were balanced by praise for innovative efforts at the municipal and state levels. The lack of predictability in entrepreneurship policy and the poor alignment between different government agencies was also mentioned as a hurdle. Government was also mentioned as a potential source of finance for early stage technology-intensive enterprises through its innovation financing branches, namely state research support foundations (FAPs).

Beyond the government, all organizations interviewed emphasized the importance of their network of partners more broadly to provide essential services to entrepreneurs. The two most commonly mentioned were access to funding/investors and mentorship, followed by training and access to universities (for those not themselves part of a university). When participants were asked how they interact with other incubators and accelerators, all responses were positive.



30 ACCELERATORS

23 OTHER SUPPORT PROGRAMS

¹⁴See Dempwolf, C. S., Auer, J., and D'Ippolito, M. (2014)

In many ways accelerators and other support programs were fairly similar (impact focus or sector alignment, for example). The starkest difference was in guaranteed investment. More than half (17 out of 30) of accelerators guarantee funding to some or all program participants, compared to less than 5% (1 out of 23) of other support programs.

TABLE 4: PROGRAM CHARACTERISTICS BY ACCELERATORS V. OTHER SUPPORT PROGRAMS

VARIABLE	ACCELERATORS	OTHER SUPPORT PROGRAMS
MEDIAN PROGRAM DURATION	6 MONTHS	2 YEARS
MEDIAN TOTAL APPLICANTS IN 2015	93	21
MEDIAN TOTAL PARTICIPANTS IN 2015	9	14
MEDIAN ACCEPTANCE RATE IN 2015	15%	50%
PERCENT WITH AN INVESTOR EVENT	80%	39%

BUSINESS SUPPORT MODEL

One noteworthy trend from the qualitative research is the way that business support services are delivered. Half of the interviewees directly mentioned a move away from lectures and presentations and an increasing demand for personalized assistance, and all other interviewees indirectly expressed a similar shift. As knowledge increasingly becomes available online, entrepreneurs' demands have moved toward mentoring, networking, and individualized support, for instance to prepare investor pitches. Group activities have not ceased to exist, as they are also seen as an opportunity to network and exchange experiences, but they are increasingly in the format of interactive workshops rather than lectures or formal training sessions.



In 2015 the most common funding source for accelerators was philanthropy (50% of accelerators received philanthropic funding in 2015), while for other support programs, venture fees and government support were most common (68% and 64% received this type of funding, respectively).

FIGURE 7A: PERCENT OF RESPONDENTS THAT RECEIVED EACH TYPE OF FUNDING SOURCE IN 2015 (ACCELERATORS)

Sample size = 30

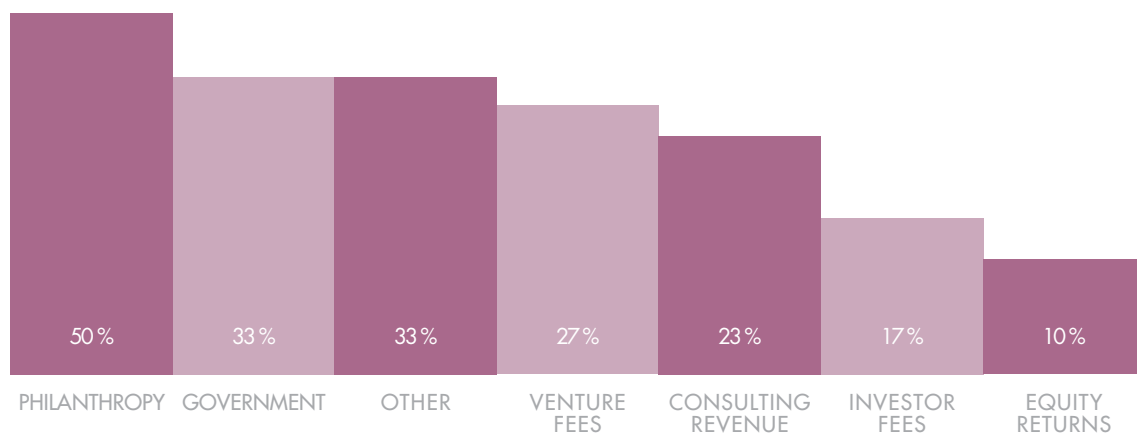
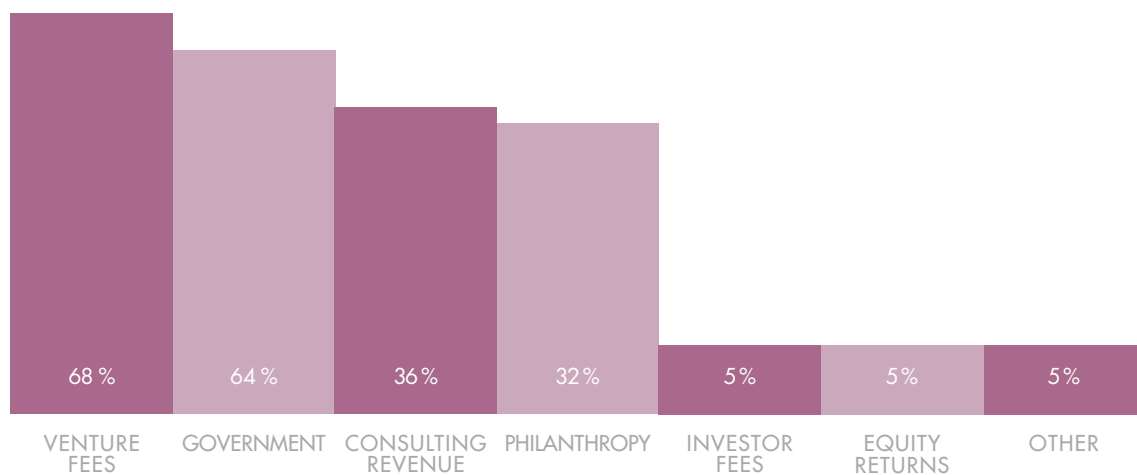


FIGURE 7B: PERCENT OF RESPONDENTS THAT RECEIVED EACH TYPE OF FUNDING SOURCE IN 2015 (OTHER SUPPORT PROGRAMS)

Sample size = 22



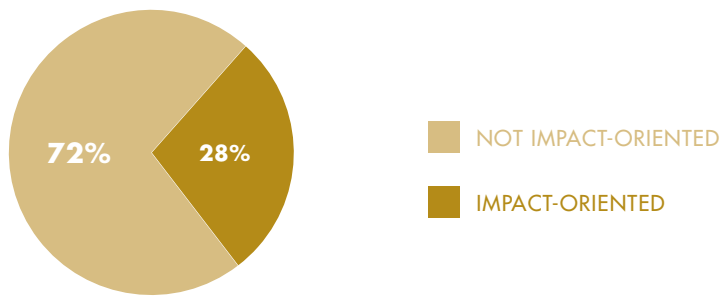
A FOCUS ON THE SOCIAL ENTREPRENEURSHIP ECOSYSTEM

SAMPLE DESCRIPTION

In the survey, we asked: “Do your accelerator programs have the explicit intent of supporting ventures with social or environmental objectives?”

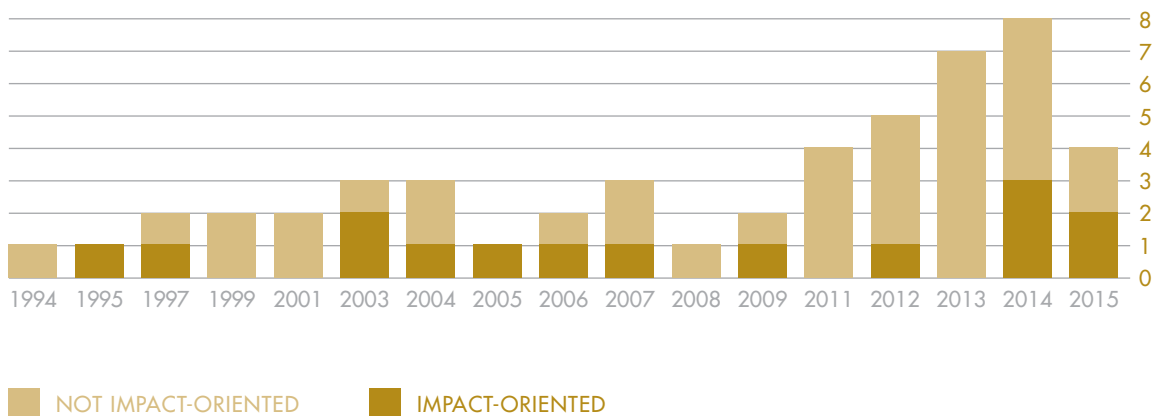
15 respondents (28%) report that they have the explicit intent of supporting ventures with social or environmental objectives.

FIGURE 8: IMPACT ORIENTATION



The impact-oriented respondents in the sample ran their first program anywhere between 1995 and 2015.

FIGURE 9: YEAR OF FIRST ACCELERATION PROGRAM BY IMPACT ORIENTATION¹⁵

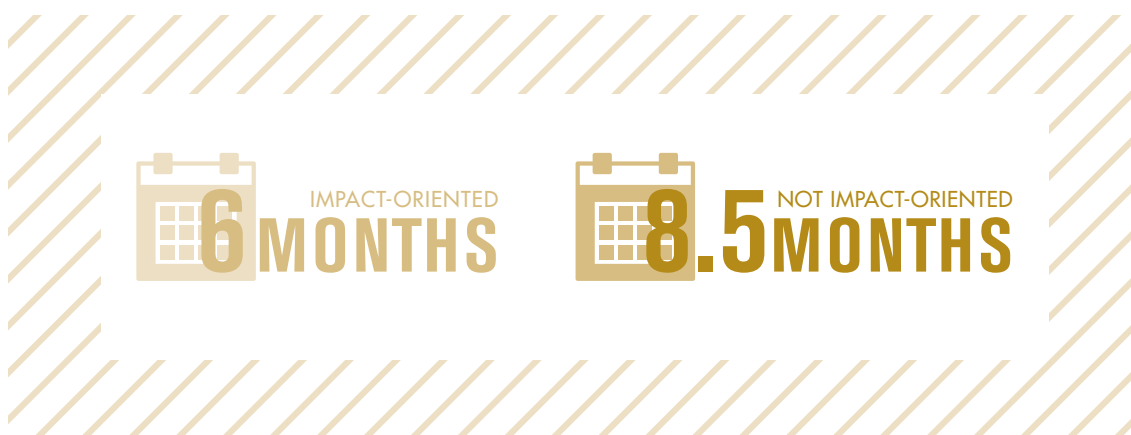


¹⁵It is important to note that the two samples are not equal (impact-oriented = 15; non-impact-oriented = 38). This figure should not be interpreted as making a comparison between these two groups, and is meant simply to show the sample characteristics.

PROGRAM DURATION

The median program duration for impact-oriented respondents was 6 months, slightly less than for non-impact-oriented respondents at 8.5 months.

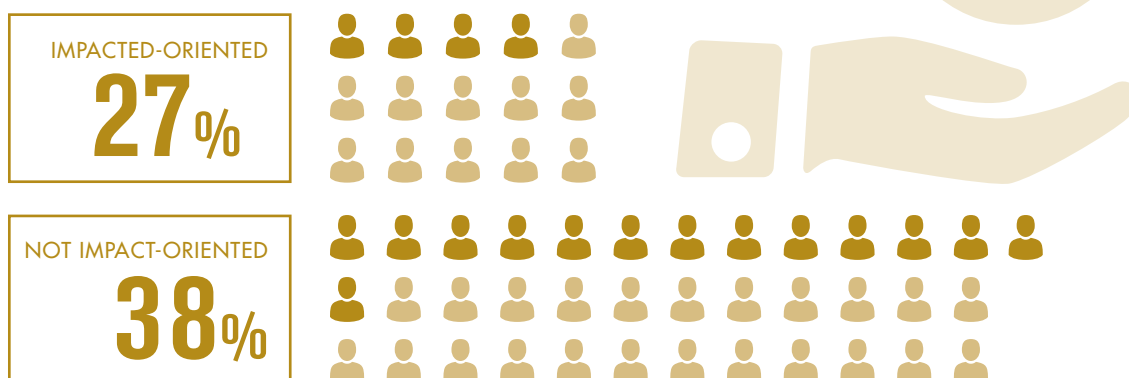
FIGURE 10: TYPICAL PROGRAM DURATION BY IMPACT ORIENTATION



INVESTMENTS

Four out of 15 (27%) impact-oriented respondents guarantee investment to some or all of their entrepreneurs, slightly less than the 14 out of 37 (38%) for non-impact-oriented respondents. Equity is by far the most popular investment type for the non-impact-oriented respondents, while the distribution is not as dramatic for impact-oriented (three provide equity, two grants, and one other).































FIGURE 11: PERCENT OF RESPONDENTS THAT GUARANTEE INVESTMENT BY IMPACT ORIENTATION



SECTOR FOCUS

Around half (8 out of 15) impact-oriented respondents focus on a particular sector or set of sectors, and slightly fewer (17 of 38) non-impact-oriented do. Of those that did express a sector focus, ICT was the top sector among both impact-oriented and non-impact-oriented respondents, with energy also featured among the most frequently cited for both groups. Given the relatively small sample sizes for the two groups, however, further comparisons between them regarding sector preferences is difficult.

TABLE 5: SECTORS OF FOCUS FOR IMPACT-ORIENTED AND NON-IMPACT-ORIENTED ACCELERATORS & OTHER SUPPORT PROGRAMS

IMPACT ORIENTED SAMPLE SIZE: 15	SECTOR		NOT IMPACT ORIENTED SAMPLE SIZE: 38
5		ICT	 9
3		ENERGY	 4
3		ENVIRONMENT	 2
2		HEALTH	 7
2		EDUCATION	 2
2		FINANCIAL SERVICES	 1
1		TOURISM	 1
1		SUPPLY CHAIN SERVICES	 –
1		TECH. ASSIST. SERVICES	 –
1		WATER	 –
1	...	OTHER	... 8
–		AGRICULTURE	 4
–		INFRASTRUCTURE	 1
–		ARTISANAL	 –
–		CULTURE	 –
–		HOUSING DEVELOPMENT	 –

GEOGRAPHICAL SCOPE OF OPERATIONS

Roughly half of the impact-oriented respondents operate in cities outside their headquarters city, only slightly higher than the roughly 40% of non-impact-oriented respondents.

FIGURE 12: GEOGRAPHICAL SCOPE OF OPERATIONS BY IMPACT ORIENTATION



WORKING WITH IMPACT BUSINESSES

In our interviews, nine incubators and accelerators stated that they are open to assisting social enterprises but are not proactive in searching for them or offering any specific support. Six interviewees – some of which are in the open-but-not-proactive group – seemed to not make a clear distinction between businesses where social impact is an integral part of the mission and those where it occurs as a outcome, but is not necessarily planned. It is interesting to observe this diversity of approaches to intentionality, as social impact concerns are increasingly woven into the work of individuals and organizations whose main purpose is not directly related to it. We see this as evidence of a convergence between entrepreneurship with and without an explicit social mission.

According to two of our interviewees, this sector is even more challenging than traditional entrepreneurship, as businesses are creating not just a new company but also a new market. In their view, social entrepreneurship is inherently system-changing, therefore involving higher risks and often-higher costs.

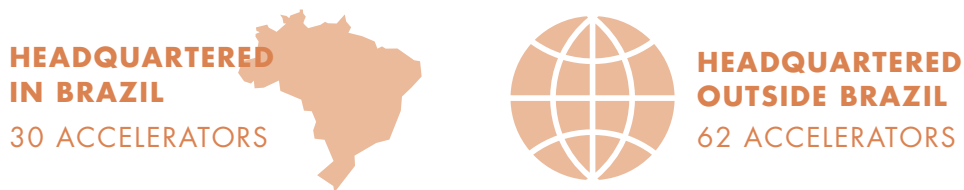
“We take entrepreneurs to a poor community so they can have a real experience and be able to empathize with their businesses’ potential target audience. Secondly, we try to have a truly co-creative environment, so we set entrepreneurs with hosts [in this community] who are interesting for their businesses”.

Accelerator/Incubator interviewed for the study

5

COMPARISON WITH ACCELERATORS FROM OTHER COUNTRIES

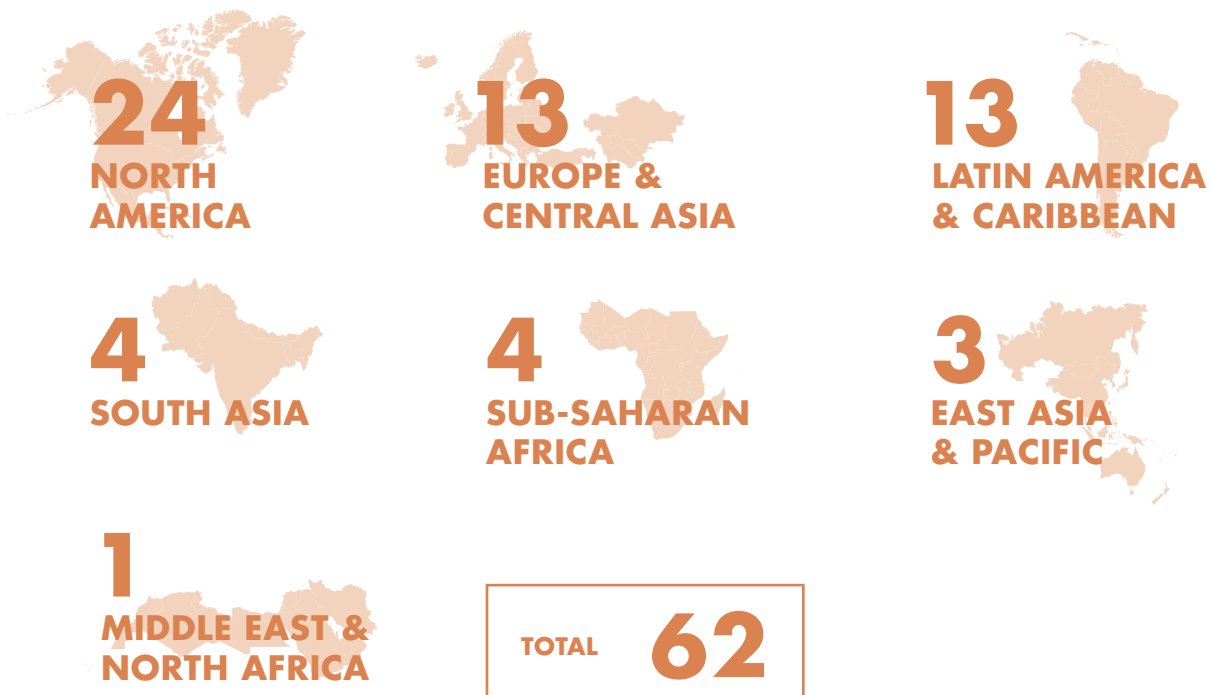
Through the Global Accelerator Survey, the GAI team collected data from verified accelerators around the world. To compare our Brazil sample to other countries, we will focus specifically on the portion of the Brazil respondents who met the criteria to be considered an accelerator, as listed above.



The sample of accelerators headquartered outside of Brazil come from every region of the world, with concentrations in North America, Europe & Central Asia, and Latin America & Caribbean.

SAMPLE DESCRIPTION

FIGURE 13: NON-BRAZILIAN RESPONDENT REGION¹⁶



¹⁶The Global Accelerator Survey results on www.galidata.org include 21 accelerators headquartered in Brazil, nine less than the sample of 30 Brazilian accelerators described in this report. These nine accelerators were pre-identified by GAI as incubators, and therefore would not have been sent the survey outside the scope of this Brazil-specific study.

The median program duration in Brazil is 6 months, slightly longer than the median program duration outside Brazil (4 months). Brazil-based respondents also have fewer applicants and participants on average and a higher median acceptance rate. Only a slightly smaller percentage of Brazilian respondents have a demo day/pitch night as a program component, compared to the non-Brazilian sample.

PROGRAM CHARACTERISTICS

TABLE 6: PROGRAM CHARACTERISTICS

VARIABLE	BRAZIL	REST OF THE WORLD	N
MEDIAN PROGRAM DURATION IN 2015	6 MONTHS	4 MONTHS	92
MEDIAN NUMBER OF APPLICANTS IN 2015	93	190	65
MEDIAN NUMBER OF PARTICIPANTS IN 2015	9	21	65
MEDIAN ACCEPTANCE RATE IN 2015	15%	7%	60
PERCENT WITH AN INVESTOR EVENT	80%	92%	92

A slightly smaller percentage of Brazilian accelerators guarantee investment to their ventures compared to non-Brazilian accelerators, 57% versus 69% respectively.¹⁷

INVESTMENTS

TABLE 7: GUARANTEES INVESTMENT BY BRAZIL V. REST OF THE WORLD

GUARANTEES INVESTMENT	PERCENT	N
BRAZIL	57%	30
REST OF THE WORLD	69%	61

¹⁷The survey question asks: "Do your accelerator programs provide guaranteed financial grants or investments for some or all program participants; either directly or through a related funding arm?"

Median total investment in Brazil was considerably lower than outside of Brazil, at \$55,000 versus \$200,000 respectively.

The median number of cohorts ran in 2015 was the same in and outside of Brazil at 2.

TABLE 8: MEDIAN TOTAL INVESTMENT

MEDIAN TOTAL INVESTMENT IN 2015	\$USD	N
BRAZIL	\$55,000	12
REST OF THE WORLD	\$200,000	29







TABLE 9: MEDIAN NUMBER OF COHORTS

MEDIAN NUMBER OF COHORTS IN 2015	#	N
BRAZIL	2	22
REST OF THE WORLD	2	45

FUNDING SOURCES

Philanthropy was the top funding source for Brazil and non-Brazil respondents (with 50% of accelerators receiving at least some philanthropic support in 2015), followed by government, venture fees, and consulting revenue. The differences between the two groups are not dramatic, with a slightly smaller percentage of Brazilian accelerators receiving government support compared to the global sample.

TABLE 10: FUNDING SOURCES FOR BRAZIL V. REST OF THE WORLD

BRAZIL	FUNDING SOURCE		REST OF THE WORLD
50%		PHILANTHROPY	50%
33%		GOVERNMENT	42%
27%		VENTURE FEES	25%
23%		CONSULTING REVENUE	27%
17%		INVESTOR FEES	18%
10%		EQUITY RETURNS	5%
33%	...	OTHER	43%

6

CONCLUSIONS

Accelerators and incubators in Brazil show considerable diversity, in their geographic scope, preference for business sectors, support models and financial structures. This diversity also appeared in our interviews, both in the way that organizations define success and their perceived competitive advantage. They also show some similarities, particularly in their reliance on a narrow range of funding sources. While in many ways the accelerators and incubators in the study did not differ greatly, the starkest difference was in investment approach, with accelerators being much more likely to guarantee investment to portfolio companies.

There were no fundamental differences between accelerators and incubators that support impact businesses and those that do not. The study sample shows impact-oriented participants having slightly shorter program cycles and a slightly lower propensity to invest than those without an impact focus, as well as more frequent interest in certain sectors, such as education, environment and financial services.

The comparison with international accelerators show that those in Brazil tend to receive fewer applications and have higher acceptance rates. Median total investment in Brazil was considerably lower than outside of Brazil, though it would be interesting to look at these amounts adjusted for purchasing power parity to understand the relative financial impact for entrepreneurs. The funding structures of Brazilian and non-Brazilian accelerators were very similar, although those outside Brazil more frequently received government funding.

The accelerators and incubators interviewed emphasized the importance of partnerships, particularly with investors, universities, and training providers.



RECOMMENDATIONS FOR THE SECTOR AND OPPORTUNITIES FOR FURTHER RESEARCH

Help entrepreneurs make the most of the choice available:

The diversity in the way accelerators and incubators operate provides entrepreneurs with a considerable amount of choice. This presents both an opportunity and a risk, and the sector should think about how to support entrepreneurs in choosing accelerators or incubators that best meet their specific needs. This diversity must also be considered by those designing the programs.

Test new funding models:

Given the current macroeconomic and political situation in Brazil, funding for accelerators and incubators is obviously of concern, with both government and philanthropic support at risk of being reduced or withdrawn. Accelerators and incubators may therefore consider diversifying their funding sources, perhaps by exploring possibilities for corporate partnerships or venture fees (in the short term), or through equity stakes (medium to long term). Since this would require making quite significant changes to business models, these approaches will need to be tested with caution, and will take time to bear fruit. It is important therefore that organizations investing in the entrepreneurial ecosystem pay close attention to the needs of accelerators and incubators when defining funding priorities.

Increase dialogue with impact investors:

Looking specifically at impact businesses, it is interesting to note that the sectors identified as the most common among impact-oriented respondents are not the same as those interesting to Brazilian impact investors, according to research conducted by ANDE¹⁸ in 2016, which looked at investments made in 2014 and 2015. While impact-oriented accelerators and incubators in this sample were most frequently interested in businesses working in ICT, energy and environment, impact investors reported most deals in health, education and financial inclusion. This mismatch may result in businesses graduating from acceleration and incubation programs facing difficulty in finding additional investment, at least among impact investors. Increased dialogue between accelerators/incubators and investors will be important in trying to avoid this bottleneck.

One common theme expressed in interviews was the perceived lack of investment available for early stage enterprises, and that the existence of a “missing middle” between early-stage and investment-ready startups weakens the pipeline for investors, especially for those focusing on impact. This idea also appeared frequently in the ANDE research on impact investing. Accelerators and incubators, along with investors, will need to think collectively and creatively about how to solve this challenge, and foundations and institutes can also play an important role.¹⁹

¹⁸For more see: Aspen Network of Development Entrepreneurs, 2016. *The Impact Investing Landscape in Latin America*.

¹⁹The role of foundations and institutes is explored further in the Recommendations of the Brazilian Social Finance Task Force.



FUTURE RESEARCH POSSIBILITIES

Based on the findings and limitations of this study, there are several areas where additional research could provide deeper insight into the accelerator and incubator landscape in Brazil. These include:

Investigating the type of investment being received by supported businesses, including investment instruments used, ticket size, and investor type.

Exploring possibilities for partnerships between corporations and accelerators/incubators, particularly concerning scope, investment size, and perceived value add.

Examining entrepreneur satisfaction with support received from incubators and accelerators.

The Global Accelerator Learning Initiative (GALI), a collaboration between ANDE and Emory University, is designed to explore - and answer - key questions about enterprise acceleration including: Do acceleration programs contribute to revenue growth? Do they help companies attract investment? Do they work as well for developing-world impact entrepreneurs as they do for developed-world entrepreneurs?

This work is comprised of two complementary research programs:

- 1.** The first is a global market assessment of accelerators, combined with regular surveying and website research, conducted by ANDE to understand who these accelerator programs are, where they are located, and how they are structured.
- 2.** The second component is the Entrepreneurship Database Program, based at Emory University. The program partners with accelerators directly, integrating a core set of questions into the application processes for these programs. Then, it follows up with annual surveys for all the entrepreneurs who apply to these programs, including those who are not accelerated. This allows for a deep understanding of how accelerators affect the growth of entrepreneurs over time.

Think your organization should be part of this project? We invite interested accelerators to contribute data. To learn more, visit www.galidata.org where you can explore our current dataset, read a variety of reports on entrepreneurship and acceleration, and search a global directory of accelerators.

REFERENCES

ABRAII (2014) - "Aceleradoras Brasileiras"

<http://materiais.abraii.org/e-book-gratuito-aceleradoras-brasileiras-levantamento-de-2012-a-2014-c1621d41cd0b27ff94dd>

Anprotec (2016)

"Estudo de impacto econômico: segmento de incubadoras de empresas do Brasil"

http://www.anprotec.org.br/Relata/18072016%20Estudo_ANPROTEC_v6.pdf

Anprotec e Ministério da Ciência, Tecnologia e Inovação (2012)

"Estudo, análise e proposições sobre as incubadoras de empresas no Brasil"

Brazilian Social Finance Taskforce (2015)

"Finanças Sociais: Soluções Para Desafios Sociais e Ambientais"

http://forcatarefainancassociais.org.br/wp-content/uploads/2015/10/ICE_FTFS_Recomenda%C3%A7%C3%B5es_dig_simples.pdf

Cohen, S. & Hochberg, Y. V. (2014)

"Accelerating startups: The seed accelerator phenomenon. Available at SSRN 2418000"

Dempwolf, C. S., Auer, J., and D'Ippolito, M. (2014) - "Innovation Accelerators: Defining Characteristics Among Startup Assistance Organizations. Report developed for the Small Business Administration Office of Advocacy"

Global Accelerator Learning Initiative

<https://www.galidata.org/>

Abreu, P. & Campos, N. (2016). "O Panorama das Aceleradoras de Startups no Brasil"

http://www.imcgrupo.com/impress/gt/upload/O_Panorama_das_Aceleradora_de_Startups_no_Brasil.pdf

Aspen Network of Development Entrepreneurs (2016)

"The Impact Investing Landscape in Latin America"

<http://www.andeglobal.org/blogpost/737893/255213/The-State-of-Impact-Investing-in-Latin-America>

Brazilian Social Finance Task Force (2016) - "Avanço das recomendações e reflexões para o fortalecimento das Finanças Sociais e Negócios de Impacto no Brasil"

http://forcatarefainancassociais.org.br/wp-content/uploads/2017/02/Relatorio_2016_FTFS.pdf



REBECA ROCHA

Brazil Chapter Manager

rebeca.rocha@aspennet.org



FERNANDA BOMBARDI

fernanda@ice.org.br

SAMIR HAMRA

samir@ice.org.br