STARDUST STARTUPS PRESENTS:

Democratizing Impact

How Micrograms and Microinvestments Empower Small Solutions for Massive Challenges

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Table of Contents

Executive Summary

There has never been a better time for impact entrepreneurs to create startups. As startup and operation costs have declined, the number and types of funding sources have increased. Today an entrepreneur raising money has many options, from bootstrapping, to conventional loans to microloans, from venture capital financing to crowdfunding. The challenge for an early-stage founder becomes how to evaluate opportunities and maximize the result.

There has never been a more energized and exciting time for impact investing to make positive social and environmental change. People worldwide are looking for ways to take action. They are hungry for opportunities to make the world a better place and are seeking workable solutions.

It seems apparent that these two forces—impact entrepreneurs and impact investors—should be working together with intention. But is that the case? If so, how have they found one another? How have they orchestrated their relationships?

The answers to these questions are tied to the central questions of our research:

- » How can a microgrant be a practical resource for an early-stage startup?
- » How do the UN Sustainable Development Goals guide impact microinvesting?
- » How does value-aligned microinvesting help finance human-scale solutions to global social and environmental challenges?
- » How do Donor-Advised Funds and their democratized nature enable modest impact investors to make a difference?
- » How can Entrepreneurial Support Organizations nurture relationships between early-stage startups and impact investors?

To answer these questions, we begin with the hypothesis that microinvesting is a small, agile step that, when used to support recoverable microgrants and make them more accessible, helps entrepreneurs launch innovative solutions that make positive social and environmental impact.

After a literature review exploring the emergence of microgrants, microfinancing, Donor-Advised Funds (DAFs), we turn to how they inform the case study subject's structure and drive Stardust Startups. We then discuss the potential for microgrants to be driving financial capital for projects. The UN Sustainable Development Goals serve as the glue connecting impact entrepreneurs and their companies with impact investors. The paper concludes with an empirical study conducted by Stardust Startups on the effectiveness of microgrants received between 2016 and 2020. The findings reveal some anticipated and some surprising results.

STARDUST STARTUPS AS A CASE STUDY

This paper uses Stardust Startups (abbreviated as "Stardust"), a nonprofit DAF, as a case study to investigate the roles and actions of early-stage impact entrepreneurs, microgrant programs, and impact investors. Since its founding in 2015, Stardust Startups has been awarding recoverable microgrants to emerging entrepreneurs with the primary purpose of helping them succeed.

Stardust Startups is a 501(c)(3) nonprofit and Donor-Advised Fund founded in 2015 that provides financial and early-stage support for emerging impact entrepreneurs and startups worldwide working in the areas of health, environmental sustainability, and learning.

From its inception, Stardust has worked from the position that microgrants provide financial support for the innovative work of emerging entrepreneurs and early-stage startups who make a positive social and environmental impact through sustainability, health, and learning. This paper documents the organization's journey exploring the importance of shared goals (i.e., the UN Sustainable Development Goals), reimagining pre-seed microgrants' possibilities and discovering the critical role of impact microinvesting.

Stardust began as a startup helping startups. Its mission and vision originated from a collective, intuitive hunch (a.k.a. Stardust's Big Bang) more than verifiable facts. Six years later, the Stardust Startups model uniquely demonstrates how to democratize impact using microgrants and microinvesting to empower early-stage startups working to address massive challenges.

Stardust is propelled by the entrepreneurial success of its fund recipients through recoverable microgrants. When the companies and projects Stardust funds succeed, the recycling of resources (recovered microgrant funds) supports the next generation of recipients.

EMPIRICAL RESEARCH AND KEY FINDINGS

Microgrants are emerging as viable funding sources, but how can a microgrant be a practical resource for an early-stage startup? How can an Entrepreneurial Support Organization (ESO) nurture the relationships between an early-stage startup and impact investors? To answer these questions, Stardust Startups conducted its own research in the spring of 2021.

Using survey data acquired from Stardust's microgrant recipient pool, the results of the investigation show that microgrants and microinvestments empower small solutions for massive challenges. Early-stage entrepreneurs prefer microgrants to microloans because microgrants present fewer constraints and the accompaniment shows genuine interest in seeing businesses succeed. Guided by the UN Sustainable Development Goals (SDGs), impact entrepreneurs and impact investors find common ground.

For emerging impact startups, the microgrant program is not only helpful for making tangible progress (i.e., buying materials, building a viable business model, reaching SDG targets, etc.) but also in propelling morale by inspiring feelings such as trust, freedom, credibility, confidence, encouragement, and relief.

CONCLUSIONS

Through the review of literature and empirical research, we found that:

» A focus on financial capital misses the important roles of other types of capital that lead to a startup company's success.

» The optimum environment for impact is when a Donor-Advised Fund and Entrepreneurial Support Organization work in concert.

» Microgrants meet important entrepreneurial needs, whether they be physical or moral, and should be made available as much as possible to emerging impact entrepreneurs.

» Microinvesting is a vehicle that works, particularly for those, even with modest contributions, who want to make a difference as impact investors.

» Microinvesting through an ESO-related Donor-Advised Fund environments like Stardust Startups take the worry out of finding a vetted and viable, early-stage project to support.

» Organizations offering microgrant programs like Stardust Startups facilitate connections between impact entrepreneurs and impact investors by putting in place SDG-driven requests for proposals, maintaining a rigorous review process, and supporting impact entrepreneurs throughout their early-stage growth.

» Impact is democratized when microgrants and microinvesting join to empower progress toward meeting the UN SDGs.

As an Entrepreneurial Support Organization and a Donor-Advised Fund working at a human-scale and striving to make positive social and environmental change, Stardust recognizes the importance of microgrants, microinvesting, and using the SDGs as a framework in all aspects of the work we do. We hope that this model will be replicated by others who will implement it intentionally as a way to democratize impact.

Terms used in this paper

Accelerator: A program intended to mentor founders and accelerate the growth and success of a startup company.

Angel investor: An individual who provides personal financial capital to a startup company with little or no expectation of return.

Bootstrapping: Building a company from the ground up with nothing but personal savings, gifts,low-to-no interest loans (typically from family/friend loans), and cash coming from first sales.

Bridge loan: A loan given to a company by investors with the intent that the money will fund the company for the next equity financing.

Crowdfunding: When a group of individuals fund a company either through equity purchase, debt purchase, pre-sale ordering of a product, or gifting of money.

Conventional loan: Money borrowed, typically from a bank or lending institution, usually with an associated interest rate. The lender gets money back plus interest.

Donor-Advised Fund (DAF): a form of charitable investment vehicle within a non-profit 501(c)(3). It is a collection of charitable donations pooled together from investors around a single purpose managed by a third party.

Early-stage funds: Venture Capital funds invested in Seed and Series A financings.

Entrepreneur: Someone who creates a new company, also known as a founder.

Entrepreneurial Support Organization (ESO): A group that supports, trains, and sometimes funds entrepreneurs. Its overall purpose is to help current or aspiring entrepreneurs move closer to starting or growing a viable business.

Environmental, Social, and Governance criteria (ESG): A group of standards used by socially conscious investors to screen investments.

Expert advice: Guidance provided by a subject matter professional or similar individual with background knowledge of a particular subject or situation.

Impact entrepreneur: Someone who creates a new company that holds a social and/or environmental aspect. Can also be called a social entrepreneur.

Impact investing: An investment strategy that aims to generate social and/or environmental impact aligned with the investors' morals or ethics.

Incubator: A collaborative program designed to help emerging startups succeed (providing workspace, seed funding, mentoring, training).

JOBS Act: Formally known as the Jumpstart Our Business Startups Act, enacted in 2012. It created rules around crowdfunding.

Lean Startup methodology: A business method that posits businesses can reduce product development cycles by combining iterative releases and experimentations of their product.

Mentors: People who advise startup companies or their executives. Normally these people are not paid.

Microfinancing: Funds provided to individuals (with limited financial resources) that cannot do business with traditional financial institutions. Also known as microcredit.

Microgrant: A relatively small financial award. Unlike microfinancing, there is no repayment (with interest) expectation.

Microinvesting: Giving relatively small, non-recoverable amounts of money attached to a purposeful project or company.

Minimum Viable Product (MVP): The product with the least number of features necessary to make it useful to ship and to learn more about the users. This is part of the Lean Startup methodology. MVPs are frequently used in product-based crowdfunding campaigns.

Pollination stage: The pre-seed beginning of a startup company.

Recoverable microgrant: Recipient repayment of the amount of an awarded microgrant.

Series A financing: The first or early round of financing that a company raises.

Series Seed financing: A small financing that occurs before the Series A financing and is often the very first financing of a company.

Seed stage: A startup that is in its infancy. Also called early stage.

Social capital: The networks of relationships among people who live and work in a particular society. Social capital is the glue that holds societies together and without which there can be no economic growth or human wellbeing.

Socially Responsible Investing (SRI): An investing strategy that aims to generate both social change and financial returns for an investor.

Transactional costs: The direct and indirect costs (time and money) associated with the creation of a business relationship.

Valuation: The value ascribed to a company by an investor.

Venture capital (VC): A form of private equity and a type of financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential.

Venture capitalist: A person who invests in startup companies usually for an equity stake and expecting a financial return on investment.

Introduction

There has never been a better time for entrepreneurs to create startups. As costs of getting started and operating a business have been decreasing, the number and types of funding sources have been increasing. Thanks to technological innovations like smartphones and cloud-based computing, becoming a founder has become increasingly democratized. The costliest expenses of starting up are now cheap or even free, and according to venture capitalist and marketing specialist Guy Kawasaki (2015: 85), "bootstrapping a startup" is more possible today than at any other time in history for these reasons:

» Development tools are open source or free.

» Infrastructure is cheap because of cloud-based services.

» "Middle-layer" cloud-based apps make development easier and faster.

» Employees can work virtually, or it's possible to hire freelancers, so less office space is needed

> « Entrepreneurs embody the promise of America: the idea that if you have a good idea and are willing to work hard and see it through, you can succeed in this country. And in fulfilling this promise, entrepreneurs also play a critical role in expanding our economy and creating jobs. »

@BARACKOBAMA, JAN. 31 2011
LAUNCHING STARTUP AMERICA

There has never been a more energized and exciting time for impact investing to make positive social and environmental change. People worldwide are looking for ways to take action. They are hungry for opportunities to make the world a better place and are seeking workable solutions.

It seems apparent that these two forces—impact entrepreneurs and impact investors—should be working together with intention. But is that the case? If so, how have they found one another? How have they orchestrated their relationships?

Since 2016, Stardust Startups (known initially as The Stardust-Startup Factory) has been awarding microgrants to emerging entrepreneurs with the primary purpose of helping them succeed. Why does Stardust use microgrants as the mechanism for financial support? Though the organization believes that microgrants provide financial support for the innovative work of emerging entrepreneurs and early-stage startups making a positive social and environmental impact in sustainability, health, and learning, how has Stardust determined whether or not that this is the case?

The purpose of this paper is to address these central questions:

» How can a microgrant be a practical resource for an early-stage startup?

» How do the UN Sustainable Development Goals guide impact microinvestments?

» How does value-aligned microinvesting help finance human-scale solutions to global social and environmental challenges?

» How do DAFs and their democratized nature enable modest impact investors to make a difference?

» How can ESOs nurture relationships between early-stage startups and impact investors?

Today's global ecosystem of incubators, accelerators, and entrepreneurial support organizations (ESOs) exists to foster early-stage companies. However, many, if not most of these options require entrepreneurs to at least be at the level of "seed." For a new startup, progress can be uneven, slow, and surprising. Seemingly small actions can produce massive changes that happen suddenly. Founders need to anticipate and be comfortable with failing. "As failure is the most likely outcome for an experiment, we recommend taking an agile approach: try lots of small things, get feedback, adjust, and iterate" (Feld and Hathaway, 2020: 16).

The premise of this paper is that microinvesting is a small, agile step that, when used to support recoverable microgrants and make them more accessible, helps entrepreneurs launch innovative solutions that make positive social and environmental impact. The process is about democratizing impact, for both entrepreneurs working to achieve UN Sustainable Development Goals, and everyday impact investors looking to make a difference by supporting value-aligned projects. Organizations offering microgrant programs like Stardust Startups facilitate connections between the two by putting in place SDG-driven requests for proposals, maintaining a rigorous review process, and supporting impact entrepreneurs throughout their early-stage growth (Figure 1).

WHAT OPTIONS ARE THERE FOR THE FOUNDER OF A NEW COMPANY TO ACQUIRE STARTUP CAPITAL?

How does a brand new idea or a fledgling company get the nurturing (particularly the funding) needed if it is at a delicate, pre-seed stage? "Every startup is unique, unpredictable, and unstable, but that does not mean they cannot be managed for success, provided it is the right kind of management" (Feld and Hathaway, 2020: xiii).

Today an entrepreneur raising money has many options, from bootstrapping, to conventional loans to microloans, from venture capital financing to crowdfunding. The challenge for an early-stage founder becomes how to evaluate opportunities and maximize the result. "Not all financings are created equal... While seed deals have the lowest legal costs and usually involve the least contentious negotiations, they often allow for the most potential mistakes" (Feld and Mendelson, 2019: 215). Though some venture capitalists like Brad Feld with the Foundry Group in Boulder, Colorado, encourage founders to show their humanity, the financing process is daunting. Its vulnerability is often palpable.

> «
>
> [Entrepreneurs are] more likely to get struck by lightning while lying on the bottom of a swimming pool on a sunny day than they are to raise venture capital...The odds are worse than that. Most entrepreneurs have to dig, scratch, and claw out a business while living on soy sauce and rice.
>
> »
>
> GUY KAWASAKI, *THE ART OF THE START V.2.0* (2015: 85)

Impact investing can be broad and nuanced. Investors are increasingly aware of both the positive and negative impacts that may be generated through the investment of financial capital. A growing community of investors, as well as a robust body of research, does not

FIGURE 1: HOW ESO-DAF ORGANIZATIONS FACILITATE VALUE-ALIGNED CONNECTIONS

accept the notion that investors must accept a trade-off between financial return, risk management and social/environmental impact. As noted by Emmerson, "What we choose to do with our capital--whether we have a little or a lot--will determine the future for our families, communities and planet, and the degree of equity and justice we share across the globe" (2017: 220). It is clear that the size of a financial contribution does not need thousands of dollars to make an impact!

THE STARDUST STARTUPS COMMUNITY AS A COMPLEX ADAPTIVE SYSTEM

Stardust Startups (abbreviated as "Stardust"), a nonprofit 501(c)(3) Donor-Advised Fund, is the case study we use to investigate the roles and actions of early-stage impact entrepreneurs, microgrant programs, and impact investors. We follow the organization's journey exploring the importance of shared goals (i.e., the UN Sustainable Development Goals), reimagining pre-seed microgrants' possibilities and discovering the critical role of impact microinvesting.

> Stardust Startups is a 501 (c)(3) nonprofit and Donor-Advised Fund founded in 2015 that provides financial and early-stage support for emerging impact entrepreneurs and startups worldwide working in the areas of health, environmental sustainability, and learning.

Stardust began as a startup helping startups. Its mission and vision originated from a collective, intuitive hunch (a.k.a. Stardust's Big Bang) more than verifiable facts. Six years later, the Stardust Startups model uniquely demonstrates how to democratize impact using microgrants and microinvesting to empower early-stage startups working to address massive challenges.

As a startup community, Stardust is propelled by entrepreneurial success through recoverable microgrants. When companies that receive Stardust funds succeed, the recycling of resources (recovered microgrant funds) supports the next generation of recipients.

Mistakes people make around startup communities:

- Applying linear systems thinking in a nonlinear world
- Attempting to dictate and control the direction of interest and growth
- Addressing problems in isolation
- Focusing on isolated parts of the startup community rather than the interactions between them
- Believing that a startup community is formulaic or replicable
- Measuring the wrong things, especially those that are easy to capture but less important for driving performance

Stardust is an impact first organization, which means that the social and environmental impact aspects of a project in our Impact Portfolio come before financial profitability.

> « Launching a product is one of the scariest things that an entrepreneur can do... the microgrant helped us make those early building blocks determinations with confidence in the product. »
>
> ADAM RIVA, FOUNDER OF DRAGONFLY EFFECT NATURALS

The projects and startups we fund are carefully selected after review by subject matter specialists and approval by our Advisory Board. They quickly launch for local, tangible solutions and become catalysts for a more forward-looking, accessible, and conscious world.

As a community, Stardust is a place for donor-advised giving and building impactful relationships among donors and founders. Stardust is a boutique DAF, and as a community, Stardust is an Entrepreneurial Support Organization (ESO). ESOs are broadly defined as groups that support, train, and sometimes fund entrepreneurs. “Their job is to help current or aspiring entrepreneurs move closer to starting or growing a viable business” (Self, 2019). And Stardust provides much more than financial capital.

Our research paper begins with a literature review to explore microgrants’ emergence, microfinancing, and Donor-Advised Funds (DAFs). The focus then shifts to examine the UN Sustainable Development Goals, which serve as the glue connecting impact entrepreneurs and their companies with impact investors. The paper concludes with an empirical study conducted by Stardust Startups on the effectiveness of microgrants received between 2016 and 2020. The findings reveal some anticipated and some surprising results.

IMAGE 1: STARDUST STARTUPS CO-FOUNDER LAURA JEAN PALMER-MOLONEY PRESENTING A MICROGRANT TO TAMI THOMAS, FOUNDER OF THE MIRIAM, IN 2016

Micrograntsmeet important entrepreneurial needs, whether they be physical or moral, and should be made available as much as possible to emerging impact entrepreneurs.

Microgrants as Catalytic Capital

> Personally, I can say the microgrant is very useful, and when you receive the grant, you stick to the purpose and goals of your project.

SHYLEEN MPOFU, FOUNDER OF RUSCELLO INVESTMENTS

WHAT ARE MICROGRANTS?

Microgrants are defined as "small, one-time, cash awards to individuals or organizations to complete a project selected for its potential social benefit" (Owens et al., 2018: 360). Selected projects are usually awarded microgrants on a competitive basis, where sponsoring organizations decide which proposals are most deserving of their limited resources (Wadud, n.d.).

Microgrant dollar amounts can range from as low as $1,000 to as much as $10,000, depending on the grant recipients' context. Recipients of microgrants come from various backgrounds, as grant recipients may be individuals, families, community organizations, non-profits, or early-stage startup businesses who meet the funding organization's granting criteria. The primary purpose of microgrants is to "quickly deliver a visible improvement soon after a project has launched and to demonstrate plausibility, scalability, and that change is possible" (Owens et al., 2018: 352).

Recoverable Microgrants - A critical differentiating factor between microgrant offerings is the potential for grant recovery by the awarding organization. Microgrants are not the same as microloans because repayment of the microgrant is voluntary. However, granting organizations can open up the option of grant repayment by offering recoverable microgrants. Thus, recoverable microgrants can be thought of as a loan with zero percent interest or binding language.

Microfinance - Other terms often used when discussing small, monetary tools available for entrepreneurial growth are "microfinance" or "microcredit".[1] Though microcredit, microfinancing, and their associated microloans play a critical role for emerging entrepreneurs, they are beyond the scope of this paper.

BENEFITS OF MICROGRANTS

For Granting Organizations and Funders - Recoverable microgrants have benefits for recipients and granting organizations and funders. Recoverable microgrants are a helpful tool for funders looking to maximize the impact of their financial contributions. With recoverable microgrants, funders can invest "directly in companies and indirectly into the ecosystem in a way that is transparent, aligns incentives, and pays for performance." (Powell, 2020: 56). Powell notes that this model is "especially relevant for Donor-Advised Funds (DAFs) and foundations that want to invest directly in social enterprises but are not yet ready to create full-fledged investment funds" (Powell, 2020: 56). Additionally, the entrepreneur support organizations (ESOs) that offer microgrants benefit from recovering microgrants from projects that become financially sustainable, which contributes to the financial sustainability of the granting organization. Thus, the financial sustainability of the ESO is partially dependent on the success of chosen microgrant recipients, motivating the careful consideration of applicants and reducing pressure on funding cycles (Powell, 2020).

For Microgrant Recipients - Microgrants serve as catalytic capital for emerging entrepreneurs. Thus the recoverable microgrant model provides many benefits to recipients. Research has found that securing small amounts of capital at critical points in business development can have significant positive effects on firm performance "not only during the current year but in subsequent years as well" (Kariv and Coleman, 2015:

196). Thus, at the early stages of idea development, "risk-tolerant, 'patient' sources of funds," such as recoverable micrograints, are crucial (Owens et al., 2018: 359).

> It's complicated to find money when you're just starting out, and many times that prevents you from moving forward, especially when you are young, or a student, and you don't have many resources or funds to invest out of pocket. The idea, then, is to turn to organizations that are fighting to help small projects take off, at a time when we need the most support. Fortunately, there are initiatives like Stardust Startups that help launch projects at very early stages! They have given many startups the opportunity to get a leg up.

ORIANE SENTIS, FOUNDER OF SMARTVRAC

The lack of pressure to repay the micrograint allows entrepreneurs to take full advantage of the micrograint capital while also receiving a confidence boost from the granting organizations' belief in their project. Additionally, the micrograint model makes funding available to emerging entrepreneurs "to get hold of resources that would otherwise go only to bigger fish," thereby democratizing innovation by expanding the accessibility of capital (Wadud, n.d.).

EFFECTIVENESS OF MICROGRANTS

There is limited empirical research on the effectiveness of micrograints, but what exists is promising. See case study below.

CASE 1: SELF-EMPLOYMENT TRAINING PROGRAM

ANDERSON ET AL., 2016

Conducted in 4 cities across the USA.

"Every participant receives free access to up to 12 months of case management, training, and technical assistance from microenterprise providers experienced in business development, as well as up to $1,000 in micrograint funds."

Key findings:

» An amount as low as $1,000 can help participants get their business started.

» Most micrograint recipients used the $1,000 to invest in electronics, supplies, and marketing materials to help them bring in and serve customers.

» Counseling and careful review of applications may be necessary. Over 90% of SET advisors and over 70% of participants reported that counseling helped participants make the most out of the micrograint.

Goals for Positive Impact

Any Entrepreneurial Support Organization or Donor-Advised Fund striving to make positive social and environmental change has a better chance of success when it incorporates parameters defined by experts. Internationally recognized and agreed-upon guidelines such as the UN Sustainable Development Goals (outlined below) provide specific and focused targets, which can be used to frame and measure progress. Beyond this, universally agreed upon social and environmental sustainability targets and goals may link to a bigger purpose and cause that an entrepreneur or donor from anywhere around the world aims to achieve.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

In 2012, The Sustainable Development Goals (SDGs) were created at the United Nations Conference on Sustainable Development in Rio de Janeiro. The main objective was "to produce a set of universal goals that meet the urgent environmental, political and economic challenges facing our world" (UNDP). The SDGs were developed to replace the former Millennium Development Goals (MDGs), which had achieved momentous strides in:

» "Reducing income poverty, providing much-needed access to water and sanitation, driving down child mortality and drastically improving maternal health" (UNDP)

» "Combating HIV/AIDS and other treatable diseases" (UNDP)

» "Kick-starting a global movement for free primary education, inspiring countries to invest in their future generation" (UNDP)

The Sustainable Development Goals sought to continue the works and progress of the Millennium Development Goals with an emphasis on sustainability.

In 2015, all 193 United Nations members agreed upon the SDGs, which defined 17 objectives to accomplish before 2030 (Freyling, 2015). The SDGs are pillars that provide concrete objectives to achieve "peace and prosperity for people and the planet, now and into the future" (UN, 2020). Concretely, the 17 goals encompass areas ranging from poverty & hunger to education, gender equality, and climate action.

These issues are intertwined, and thus success in one area spills over to others (UNDP).

REAL-LIFE EXAMPLES OF SDGS

Nordic countries (Denmark, Finland, Iceland, Norway, and Sweden) have been trailblazers in applying the SDGs within their country's political, economic, and social frameworks. For example, Finland took a human rights-based foreign and security policy approach. Consequently, Finland has achieved promising results in "strengthening women and girls' rights, promoting sexual and reproductive health and rights, advancing the rights of persons with disabilities and enabling developing economies to create jobs and livelihoods." Concretely, Finland has achieved such results by incorporating the SDGs into its national processes and policies (SDG Knowledge Platform). According to the UN, Finland's social security and service systems and their educational systems promote inclusion, which is reinforced through civil society actors' aid in accomplishing its objectives (2020).

Another country, Norway, has also made significant progress in advancing the SDGs through its commitment to renewable energy. Norway derives roughly 95% of its energy from hydropower and is currently undergoing a process to ban the sale of fossil-fueled cars (International Hydropower Association). Norway's objective is to have "By 2025, all vehicles in circulation must be powered by green energy" and is already "one of the countries with the most electric cars per capita" (Sustainability For All, 2019). This underscores the country's active engagement in promoting environmental sustainability through eco-friendly/renewable energy sources. Finally, Denmark has spearheaded its country's environmentally sustainable transformation. In fact, "since 1996, it has successfully cut its CO_2 emissions by more than half" (Marriner, 2019). Additionally, in 2019, Denmark reported that 47% of its electricity was generated via wind power (Marriner, 2019).

Another example of a venture that has successfully implemented the SDGs is TechnoServe, a non-profit that harnesses the private sector's power to reduce poverty directly. TechnoServe builds economic prosperity in developing countries by providing small-scale farmers and entrepreneurs crucial skills and capital to transform their businesses and achieve sustainable wages. Additionally, Technoserve acts as a liaison connecting small businesses in developing countries to larger enterprises so that they can benefit from other markets, suppliers, and financing (TechnoServe). Thus, Technoserve directly incorporates the SDG goals No Poverty, Decent Work and Economic Growth, Sustainable Cities and Communities, and Reduced Inequality. Similarly, Stardust Startups empower entrepreneurs globally and provide them pivotal social, human, and financial capital to transform their social visions into action.

RELEVANCE OF THE SDGS AT STARDUST STARTUPS

As an Entrepreneurial Support Organization and a Donor-Advised Fund striving to make positive social and environmental change, Stardust recognizes the importance of including the SDGs in all aspects of the work we do.

Although we recognize that each of the 17 goals is equally important, Stardust Startups actively incorporates eight: Zero Hunger, Good Health and Well-Being, Quality Education, Clean Water and Sanitation, Affordable and Clean Energy, Sustainable Cities and Communities, Responsible Consumption, and Climate Change.

Stardust Startups specifically provides micro-grants to social entrepreneurs whose projects and objectives exemplify strides towards improving environmental sustainability, physical and mental health, and learning. The chosen projects must illustrate at least two of the Sustainable Development Goals. Moreover, Stardust Startups seeks to democratize innovation by welcoming value-aligned impact investment of all sizes. These impact investments translate into concrete and scalable change. Stardust Startups strives to endorse and nurture entrepreneurs working toward the triple bottom line "People, Planet, Profit" (B-Corporation tagline) goals rather than merely financial returns.

Indeed, our non-profit actively seeks out and supports projects that offer unique, innovative solutions for these pressing world problems. Therefore, it is logical that we decided to utilize the Sustainable Development Goals as a framework in guiding our core values and mission.

Stardust Startups models B-certified corporations by balancing both financial and social objectives to drive impact globally. Certified B Corporations are social ventures that have been appointed this certification by B-lab, a nonprofit, for their triple-bottom-line approach (Kim, Karlesky, Myers, & Schifeling, 2016). This approach encompasses creating and delivering value financially, socially, and environmentally. B-certified corporations seek to go beyond creating shareholder value and instead embrace the notion of creating value for stakeholders such as the community, employees, and environment (Kim, Karlesky, Myers, & Schifeling, 2016).

CASE 2: 'EDUCATE A CHILD' INITIATIVE

ISHERI OSUN, LAGOS, NIGERIA

One example of a project funded by Stardust Startups is Ihonwa Sylvester's 'Educate a Child'. Founded in February of 2019, it is an initiative born to reaffirm the importance of reading books and technology use among young people aged 8-16 years old through four different programs. The $2,000 Stardust microgrant was awarded in the Spring of 2019 and has covered Sylvester's classroom rent for the past two years.

SDG targets Educate a Child is helping reach:

- 4: Quality Education
- 10: Reduced Inequality
- 11: Sustainable Cities and Communities

IMAGE 2: TECHNOLOGICAL LITERACY CLASS WITHIN THE 'EDUCATE A CHILD' PROGRAM, 2019

Impactful Investing through Donor-Advised Funds

WHAT ARE DONOR-ADVISED FUNDS?

A Donor-Advised Fund (DAF) is a form of charitable investment vehicle within a nonprofit 501(c)(3). It collects charitable donations pooled together from investors around a single purpose managed by a third party. In essence, it is the closest term in industry jargon to represent the fund and operational structure of the Stardust Startups case study. As this section will illuminate, though, it is not all-encompassing.

The Internal Revenue Code defines a DAF as a fund or account:[2]

» which is separately identified by reference to contributions of a donor or donors,

» which is owned and controlled by a sponsoring organization, and

» for which a donor (or any person appointed or designated by such donor) has, or reasonably expects to have, advisory privileges concerning the distribution or investment of amounts held in such fund or account because of the donor's status as a donor.

DAFs are not the same as a more simple one-off donation to a private foundation. First, private foundations are usually endowed by one source and must pay an excise tax on investment income, while DAFs are exempt from this requirement (ImpactAssets et al., 2019: 115). They avoid the easy hang-ups in donating to private foundations by eliminating the minimum annual distribution requirement. More importantly, though, a DAF is a tax-preferred philanthropic vehicle that allows donors to "separate the timing of the tax decision from the giving decision, and to give money out over time while claiming a tax benefit in the year most beneficial for the [donor]" (ImpactAssets et al., 2019: 115).

The tax element of DAFs makes them distinct from private foundations, but it is not the one that most differentiates Stardust Startups. We must briefly discuss the history behind DAFs to clarify the investment vehicle's charitable origins before it was discolored as an attractive tax-haven for high net-worth people. Stardust does not attract high-net worth donors but rather modest donors who look for a more intimate connection to their donation. The DAF space remains somewhat controversial but Stardust side steps it while remaining a viable DAF with an impact aligning to its donors.

HOW DAFS BECAME A POPULAR CHARITABLE INVESTMENT OPTION

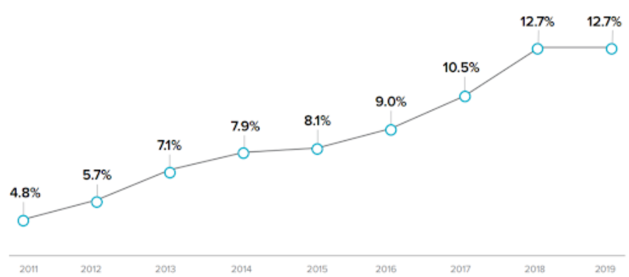
Congress created an exemption for charitable organizations from paying federal taxes through the 1913 Revenue Act. The New York Community Trust supported and sustained by John D. Rockefeller Jr. established the first Donor-Advised Fund in 1931. The idea was to allow individual donors to support charitable causes that aligned with their morals or ethics rather than deferring the donation decisions to that of a community foundation.Even though the tax implications may have attracted interest from, it wasn't until the bull markets near the turn of the century and some more tax legislation that investment banks caught wind of it as an attractive client for investor clients.

DAFs remained a charitable investment vehicle used mainly by community, public and faith-based organizations until the 1990s. The Gift Fund was the first DAF founded by Fidelity Investments as an independent public charity governed by a Board of Trustees "the majority of whom are independent of Fidelity Investments" (Fidelity Charitable, n.d.). The rapid interest in the vehicle by investment banks and other financial institutions prompted some notable pieces of legislation that will be only referenced in this paper and not discussed. DAFs were most significantly regulated by Congress' Pension Protection Act (PPA) of 2006. The PPA specified the legal definition of a Donor-Advised Fund, prohibited certain payments to donors, set new rules about grants from DAFs and specified a minimum required documentation for distributions (Council on Foundations, 2019). The 2014 Tax Reform Act mandated that a DAF must pay Excise tax on failure to distribute within 5 years contribution to Donor-Advised Funds (Council on Foundations, 2019).

The implications of Congress' charity tax exemption policy is subject to some scrutiny that is beyond the scope of this paper. Lewis B. Cullman and Ray Madoff observe and argue that the growth of many DAFs corresponds to the bullish trend since the 2008 crisis and the interest of many wealthy investors to benefit from the tax write-off of capital gains rather than any moral imperative. They argue that DAFs are bad for American society because there are too many perks for the financial services industry without the corresponding charitable benefit.

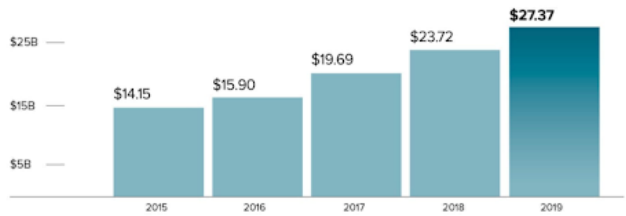
According to the National Philanthropic Trust, annual contributions to DAFs hit an all-time high of $19.66 billion in 2014. The increase in contributions, combined with a rising stock market, "drove total Donor-Advised Fund assets above $70 billion for the first time" (Cullman and Madoff, 2016). That trend continued and donations to DAFs are now 10.2% of total individual giving. Between 2016 and 2017, the number of funds increased by 60.2% and grant-making increased by 20%. There are now nearly half a million donor-advised funds with $110 billion in assets and donors who have a DAF are giving away nearly $20 billion per year (National Philanthropic Trust, 2020).

FIGURE 2: CONTRIBUTIONS TO DAFS EXPRESSED AS % OF TOTAL INDIVIDUAL GIVING



SOURCE: NATIONAL PHILANTHROPIC TRUST, 2020

FIGURE 3: TOTAL GRANTS MADE BY DONOR-ADVISED FUNDS ($B)



SOURCE: NATIONAL PHILANTHROPIC TRUST, 2020

HOW IMPACT INVESTING IS DIFFERENT FROM OTHER SUSTAINABLE INVESTING METHODS

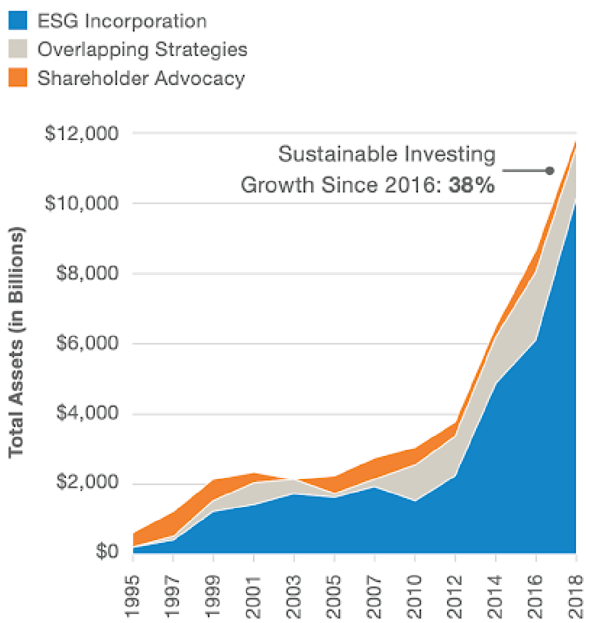
While the investment industry often uses Environmental, Social, and Governance (ESG), Socially Responsible Investing (SRI), and impact investing as interchangeable terms, they each have distinct differences. Impact investing is just one type of sustainable investing but is significantly different from any other type because of its distinct goals.

ESG and SRI investing involve searching for investments that can match the investor's investment goals and correspond to their specific ethical guidelines. Socially responsible investing uses the investor's morals and ethics as negative screens that prohibit an advisor or investment custodian from selecting investments that do not abide by those standards. ESG investing does not involve any negative screens and, instead, looks at a specific company's environmental, social, and governance practices alongside more traditional fundamental analysis measures. In the context of this paper, though, ESG and SRI are not the focus because they still seek some monetary measure of return on investment (ROI) for the investor. Impact investing does not necessarily seek monetary benefit for the investor.

Impact investing looks to help a business or organization achieve a particular goal related to a project or program that helps benefit society in the manner specific to the entity. Whether local, global, environmental, or social, projects that receive impact investing funds receive them because the positive outcome is paramount.

Investors with a sustainable focus are seeing that the value of an investment extends beyond the monetary growth of the investment. The U.S. Forum for Sustainable and Responsible Investment found that socially responsible investing and its subset, impact investing, accounted for more than $1 out of every $3 under professional management in the U.S. as of year-end 2019 (US SIF, 2020). This amounts to over $12 trillion in assets under management yearly (US SIF, 2018).

FIGURE 4: SUSTAINABLE INVESTING GROWTH IN THE UNITED STATES (BILLIONS) 1995-2018



SOURCE: US SIF, 2018

DAFS OFFER BENEFITS FOR MODEST IMPACT INVESTORS

Whereas donors with larger asset sizes may be attracted to DAFs because they can help with investment goals, modest donors seek DAFs because they "act as a tool to help 'democratize' impact investing as they are available to those of virtually any level of wealth" (ImpactAssets, et al., 2019: 113). Donor-Advised Funds are a significant charitable vehicle for those interested in impact investing and especially smaller donors who wish to see the impact of their relatively modest contribution.

> What we choose to do with our capital—whether we have a little or a lot—will determine the future for our families, communities and planet, and the degree of equity and justice we share across the globe.

JED EMMERSON, *THE IMPACTASSETS HANDBOOK FOR INVESTORS* (2017: 220)

DAFs appeal to people across economic classes because they "allow the investor without a lot of support or infrastructure to 'offload' on to a community foundation or DAF intermediary some of the paperwork, sourcing, reporting and other aspects of impact investing that can be onerous for individuals working on their own" (ImpactAssets, et al., 2019: 113). Investors, in essence, benefit from the lower transaction costs that come from an organization with knowledge, expertise, and division of labor.

The pooled nature of DAFs offer impact investors an opportunity to experiment with higher risk projects that may be in the early stages of their positive-impact project. For modest investors donating less than $10,000, the opportunity to see the impact of their donation is muted in a large fund.

Nobody is cut out of the discussion at Stardust Startups and the democratized nature of DAF speaks loudly in their decision structure. Major donors have a say in how the funds are spent and networks are formed between the fund recipients and donors.

HOW STARDUST STARTUPS AS A FUND IS UNIQUE

The funds donated to Stardust Startups or earned through Stardust Startups' affiliate programs[3] are not managed like most Donor-Advised Funds. Stardust Startups as a fund does not hold any investments that put the overall principle at any risk of declining and inhibiting its potential for donations. The portfolio is made up of only cash or held in money market funds.

It is worth noting that the case study Stardust Startups DAF, though, operates with full transparency regarding financial standing and funding or investment options with its investors. Its small size and the intimacy it engages with fund recipients enables open communication and full transparency with funders. Open communication is enabled by its smaller size and the intimacy with which it engages with grant recipients - even providing non-monetary support. Donors, as a result, have a connection to where their money is spent.

> Being a pioneer is not easy, especially in peculiar situations like the current pandemic. But the trust and support is there, so one has to continue and eventually get there.

ROSA MARÍA LICÓN LUNA,
FOUNDER OF PROAPIA BIOTECH

THE INTERSECTION OF IMPACT INVESTING AND MICROGRANTS IS MICROINVESTING

When working within the nexus of new things, it becomes difficult to not inherit the connotations of adopting certain terms. "Impact Investing" and "Microgrants" are the two areas that define what projects similar to Stardust Startups and its Donor Advised Fund try to do. One trapped in the financial industry and the other within the developmental economics and NGO world. So, a new term may better explain how Stardust Startups is a case study of how the democratized nature of a DAF can best enable modest investors to have a charitable impact.

The funds given to recipients are recoverable on a voluntary basis and do not carry interest or equity. Thus, they are somewhat like grants but are designed to help projects or businesses grow from early pre-seed stages. The donors also have input into the investment decisions and that democratized nature of a DAF most closely resembles what Stardust Startups tries to maintain between stakeholders and recipients of its funds. The nature of its small size, though, means that donors "invest" in Stardust Startup's fund to gain capital other than monetary ROI.

IMPACT INVESTING VALUES NON-MONETARY CAPITAL

The acquisition of capital is about more than acquiring financing. In *Startup Community Way: Evolving an Entrepreneurial Ecosystem*, Brad Feld and Ian Hathaway advise startups to build on the capital they already have while they attract the capital they want more of.

Capital is a term referring to anything that can be used for productivity by a firm or individual. Economic or financial capital includes monetary funds and investments like debt, equity or land and its buildings. Impact investing, though derives meaning and deems a project successful depending on non-monetary, qualitative indicators. The strange position of the Stardust Startups as a case study of a DAF that delivers a sort of microgrant warrants a brief discussion of the types of non-quantitative capital is warranted. The networks between stakeholders and the democratized nature of the non-profit deliver social and human capital to the who donates the funds, the investor, and who receives them to do work, recipient.

Though most of the startups that Stardust Startups selects for funding begin with limited financial capital, they all demonstrate strength in other aspects. Financial capital is not the only kind of capital in a startup community (Feld and Hathaway, 2020: 60-61).

The "seven capitals" include:

» **intellectual capital** (technologies, ideas, information)

» **human capital** (talent, knowledge, skills)

» **financial capital** (revenue, equity, debt)

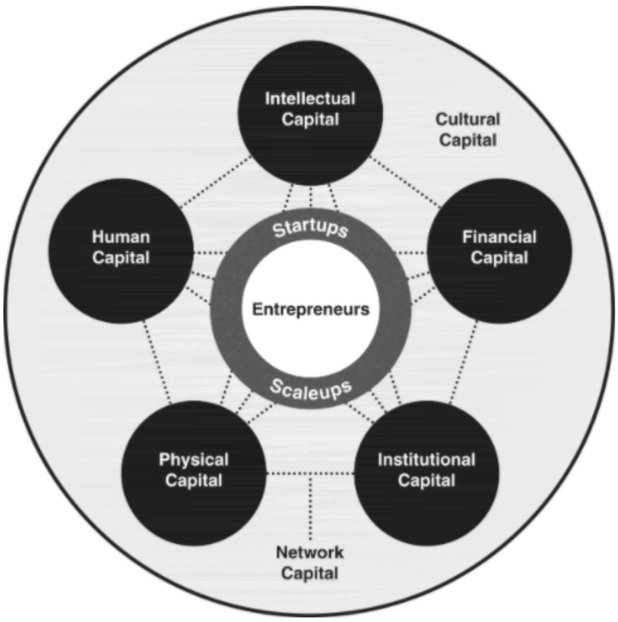
» **institutional capital** (anchor organizations, markets, stability)

» **physical capital** (density, infrastructure, quality of place)

» **network capital** (connectedness, relationships, bondedness)

» **cultural capital** (attitudes, mindset, behaviors)

FIGURE 5: THE SEVEN CAPITALS OF STARTUP COMMUNITIES AND ENTREPRENEURIAL ECOSYSTEMS



SOURCE: FELD AND HATHAWAY (2020: 61)

These seven capitals overlap and are interconnected resources that make up the general environment within which successful entrepreneurs operate. Intellectual capital, human capital, and financial capital provide essential building blocks. They align with three critical resources: ideas, talent, and funding. Physical capital facilitates the exchange of resources, while institutional capital ensures that the general environment for entrepreneurs to operate in is stable and functions properly. Network capital and cultural capital run in the background and provide critical infrastructure for a startup community to function properly.

Human capital is a much less tangible idea than economic or financial capital because it is difficult to assign a metric. In essence, it refers to the skills a project's participant brings to the project success through experience, education, or training. Project participants with high human capital are generally happier and more efficient contributors. Many businesses or projects can estimate their human capital by combining the total amount of time people have spent in education, development seminars, or programs that encourage healthy living.

Human capital is one of the most important factors of productivity in today's economies as education becomes more of an essential reason people generate high incomes in the future (Bergheim, 2005). Presumably an individual's higher income is also related to their participation, at least in part, to the success of projects. Human capital, though, may not be the complete reason they wound up on the project in the first place as many roles are not earned as much as connected.

WHAT ABOUT SOCIAL CAPITAL?

Social capital is even more difficult to assign a value than human capital because it is an intangible asset cultivated through connections. It is a non-quantitative measure of how a person is integrated within a social network that can create a cycle of actions that have mutual benefit. A person with high social capital may be a connector who is able to reach out to influential or skilled people to seek opportunities for development or advancement.

Four general factors orient around the concept of social capital. Social interaction, network ties, mutual trust, and shared goals. A study of research and development project teams did not find significant evidence to show that all factors contribute equally to success. "Social interaction and network ties had significant and positive impacts on creativity of R&D project teams, but mutual trust and shared goals did not" (Chen et al., 2007: 1).

HOW DOES SOCIAL CAPITAL TIE TO DONOR-ADVISED FUNDING AND IMPACT INVESTING?

The seven capitals are also relevant to impact investors. In recent years growing numbers of investors have been joining the community interested in not only generating financial returns but also creating positive social and environmental value in the world (Emmerson, 2017). However, when they contribute financially to early-stage startups, they do not expect financial returns. Frequently, an impact investor is more interested in other forms of capital "performing well."

In a 1985 report, the World Bank defined social capital as "the norms and social relations embedded in social structures that enable people to coordinate action to achieve desired goals". It has now become recognized that these three types of capital determine only partially the process of economic growth because they overlook the way in which the economic actors interact and organize themselves to generate growth and development. The missing link is social capital (Grootaert, 1998: 1).

> Social capital refers to the internal social and cultural coherence of society, the norms and values that govern interactions among people and the institutions in which they are embedded. Social capital is the glue that holds societies together and without which there can be no economic growth or human well being. Without social capital, society at large will collapse, and today's world presents some very sad examples of this.

ISMAIL SERAGELDIN, WORLD BANK, VICE PRESIDENT, SPECIAL PROGRAMS (GROOTAERT, 1998: i)

Three plus decades later, social capital is tied to unlocking the power of markets for impact to create a more just and sustainable economy. Stakeholders include social entrepreneurs, investors, foundation and nonprofit leaders, government and policy leaders, creators, corporations, academics, and beyond who "educate, spur conversation, and inspire investment in positive impact" (SOCAP, 2021).

IMAGE 3: LUMBRICK TEAM USING THEIR ECO-FUEL BRIQUETTES, KENYA, 2018

Building social and human capital through networks of impact investors and fund recipients is at the core of what Stardust Startups is trying to provide for donors and help recipients long after the funds are spent. Impactful "microinvesting" is in the middle between the catalytic capital of microgrants and the democratized structure of DAF and mission of impact investing. It may be the word that describes Stardust Startup's mission and drive but it is just a word. The measure of success for donors and the founders of Stardust Startups comes in seeing the grant recipients use their funds to reach goals.

Measuring Early-Stage Success through Microgrants: An Empirical Study

The purpose of this study is to explore and describe the effectiveness of microgrants for Stardust Startups recipients. At this stage in the research, "an effective microgrant" will be largely defined as a microgrant that has:

» helped the entrepreneurs find success in some form (i.e., access to further funding, increase in impact, etc.),

» made the business startup process easier in some way (i.e., building confidence and credibility, having a prototype to show, etc.), and/or

» helped the entrepreneurs achieve progress within their chosen UN SDG targets.

The research questions are the following:

◊ Are micrograms effective for startups and what for?

◊ What has resulted from recipients receiving the microgrant?

◊ How would recipients describe their individual experiences with the microgrant?

◊ Are microgrants essential for startups?

METHODOLOGY

In order to answer the research questions and explore and describe the effectiveness of microgrants for Stardust Startups recipients, we conducted a survey on that particular group in March 2021 and received 8 responses (see Appendix for table describing participant information). Participants received their microgrants between 2016 and 2020. The questions were both quantitative and qualitative in nature, allowing for a variety of types of information, ranging from tangible goals they were able to achieve resulting from the microgrant to their thoughts and experiences with the microgrant process as a whole (see Appendix for the entire list of survey questions).

DEFINING SUCCESS FOR EMERGING IMPACT ENTREPRENEURS

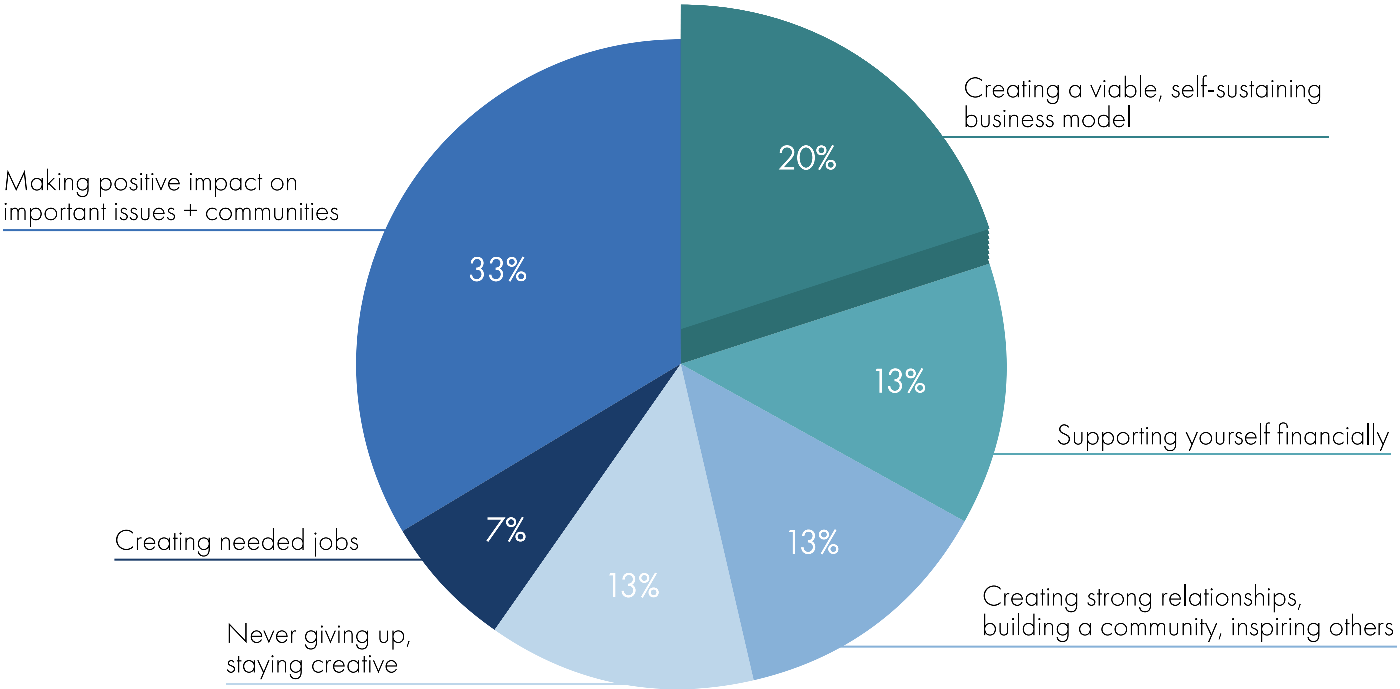
The recipients themselves define success within their entrepreneurial journeys in a variety of ways, although many overlap. The response that came up the most often (5 times) was the degree to which they are able to make a positive impact on people and/or the environment, and the second most prevalent way the recipients define success is through the creation of a viable business model (3 times). These responses are consistent with the two key elements of impact entrepreneurship: builindg a business and making impact (see Figure 6).

MICROGRANTS VS. OTHER TYPES OF EARLY-STAGE HELP

When you think of early-stage help for small businesses and startups, what comes to mind?

As explored in the literature review, early-stage help for startups or small businesses can come

FIGURE 6: HOW EARLY-STAGE IMPACT ENTREPRENEURS DEFINE SUCCESS WITHIN THEIR BUSINESS JOURNEYS



in many forms. For this study, we identified 9 major types and had respondents rank the perceived helpfulness of each one they've received in the past. The 9 types of help identified are as follows:

- Large grant/donation (more than $5,000)
- Venture capital
- Microgrant
- Microloan
- Conventional bank loan
- Small donations
- Mentorship/expert help
- Incubator/accelerator programs
- Help from friends/family

Figure 7 (page 18) demonstrates that all types of aid received are at least somewhat helpful. 7 out of 8 respondents said that the microgrant, our focus for this study, has been very helpful or has changed everything in terms of their startup journey.[4]

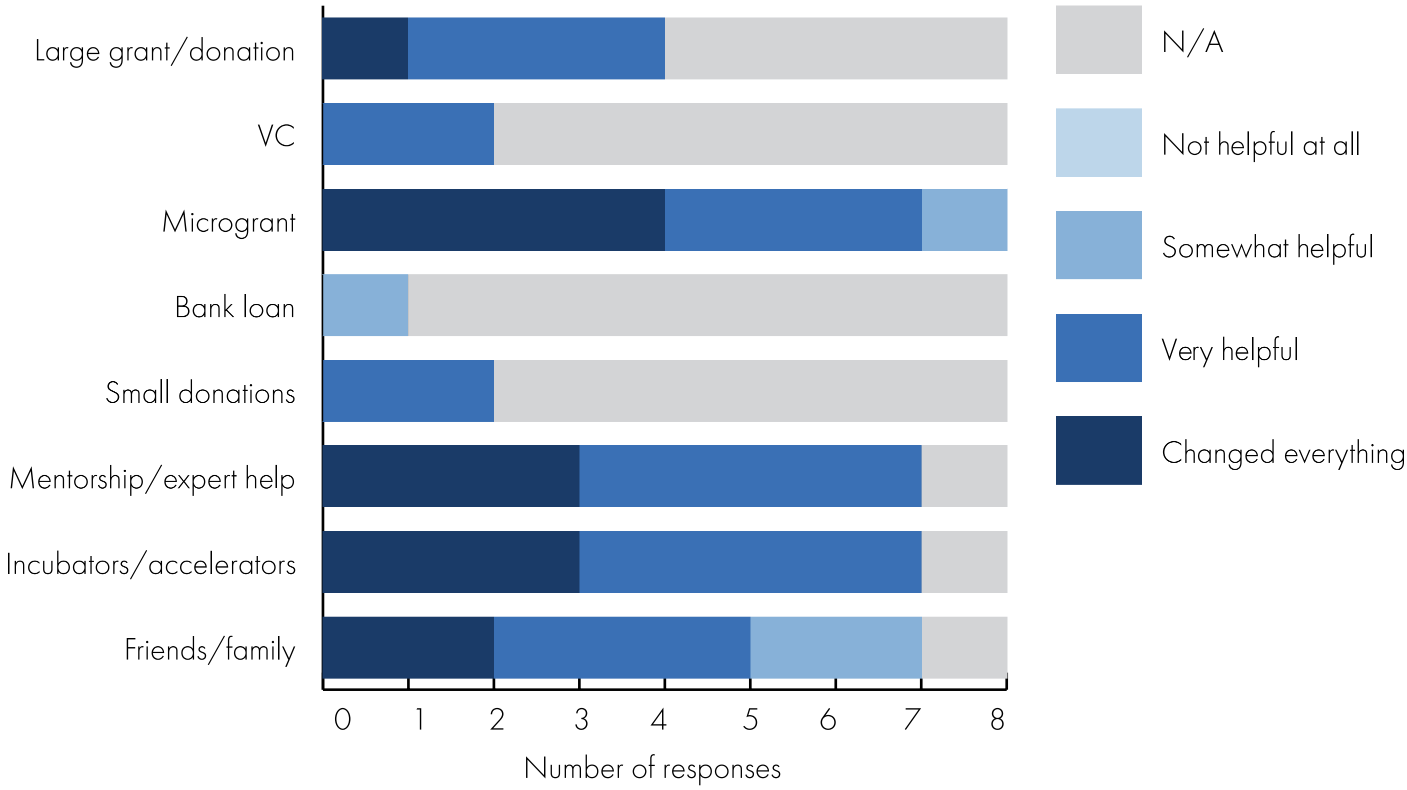
EXPECTATION MANAGEABILITY OF THE MICROGRANT

> « I had such a promising business but I didn't have the capacity to grow and maintain it. We are very grateful for the grant we received, as it assisted us in growing our small corner business into a big, proper shop. »

SHYLEEN MPOFU, FOUNDER OF RUSCELLO INVESTMENTS

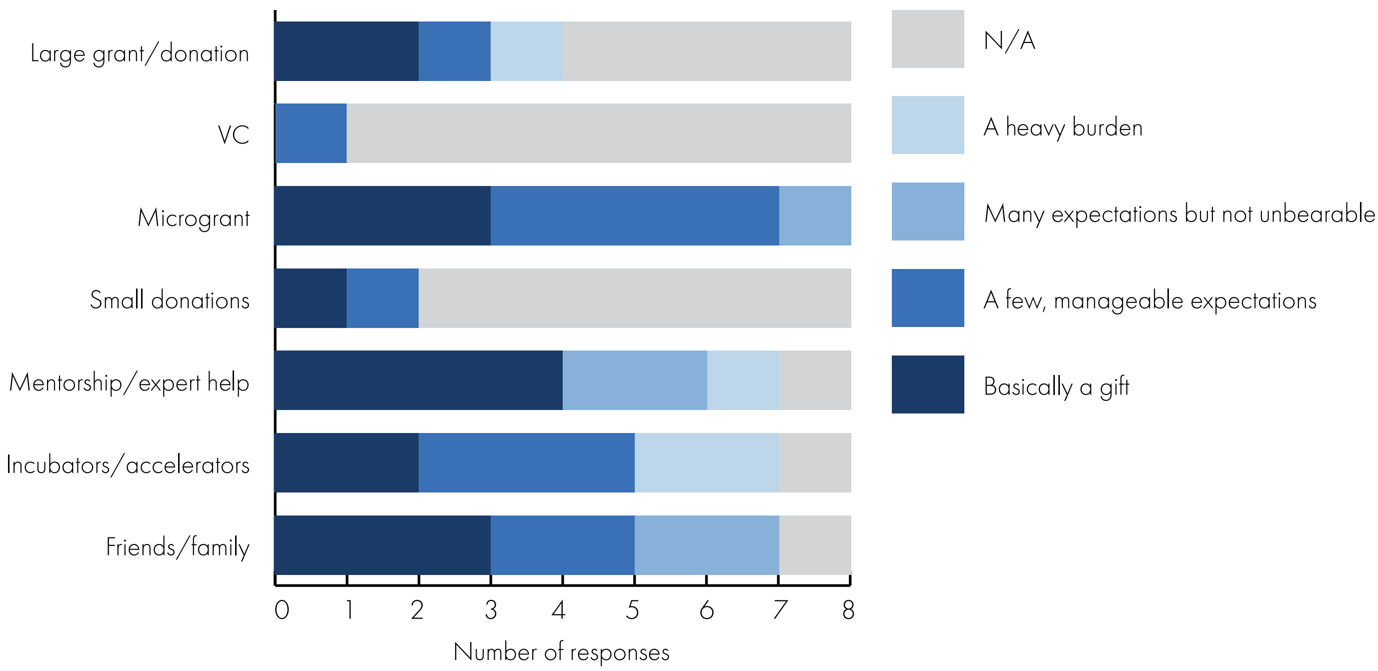
Another element that we believe points to the effectiveness of a funding source (in our case, the microgrant) is the number of expectations or responsibilities it asks of the entrepreneur and whether they are manageable or too much of a burden. The type of expectations we noted in the survey consisted of responsibilities such as reporting, paperwork, restrictions, deadlines, and financial expectations. We asked the recip-

FIGURE 7: PERCEIVED HELPFULNESS OF DIFFERENT TYPES OF EARLY-STAGE STARTUP HELP BY EMERGING ENTREPRENEURS



ients to rank the expectation manageability of each type of the nine types of early-stage startup help. The results were mixed, but 7 out of 8 respondents said that the microgrant came with either a few manageable expectations or none at all (see Figure 8 below).

FIGURE 8: PERCEIVED EXPECTATION MANAGEABILITY OF DIFFERENT TYPES OF EARLY-STAGE STARTUP HELP BY EMERGING ENTREPRENEURS



MAJOR EARLY-STAGE FUNDING NEEDS

Do emerging impact entrepreneurs find themselves putting their microgrants towards areas in their business that need early-stage funding? In other words, the microgrant represents a relatively small amount of money, and it will not fulfill all their needs. When they receive the microgrant, is the money going towards foundational and essential areas, or is it so insignificant that it is going towards less urgent areas like personal needs?[5]

The 11 business areas identified are as follows:

- Legal fees
- Lease/rental payments
- Insurance
- Materials/objects related to the business
- Inventory expansion
- Construction of the product
- Website and/or app development
- Marketing/communication materials
- Hired services or outsourcing
- Wages/salaries
- Personal needs

According to the study participants, the top three areas of business that need seed-stage funding are materials/objects related to the business (62.5%), construction of the product (50%) and marketing/communication (50%). By a large margin, the participants then selected materials/objects related to the business as the top area for which they used their microgrant, which demonstrates that the microgrant does in fact help fulfill early-stage funding needs.

PROGRESS POST-MICROGRANT

62.5% of respondents said they received further funding after receiving the microgrant. The forms of funding mentioned include national and regional public grants, donations and crowdfunding, university research grants, funds from NGOs and other organizations, and winnings from various contests. The amounts range from $1,000 to $40,000. One recipient responded,

"[The microgrant] unlocked many things. There's a vicious cycle you can fall into where you need a prototype to move forward with the project, but you don't have the money to make it. That's kind of what happened in our case at first, and I think in many cases. But a project can quickly start taking off when the first people put their trust in you. This lands you in a virtuous cycle instead."

This quote shows how both the microgrant and trust given by an organization like Stardust Startups to an emerging entrepreneur can boost their confidence and pave the way for other organizations and individuals to support the project.

Here are some other testimonials attesting to the ways microgrants can make the early-stage startup process easier for impact entrepreneurs:

"The microgrant made the **scaling of my business and impact realistic** in touching more young people's lives in my community. The microgrant has made it possible for my business to impact close to 600 young people since I have received it."

"It has been a boost in **confidence** and **exposure**."

"It has allowed us to train and start working as a team much more efficiently, also it gave us a lot of **concept validation** at the beginning which greatly helped us to stay focused."

"The micrograpt was the first [funding] we received, which propelled us from idea-stage to piloting. The **encouragement** was the biggest value to us."

"It has provided the **freedom to plan**, in a much more tangible way, goals we want to achieve. In addition, it has been a massive boost in our **confidence** to know that our mission is understood and supported by other organisations. This pushes to keep going."

"It gave us confidence, showed us that we were first **supported morally**, and then the financial aspect allowed us to begin building our prototype."

"I started my business through personal savings, as it was a challenge to secure funding and loans from banks and financial institutions in Zimbabwe. But upon receiving the micrograpt, we managed to **diversify our product range** and now the shop is fully stock."

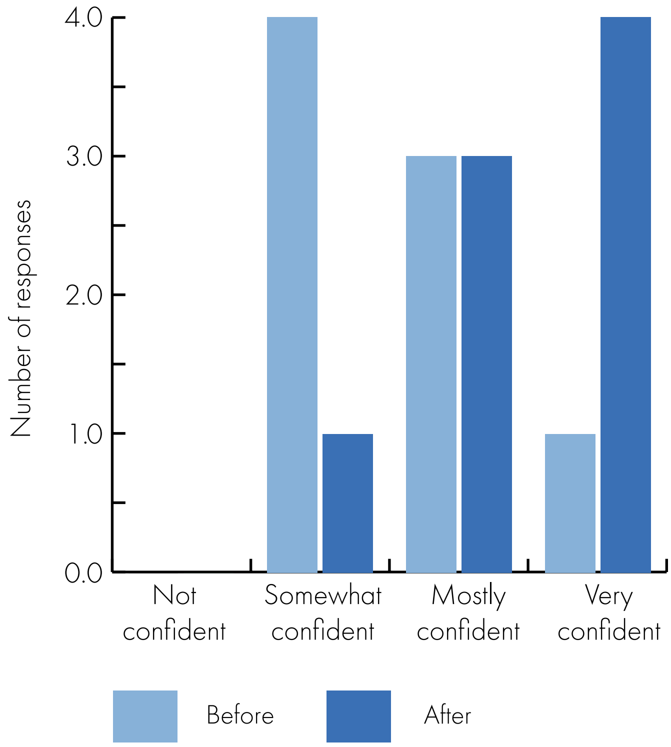
"Knowing we'll be able to afford paying teachers to provide classes to our community has been a **huge relief**."

"The micrograpt **gave us a start**, upon which we only had to match the micrograpt amount with personal contributions and other grants in order to achieve our next milestone."

For emerging impact startups, the micrograpt program is not only helpful for making tangible progress (i.e., buying materials, paying for legal fees, etc.) but also in propelling morale by inspiring feelings such as trust, freedom, credibility, confidence, encouragement, and relief. These feelings are key for entrepreneurs in the early stages of their projects; they take away feelings of doubt and uncertainty and replace them with motivation and knowing the project is valuable and meant to be shared.

Confidence levels of emerging impact entrepreneurs before and after receiving the micrograpt show an inverse trend. Before receiving, half of the respondents said they were only somewhat confident in their business's potential success. After receiving, half of the respondents said they were very confident in their business's potential success and 37.5% said they were mostly confident (see Figure 9).

FIGURE 9: CONFIDENCE LEVELS OF EMERGING ENTREPRENEURS BEFORE AND AFTER RECEIVING A MICROGRANT



MAKING IMPACT WITH THE SDGS

Despite challenging COVID-19 delays and restrictions (beginning in March 2020), 87.5% of the respondents affirmed having made progress within their chosen UN Sustainable Development Goal targets since receiving the microgrant, with half having made *significant* progress and impact.

MICROGRANT VS. MICROLOAN

As mentioned in the literature review, microloans also exist as a type of early-stage help for impact entrepreneurs. They are usually offered by nonprofit, community-based organizations or individuals and allow for repayment over several years (in some cases interest rates are also applied). 100% of the respondents in this study said they would choose a microgrant over a microloan.

The top 3 reasons evoked were:

- Fear of paying back in the early stage (no stable income)
- Grants provide more independence, fewer constraints
- Loans are impersonal, grants show true interest and confidence

One participant expressed that “a grant makes implementation of an idea easy to accomplish without the fear of having to pay back, [especially] when the idea hasn’t been fully proven to work.”

IMPORTANCE OF A MICROGRANT

87.5% of microgrant recipients surveyed agreed with the statement that a microgrant is able to meet some of the most important needs of an emerging startup. 87.5% of the respondents also agreed with the statement that it is essential for a startup to receive a microgrant. 100% agreed with the sentiment that their microgrant, though relatively small, has contributed to their business’s success. All of the respondents would recommend applying to the Stardust microgrant program to a fellow emerging entrepreneur.

> « Thanks for the kindness and the trust Stardust Startups has shown to us. It has made us confident, today more than ever, that what we do is important and that we are making a difference. Despite the COVID situation we keep moving forward, confident that we will keep growing. »

KATHERINE TERAO, FOUNDER OF MINDKIT

FINDINGS

The study results provided enough qualitative information to answer the research questions. The participants largely indicated that receiving a microgrant is a positive, helpful experience, especially when accompanied by a supportive organization like Stardust Startups. For the most part, the participants defined success within their entrepreneurial journeys as making an impact and building a viable business model.

The microgrant program is a helpful and easily manageable way to make progress towards those objectives, by paying for necessary early-stage needs of the project. Most affirmed that in part due to the microgrant, they were able to make progress within their chosen UN Sustainable Development Goal targets. The microgrant program is also a way to instil feelings of certainty, confidence, and relief within entrepreneurs, motivating them to move forward with the project and apply for more funding.

All in all, microgrants are effective for early-stage startup success and are even largely seen as essential. They meet important entrepreneurial needs, whether they be physical or moral, and should be made available as much as possible to emerging impact entrepreneurs.

Conclusion

Through the literature review and case study empirical research, we found that:

- ◊ A focus on financial capital misses the important roles of other types of capital that lead to a startup company's success.
- ◊ The optimum environment for impact is when a Donor-Advised Fund and Entrepreneurial Support Organization work in concert.
- ◊ Microgrants meet important entrepreneurial needs, whether they be physical or moral, and should be made available as much as possible to emerging impact entrepreneurs.
- ◊ Microinvesting is a vehicle that works, particularly for those, even with modest contributions, who want to make a difference as impact investors.
- ◊ Microinvesting through an ESO-related Donor-Advised Fund environment like Stardust Startups takes the worry out of finding a viable early-stage project to support.
- ◊ Organizations offering microgrant programs like Stardust Startups facilitate connections between impact entrepreneurs and impact investors by putting in place SDG-driven requests for proposals, maintaining a rigorous review process, and supporting impact entrepreneurs throughout their early-stage growth.
- ◊ Impact is democratized when microgrants and microinvesting join to empower progress toward meeting the UN SDGs.

Though beyond the scope of this study, topics for further research that we recommend include:

- » A qualitative study to assess the relationship donors have with their impact investment.
- » How do impact investors come to discover a particular DAF or ESO that is aligned with their values?
- » How do small or midsize DAFs attract investors and scale their fund and donation size?
- » What is the minimum viable reporting that must occur between the ESO and the impact investor to sustain a relationship?
- » What is the best way for ESOs to find entrepreneurs that are still in the early stages of their startup journeys?

Stardust Startups recognizes the importance of microgrants, microinvesting, and using the SDGs as a framework in all aspects of the work we do. We are an Entrepreneurial Support Organization and a Donor-Advised fund working at a human-scale and striving to make positive social and environmental change. We hope that this model will be replicated by other purposeful organizations who will implement it intentionally as a way to democratize impact.

Endnotes

1. Microfinance (a.k.a microcredit) helps achieve gender equity through empowering women to be financially independent (Faizah & Husaeni, 2019). It has positive ripple effects both socially and economically, "increasing earnings, productivity, and the well-being of children," which spurs "economic growth and poverty reduction, and improves future opportunities for children through good health care and chances for better education" (Aninze, El-Gohary, & Hussain, 2018).
2. IRC Sec. 4966(d)(2)(A)
3. Stardust Startups' affiliate programs include: Impact & Innovation certification badge, Spiritual Alchemy, ABEM Digital Creations, Visual Teaching Technologies. They earn money for the organization and help in removing dependence on donations and impact investing.
4. None of the respondents have received a microloan in the past, so we omitted it from Figures 7 and 8.
5. Knowing how the microgrant is being used is always included in the application process and is approved by the Advisory Board and Board of Directors before dispersal of funds.

Appendix

FIGURE 10: SUMMARY OF THE STUDY PARTICIPANTS (N=8)

Gender	Female	Male		
	6 75%	2 25%		
Region	**Europe**	**Africa**	**North America**	**Asia**
	4 50%	2 25%	1 12.5%	1 12.5%
Main Startup Focus Area	**Environmental Sustainability**	**Physical and/or Mental Health**	**Learning**	
	4 12.5%	2 25%	2 25%	
Type of Business	**Product**	**Service**		
	5 62.5%	3 37.5%		

Note Out of 16 requests sent for participation in the study, 8 participated (50%).

LIST OF SURVEY QUESTIONS

- » As an impact entrepreneur, how do you define success within your business journey?
- » When you think of early-stage help for small businesses/startups, what comes to mind?
- » Select the 3 biggest areas of your business that need(ed) funding in the very beginning (seed-stage funding).
- » For which area(s) of your business did you use the Stardust Startups microgrant?
- » What has been the best type of help you have received to launch your business? Rank each one. (Choose N/A if you haven't received this type of help.)

- Consider the support you received in the categories aforementioned. How well did each meet your expectations (i.e., reporting, paperwork, restrictions, deadlines, financial expectations, etc.)? Rank each one. (Choose N/A if you haven't received this type of help.)
- Did you gain access to further funding after you received the microgrant?
- If you checked "yes", what type of funding was it? Briefly describe the application process and the amount received.
- How has the microgrant impacted you and your business, in a general sense?
- What kinds of concrete progress have you made that is directly related to receiving the microgrant (ex: expanded social media presence by 60%, etc.)?
- What became easier after you received the microgrant?
- If you had the opportunity to receive a microloan or a microgrant, which one would you choose, and why?
- How do you feel about the following statement? "A microgrant is able to meet some of the most important needs of an emerging startup."
- How do you feel about the following statement? "It's essential for a startup to receive a microgrant."
- How do you feel about the following statement? "My microgrant, though relatively small, has contributed to my business's success."
- Before receiving the microgrant, how confident were you of your business's potential success?
- Upon receipt of the microgrant, how confident were you of your business's potential success?
- How likely are you to recommend applying to the Stardust microgrant program to a fellow emerging entrepreneur?
- How has your startup achieved progress within your chosen UN SDG targets since receiving the microgrant?
- If you chose 2, 3, or 4, what kind of impact have you made? On whom?
- Please share any other comments or anecdotes you have regarding the effectiveness/helpfulness of the Stardust Startups microgrant.

Author Biographies

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Dr. Laura Jean Palmer-Moloney is Managing Director and Board of Directors Chair of Stardust Startups. She brings 30+ years of experience and expertise in education and problem-based learning; environmental sustainability and systems assessment (water-food-energy); and holistic health. In her academic and US Government roles (Geography professor and Senior Research Geographer at the US Army Corps of Engineers and National Geospatial-Intelligence Agency), she authored numerous peer-reviewed articles, book chapters, and white papers related.

CAMILLE BABINGTON

Camille is the co-creator and Senior Director of Stardust Startups, a graphic designer, and a voice over artist. She hold as Bachelor's Degree in Geography/Urban Studies from McGill University and a Master's in Urban Planning & Design from Institut d'Urbanisme de Lyon. Besides her Master's thesis, this is her first publication.

COLIN WARD

Colin is studying Celtic Shamanism and Spirituality in Westport, Ireland and writing for Stardust Startups. A reformed economist and ex-defense researcher, he traded a research cubicle for Irish coasts and studies consciousness and alternative therapies for mental health recovery. He holds a Bachelor's degree in Economics from the University of North Carolina.

KRISTINA WOLFF

Kristina is a fourth year student at McGill University. She is completing an Honours major in International Development Studies, along with minors in Social Entrepreneurship and Gender, Sexuality and Feminist Studies. In addition to competing as a student-athlete for the Varsity Alpine Ski Team, Kristina has served as Co-President of MealCare McGill, a student group dedicated to diverting on-campus food waste to community organizations. She is on the Funding & Outreach team at Stardust Startups.

NATASHA BOUSQUET

Natasha is a McGill Student pursuing a major in Strategic Management with a concentration in Entrepreneurship. She has worked at two technology startups and is part of the Funding and Outreach team at Stardust Startups. She has a keen interest in the intersection between food sustainability and technology, especially with regards to the use of AI in combating global issues, such as food insecurity. She is the VP of Fundraising for Mealcare McGill, an association that seeks to redistribute surplus food to communities in need, and Events Team organizer for McGill Women in Computer Science.

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