



LOCAL ECONOMIC DEVELOPMENT SERIES

Inclusive and Sustainable Recovery

LED Session #2: How can Social Innovators and Entrepreneurs Support Inclusive Local Economic Recovery?

Key Takeaways

Opening remarks

Louise Cord: Today we will focus on how social entrepreneurs can enhance the inclusiveness of recovery at the local level. During this global crisis, we need innovation and creativity to get back on track to achieve the SDGs. According to Stanford, a social entrepreneur identifies a stable and unjust equilibrium that causes suffering among a group that lacks the capacity to instigate change on its own. They identify an opportunity to develop a social value proposition, then bring forth creativity and innovation to challenge this unequal state. Last, he/she forges a new stable equilibrium and ecosystem that alleviates the suffering of the marginalized group.

Parmesh Shah: According to the Schwab Foundation, over the last two decades, 400 Leading Social Entrepreneurs have improved more than 622 million lives in 190 countries. Social entrepreneurs play a vital role in addressing local needs. Today's panelists have extensive experience in the social entrepreneurship space. They include:

- **Carlos Centeno**, Lead, Economic Prosperity Community, MIT Solve
- **Casey van der Stricht**, Principal, Solve Innovation Future, MIT Solve
- **Vikas Bali**, CEO, Intellectap
- **Alfred Yeboah**, Regional Director, Africa at Grameen Foundation

Fireside chat

Question 1 for Carlos: What issues and innovations are surfacing through the MIT Solve Challenge?

- MIT Solve launches challenges in the areas of learning, sustainability, health and economic prosperity.
- An additional challenge on health security and pandemics was also launched.
- 2600 solutions were received from 135 countries among the 5 themes.
- This year's challenge for economic prosperity was how marginalized populations can create good jobs and opportunities for themselves. 705 innovations from 100 countries were received.
- Solutions entailed AI-enabled job matching platforms, scaling jobs in rural communities, spreading digital entrepreneurial skills, and remote work in refugee camps. Solutions are also targeting micro and small businesses (MSMEs), which are amongst the largest job generators.

- MIT Solve is partnering with the World Bank to surface innovators for the Mission Billion Challenge on how informal sector workers in West Africa can more easily participate in social protection programs.

Question 1 for Casey: How do you support these innovations through the MIT Solve Innovation Future?

- Solve Innovation Future is MIT Solve's philanthropic venture vehicle. It uses donations to make direct investments in solver teams as debt equity and alternatives.
- The fund is donor-advised, which means donors receive a tax deduction. Proceeds from the investments are recycled into the fund and reinvested.
- Solve innovation future seeks to address the needs expressed by their entrepreneurs; like additional investment capital to continue scaling. Entrepreneurs also site that when capital is available, it is often too expensive in emerging markets and not start-up friendly.
- Solve Innovation Future Investments are founder friendly as a result of the fund's technical support and more patient expectations regarding the return of capital.
- Revenue-linked financing, equity buy backs and employee ownership structures are also explored with entrepreneurs.
- Solve Innovation Future was launched in May of 2019 and made its first investments in 2020.
- It is now looking to support entrepreneurs to connect with further investment dollars, monitor their impact and find partnerships in their respective ecosystems.

Question 1 for Vikas: What are your experiences with Intellectap and the COVID-19 economic recovery?

- The Aavishkaar Group started with \$100 in the year 2000. Today, the Group manages a portfolio of \$1.1 billion in India, Sri Lanka, Indonesia and Bangladesh working on sanitation, food and agriculture, financial exclusion and livelihoods.
- The group's microfinance institution has 2.3 million women beneficiaries.
- Intellectap is part of Aavishkaar's knowledge network which provides consulting and investment banking services to help innovative businesses scale.
- Trends regarding COVID-19 include transitioning to digital technology and moving away from products towards services.
- There are new opportunities for healthcare, agriculture (especially Ag-Tech), Fin-Tech, and digital payments, which are being adopted in rural communities.
- Under COVID, challenges are arising for financial inclusion, lending, and insurance
- A survey of 400 enterprises showed that women-owned enterprises are twice as likely to face closure. More than 1/4th of participants said that closure was a risk.
- Loss of livelihoods for migrants from urban centers is also a trend.

Question 1 for Alfred: What has the Grameen Foundation experienced while working with SMEs during the pandemic?

- The Grameen Foundation uses digital tech and data to understand and empower entrepreneurs.
- Since 2016, the Foundation has impacted 13 million individuals with digital Fintech and Agtech.
- Since 2014, the Foundation has incubated social enterprises in health such as PT Ruma, which employs more than 70,000 agents that provide a "business-in-a-box" model of micro franchising.
- The Grameen Mitras model in India extends financial services to vulnerable populations through Fintech and training on digital technology.

- Grameen has transitioned to providing services via radio, voice and video messages recorded in local languages.

Question 2: What do you see as the major trends in post-COVID recovery among social entrepreneurs? What is the role of the World Bank in supporting this work?

Carlos: Social entrepreneurs are able to plug gaps in public services, which is especially needed now.

- SMEs create the majority of jobs (70-80% globally). They're the engine of recovery.
- During times of crisis, multilateral organizations and governments are needed to provide a safety net for SMEs to survive or take risks to help their communities.
- The World Bank can invest in entrepreneurs who are already doing good work and are able to pivot according to local needs.
- Also, the Bank can surface and showcase entrepreneurs in order to attract funding.
- The Mission Billion Challenge with MIT Solve has highlighted hundreds of great entrepreneurs, some of whom will be invested in.

Casey: COVID has pushed solver teams to apply existing technology in new ways.

- For example, an enterprise mapping the health ecosystem in Nigerian slums (hospitals, doctors and clinics) used this info to track where there are COVID response resources (available masks, PPE, sanitizer).
- Another investee working in Tele-Health had to implement its five-year plan now. They required capital that was flexible enough to support adjusted growth goals.
- The World Bank can match, support or encourage this type of flexible capital in the market.

Vikas: The Bank can provide income stability and resilience so that millions avoid extreme poverty.

- The informal sector needs to be connected and digitized. A job market platform connecting MSMEs and labor suppliers can help.
- Virtual incubation facilities for migrants from urban to rural areas would be helpful.
- The Bank can use its convening power to support entrepreneurship development via governments. Select enterprises that build resilience, seed capital, support technical solutions, and help draw additional funding to scale-up. Also, entrepreneurs can benefit from a platform to learn from each other based on contextualization and reiterative testing. Platforms connecting local entrepreneurs with larger private sector to facilitate partnerships can also improve service delivery in vulnerable communities.

Alfred: The Grameen Foundation is launching an investment fund to empower women-owned social enterprises through digital finance offering debt equity, blended, and hybrid finance. The World Bank could pilot a similar approach.

- The fund will be bundled with technical assistance to ensure that entrepreneurs are investment ready. This will be delivered by Bankers without Borders.
- The Foundation hopes to scale up resilient business training in agribusiness, healthcare and digital financial services.
- The Bank can mitigate the socioeconomic cost of COVID by leveraging a guarantee facility and attracting private investment for social innovators creating agile solutions for the vulnerable.

Audience Q&A:

Carlos: Ingenuity is everywhere. It is important to understand the problem first, then seek solutions. For example, the lack of digital services in remote areas is being addressed by offline solutions.

Casey: Flexible capital that is commercially minded is vital to help some SMEs scale. Forcing investees to hit specific milestones can hinder creativity and innovation.

- After initial stages, tying impact milestones to capital disbursement can help keep impact at the center of activities.

Vikas: All investing will become impact investing for responsible and resource-efficient businesses.

- Many businesses in the impact sector can indeed generate returns over a longer period. Loans will be repaid if investors can be patient during uncertain times.
- The Bank can provide a bridge between non returns and commercial returns.

Alfred: Donors should catalyze growth of microfinance institutions and leverage early stage investment.

- Identify innovative and productive sectors.
- Bundle investments with technical advising to encourage innovation.

Closing remarks

Susan Wong: This session highlighted the spectrum of methodologies ranging from a request for proposals to community agents providing services on the ground. However, there is much commonality regarding the importance of data, identifying creative entrepreneurs and the poor, using technology innovatively, providing flexible and patient investment capital, packaging finance with technical assistance, and using knowledge platforms to share experience. Also, we heard great ideas about leveraging the crisis for government to support entrepreneurs, the poor, and women-owned businesses so that they can recover.

Parmesh: We must use creative ways to support MSME's in order to achieve resilient recovery. The World Bank looks forward to collaborating with innovators, panelists, governments and other organizations working in the social enterprise space.