

KEY TAKEAWAYS

INVESTORS AND SOCIAL PURPOSE ORGANIZATIONS IN TIME OF CRISIS WORKING TOGETHER TO BUILD RESILIENCE

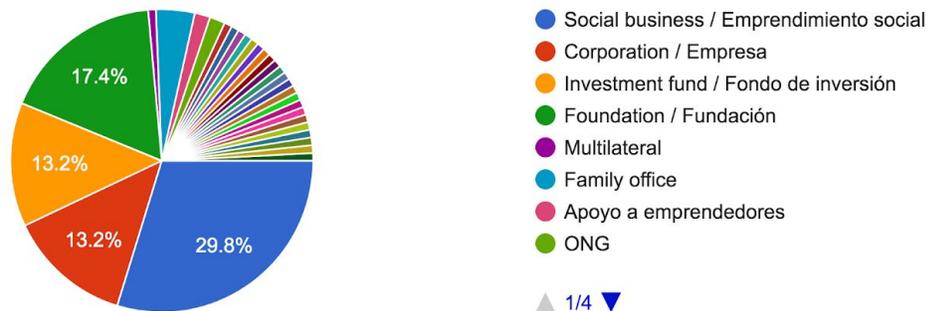
July 22nd, 2020

1. Context

As part of the [Covid Response Alliance for Social Entrepreneurs](#), [Latimacto](#) and [Agora](#) organized this event in order to share best practices of how social investors are providing financial and non-financial support to social purpose organizations (SPO) during the COVID-19 pandemic. Specifically, Latimacto and Agora co-organized this event in order to bring investors closer to social entrepreneurs and initiate a dialogue about how to best support entrepreneurs in Latin America.

Of the 120+ registered guests, approximately 44% were either investment funds, NGOs, or corporations. An overwhelming percentage (70%) of these organizations have helped social entrepreneurs navigate the effects of the COVID-19 pandemic, mostly via financial management advisory (65%), business model or strategy advisory (57%), operational advisory (39%), or emotional support (35%).

Type of organization / Tipo de organización
121 responses



2. Key Insights

Speaker	Insights
 <p>Carolina Suarez, CEO, Latimacto</p>	<ul style="list-style-type: none"> Latimacto aims to mobilize capital (human, intellectual and financial) directed at scaling social and environmental solutions in Latin America by fostering greater collaboration and co-investment along the entire continuum of capital (from philanthropic grants to impact investment). It also promotes the exchange of knowledge on the most innovative and effective models of social investment, management and impact measurement. Agora Partnerships empowers purpose-driven entrepreneurs with knowledge, networks and capital. Agora is a community of social impact entrepreneurs, impact investors, consultants and partners who take action to strengthen entrepreneurship across the Americas.



Carolien de Bruin, Covid Response Alliance for Social Entrepreneurs

- The COVID Response Alliance for Social Entrepreneurs brings together over 50 leading global organizations to coordinate response for social entrepreneurs as they overcome the significant impacts of COVID-19. The Alliance represents more than 40,000 social entrepreneurs.
- The Alliance seeks to promote joint action across impact-first organizations, maximize support, highlight available rapid response funding, and amplify individual responses.
- Vulnerable communities are among the most affected by COVID, while the worst is yet to come.
- The majority of social entrepreneurs (SocEnts) face significant operational and viability challenges.
- Despite considerable COVID support capital having been freed up, SocEnts struggle to access such support.
- Despite an evolution in Impact Investor objectives and targets, significant capital deployment challenges remain.

GROUP 1: IDB Lab & Timpel



Irene Arias, CEO, IDB Lab

- Irene started by highlighting how Covid-19 is not democratic and affects mainly the most vulnerable since they are the first to lose their jobs and cannot work remotely.
- In Latin America, 84% of entrepreneurs have seen their cash flows affected, while 53% of entrepreneurs have stopped selling.
- IDB Lab has been supporting entrepreneurs through different mechanisms, including launching an open call for proposals to develop health prototypes. More than 500 proposals were received in two weeks.
- She mentioned how InnspiraMED was able to create a ventilator prototype in record time and has been fast tracked for approval by the Colombian government. In this sense, IDB Lab not only provides funding but also connects different organizations across public and private sectors.
- Additionally, the IDB Lab is providing financial support through LIFESS (an emergency direct credit line for startups and scaleups) and Locfund Next (support for microfinance organizations).
- Irene also commented how the IDB Lab was also offering innovative tools such as:
 - An [interactive map](#) that shows innovators, startups and entrepreneurs in Latin America that are leading solutions to tackle the challenges of the Coronavirus pandemic.
 - A [digital connector](#) that serve as a platform to disseminate digital innovations available globally for the benefit of vulnerable populations to the COVID-19 pandemic.
 - A global initiative to [crowdsource solutions](#) that support Venezuelan migrants and their host communities facing the pandemic.
 - A [tool](#) that shows the perceptions and concerns expressed online by the citizens of Latin America and the Caribbean in regard to the COVID-19 pandemic.



CEO, Timpel

- Timpel is a Brazilian company, headquartered in São Paulo, incorporated in 2004 that developed and produces diagnostic equipment.
- The company develops ventilators using a special technology called Electrical Impedance Tomography (EIT).
- This technology provides instantaneous visual feedback of each patient’s individual response to interventions, fostering an individualized, targeted and timely ventilation which increases by two-fold the survival rate of patients.
- Due to the pandemic, Timpel launched an academy that seeks to train medical emergency staff on the best way to treat patients. It is also collaborating with universities on researching best practices in ventilation.
- The pandemic has increased demand for Timpel and IDB’s support has been fundamental in increasing its inventory.

GROUP 2: NESsT & SFT



**Isabel Castillo,
Country
Director, Andean
Region, NESsT**

- [NESsT](#) supports and invests in social and environmental impact enterprises that generate income and employment for vulnerable populations.
- To help their portfolio of entrepreneurs confront the effects of the pandemic, NESsT worked one-on-one with each enterprise to understand urgent needs and emergency gaps. Based on this work, they carried out several interventions:
 - ▢ Restructuring investment in repayment status
 - ▢ Technical support for organizational and leadership restructuring
 - ▢ Advisory on how to support the entrepreneurs’ beneficiaries
 - ▢ Launch of a Relief Fund to strengthen entrepreneurial models in need of a grant
- The most notable effect of the pandemic on NESsT’s portfolio is the gap between the goal of generating 3,674 jobs for vulnerable sectors versus the 2,500 jobs their portfolio will now realistically be able to generate due to the pandemia (a 32% decrease).
- NESsT’s priorities with their portfolio are now 1) maintain quality employment, 2) provide well-being and job security to employees and providers, 3) optimize costs and reduce the size of the business, and 4) migrate to new business models.
- Case study: NESsT and SFT
 - ▢ From almost the beginning of SFT, in 2017, NESsT has been supporting the company with both financial and non-financial resources. Based on their history of work together, they decided SFT should launch in Chile to extend their operations and impact. They successfully piloted with 13 restaurants in Chile but then due to the effects of the sociopolitical unrest of late 2019 and the ongoing pandemic, it became clear that the best strategy would be to stay in Peru instead of expanding further into Chile.
 - ▢ Originally, NESsT had made an investment in SFT in alliance with the Trafigura Foundation, who also had a vested interest in SFT extending their model to Chile from Peru.
 - ▢ NESsT worked with the Trafigura Foundation to commit the funds to strengthening SFT’s Peruvian operations - something that required flexibility on the part of the funder and something that would not have been possible before the pandemic.
 - ▢ To help SFT further mitigate the negative effects on their cash flow position, NESsT instituted a grace period on their own original investment into the company.

	<ul style="list-style-type: none"> ▪ SFT promotes positive conservation and minimizes over-fishing by building the capacity of fishing communities in sustainable and responsible practices. ▪ Their business model is to connect artisanal fishermen in Peru to restaurants who seek a quality product and wish to generate impact in fishing communities. ▪ The COVID-19 pandemic caused a crisis of business model for SFT. Ninety-eight percent of SFT’s clients were restaurants who were forced to close during the pandemic. NESsT helped SFT pivot from a B2B model to a B2C strategy by advising them on brand differentiation and helping them to position their new consumer offering. ▪ SFT also aligned themselves with other social enterprises, Empanacombi y Fishbox, to deliver direct-to-consumer local fish boxes that are novel in the industry.
<p>Omar Angulo Gestor Social, CFO, Sustainable Fisheries Trade (SFT)</p>	

3. Discussion

A discussion was facilitated with participants from each of the two groups around other ways organizations are supporting and can support social entrepreneurs.

Insights from Group 1 included:

- Creating local commerce hubs that connect small rural entrepreneurs with cities.
- Offering low cost subscription services in order to maintain clients.
- Collaborating between brands to create online marketplaces.
- Providing flexible finance instruments.
- Contributing non-financial support especially in cash flow management.
- Creating greater dialogue between investors and social entrepreneurs.
- Connecting social entrepreneurs with government officials in order to remove regulatory barriers.

Insights from Group 2 included:

- Entrepreneurial spaces of collaboration and dialogue to share best practices, find partners, etc.
- Advisory support for business model pivots while still generating impact.
- Virtualization support, including social media.
- Creating contingencies plans and scenario planning with entrepreneurs.
- Brokering alliances between entrepreneurs and corporates and financial institutions for shared value.
- Creating consolidated value chains.

4. Reflections

- The pandemic has disrupted investors and social entrepreneurs, but both have shown resilience in adapting their strategies and business models. In this sense, non-financial support provided by investors have helped entrepreneurs find new opportunities. Extended credit lines or debt relief has also helped entrepreneurs alleviate their cash flow situation.
- In general, although the pandemic is affecting the socio-economic progress of Latin America, it is also creating opportunities for innovation, collaboration and impact investment.