

## **PROJECT SUMMARY**

### **LOCALES CONECTADOS: INNOVATION IN THE PAYMENT OF SOCIAL BENEFITS (CH-G1009)**

The economic and health crises caused by COVID-19 have endangered the operation and viability of the region's micro, small, and medium-sized enterprises (MSMEs). This segment of Latin American and Caribbean businesses accounts for 98% of all formal companies and creates 60% of jobs. Despite these impressive figures, MSMEs contribute only 25% of regional GDP and their sales account for just 15% of total sales in the region.

This dichotomy is probably one of the most studied microeconomic phenomena of the past few years, but as of yet no conclusive solutions have been identified. The IDB Group's Vision 2025 and international organizations, such as the Organisation for Economic Co-operation and Development and the Economic Commission for Latin America and the Caribbean, have declared MSMEs to be key actors for economic resilience, productivity, and achieving inclusive growth, in recognition of their importance to countries' social and economic structures.

Identifying innovative models that will help sustain and improve MSME income, the jobs they create, and their competitiveness, is important not only for the MSMEs themselves, but also for the stability of the value chains in which they participate and countries' social cohesion.

In the most difficult moments of the pandemic, the startup Conectados SpA (Locales Conectados [connected merchants]) was developing an innovative mechanism to support the recovery of the local economy, in particular to help small neighborhood businesses in vulnerable communities. Launched in the second half of 2020, the mechanism channels social benefits to the vulnerable population, ensuring their traceability and transparency; the benefits are then credited to an e-wallet, which beneficiaries can use to purchase food and essential goods at neighborhood microenterprises and small businesses in Chile. The mechanism thereby transforms social spending into investment in the country's regions.

In its nearly two years of operation, this innovative social impact proposal has been gaining traction and grown, providing an efficient solution for channeling benefits beyond those associated with the COVID-19 emergency, and now has the potential to become a permanent, highly scalable channel for growing the local economy.

The objective of this project is to foster the growth of local commerce, especially neighborhood microenterprises and small businesses in Chile, by channeling public and private social benefits to the country's vulnerable population, through the development and strengthening of the [Locales Conectados](#) company model.

This project aims to strengthen a network of 100,000 microenterprises and small businesses located in vulnerable sectors across Chile, 70% of them women-led, through which public and private social benefits will be channeled to at least two million vulnerable persons.