

Developing a Tech Social Venture Network in Peru

1. Problem Statement

In Latin America, there are an increasing number of tech-based social entrepreneurs who are consciously pursuing dual goals -financial returns and social impact-, often using advanced technologies intended to solve entrenched social issues through market-based approaches. However, it is still difficult for these ventures to achieve meaningful scale. Not only are they facing the challenge of starting and growing a commercially viable business, but they have the additional hurdle of developing unconventional business models, while also actively engaging with other ecosystem actors in order to achieve truly systemic social changes. At the same time, many corporations, through corporate venturing, have been trying to respond to the structural changes in their operating environment and identify new opportunities for sustainable value creation and sources of competitive advantage. Many initiatives – either led by social entrepreneurs or large corporations – would generate broader and more impactful results if they collaborated with each other from the outset. Powerful partnerships for scale are possible: corporations can leverage their human talent, R&D capacities, manufacturing and distribution channels and expertise, while social enterprises bring to bear valuable knowledge on social challenges that is embedded in their business models.

Driven by the shared goal of social value creation, both corporates and social enterprises need to collaborate in order to address two inter-related risks: (1) “adaptive chain risk” (when you have innovative products/services, you may also need to modify the existing value chain for such products to be offered); or (2) “co-innovation risk” (when you have an innovative product, you may need others to develop another piece of innovation to complement it). Solutions capable of influencing the entire system of any sector cannot be implemented without the blending of multiple perspectives and the collaboration between corporate leaders and social entrepreneurs.

Some ground-breaking partnerships between the corporate and social impact sector have emerged around identifying and supporting tech-driven social ventures. A case in point is Telefónica’s Wayra-UnLtd unique partnership (detailed in section 2), which has accelerated 30 digitally-focused social ventures since 2013 in the UK. These start-ups have raised over £7.7M in investment (grant, equity and soft loans) and have reached over 176,000 beneficiaries. However, while Telefónica’s initiatives have a good understanding of the tech-based entrepreneurship market in LAC, they lack the knowledge and networks needed to identify and support social entrepreneurs. This marks a prime opportunity for partnering with leading LAC social entrepreneurship support organizations such as NESsT, which have strong convening power to attract the most promising social enterprises, but lack the infrastructure that Telefónica has for entrepreneurs to help them grow and scale businesses through technology. It is a win-win opportunity.

2. Executing Agency and Strategic Partners

To summarize the key players, this project builds on an existing fruitful relationship between Telefónica/Wayra and UnLtd; and NESsT is a member of the Global Social Entrepreneurship Network (GSEN), which was founded by UnLtd.

The executing agency will be NESsT through its office in Peru. NESsT, which also works in Chile, Argentina, and Brazil, provides funding to social enterprises to accelerate growth, advisory support to build business skills, and access to corporate networks for long-term strategic guidance. As a result, NESsT has created opportunities for more than 40,000 low-income individuals by investing about \$10M in over 50 social enterprises. NESsT is also an active member of GSEN, the global supporting network of social entrepreneurs (see below more for detail).

The principal corporate partner of the project will be Telefónica, which in the past decade has launched a series of initiatives to support emerging entrepreneurs on a global scale. In 2013, Telefónica consolidated its efforts under one brand name - Open Future (OF) - which includes 6 concrete initiatives covering the different stages of entrepreneurship maturity: Think Big, Talentum Startups, Crowdfunding, Wayra, Fondos Amerigo, and Telefónica Ventures. So far, Crowdfunding, Wayra, and Fondos Amerigo have been implemented in Latin America. In total, more than 850 start-ups have gone through the OF process, with approximately 15% of them falling into the social impact space. The MIF project would specifically focus on Crowdfunding and Wayra. Crowdfunding (already operating in Chile, and Colombia, with Peru and Brazil under preparation) is a participatory co-working space where entrepreneurs receive mentoring services provided by experts from Telefónica's ecosystem. Wayra (operating in Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela) is a tech-focused start-up accelerator that provides funding and access to a global network of talent and business partners. Both Crowdfunding and Wayra use a global virtual network – the OpenFuture platform - where entrepreneurs and start-ups benefit from different methodologies and interactions with global counterparts. Telefónica created Wayra with commercial objectives in mind (sourcing innovation from start-ups, etc.); the pilot in the UK was the first experience with adapting the Wayra model to incorporate a social enterprise focus, part of Telefonica's plan to create social value as well as commercial.

The capacity-building partner of the project will be UnLtd. UnLtd, a not-for-profit organization headquartered in London, has supported over 13,000 social entrepreneurs in the UK in the past 13 years. UnLtd is the core founder of GSEN, which includes 52 members – including UnLtd's affiliates in 10 countries. GSEN has supported over 2,600 social entrepreneurs worldwide, creating 5,400 new jobs, benefitting 667,000 individuals with financial assistance of US\$14M. UnLtd's partners in Latin America are: Co (Mexico), MakeSense (Mexico), NESsT (Chile, Argentina, Peru and Brazil), Socialab (Argentina, Chile, Colombia, Mexico and Uruguay), and Yunus Social Business (Brazil, Colombia and Haiti). The top executives of the three organizations - Mark Norbury (UnLtd), Ana Segurado (Telefónica), and Nicole Etchart (NESsT) have acknowledged their complementarity and the potentially huge opportunities to work together with the MIF to strengthen the social innovation and entrepreneurship ecosystem in LAC.

3. Proposed Solution

Based on the lessons and knowledge generated by the Wayra-UnLtd partnership in the UK, the project is aimed at developing and replicating a similar partnership between Telefónica's Crowdfunding/Wayra, NESsT, and UnLtd in Latin America starting in Peru where the three organizations have strong interest and/or presence. Basically, the aim is to incorporate a social enterprise focus into the existing Wayra accelerator in Peru, with an eye towards scaling the approach throughout the region. As such, this partnership is expected to generate socially and financially impactful benefits via profitable tech-based social enterprises. Concretely, the activities would include:

- (i) NESsT Peru would provide a space for Telefónica's Crowdfunding to nurture new social tech entrepreneurs.
- (ii) UnLtd (UK and Spain) would transfer knowledge generated by the Wayra-UnLtd partnership in the UK, building capacity of the Crowdfunding/NESsT space in Peru.
- (iii) Select and admit best start-ups from Crowdfunding/NESsT into existing Wayra accelerator in Peru, using social enterprise methodologies adapted from the Wayra-UnLtd project in the UK;
- (iv) Replicate, based on the pilot in Peru, the same model to other countries through GSEN members and Crowdfunding/Wayra network in Mexico and Chile;
- (v) Establish and strengthen a GSEN Regional Hub (location to be determined) that would work as a knowledge exchange platform among social entrepreneurs and supporting

intermediaries across the Latin American region. Currently, no such social enterprise hub exists today.

4. The Innovation

The project is a first-of-its-kind collaboration between a corporation's commercial incubator/accelerator program and a not-for-profit's incubator/accelerator for social enterprises in Latin America. It will fully leverage the Telefonica/UnLtd experiences and know-how from the pilot project successfully implemented for tech social ventures in the UK. According to UnLtd's CEO *"A key learning has been that social ventures placed alongside more commercial start-ups has a significant benefit to both sides (social and non-social). The commercial businesses have their own social awareness raised, while the social ventures benefit from the support, guidance and different perspectives that the more commercially focused ventures offer."* The project is also innovative in terms of its ambition to learn from the global practices of social entrepreneurship and venture philanthropy, particularly from Europe and Asia, taking advantage of UnLtd and GSEN's close relationships with thriving networks such as the Asian Venture Philanthropy Network (AVPN) and the European Venture Philanthropy Association (EVPA).

5. Scaling Strategy

This project is very scalable. Starting in Peru, it can expand to Mexico and Chile in the second stage, then to Colombia, Brazil, Argentina, Costa Rica, Ecuador, Haiti and Uruguay where both Telefónica and GSEN members are operational. In addition, as Telefónica's Crowdfunding and Wayra programs increasingly absorb talent and networks from the social impact space, the learning effects of its broad network in the Latin American region are expected to multiply socially-oriented tech ventures.

6. Alignment to new IDB strategy

The project is consistent with the IDB strategy on developing innovation ecosystems as it entails a socially inclusive approach. The top social entrepreneurs graduating from Wayra are expected to access funding from impact investors, potentially including the IIC.

7. Alignment to the Knowledge Economy Pillar

The project is aligned with Knowledge Economy Pillar, as it provides resources and networks to support the growth of early-stage tech social ventures- often knowledge-intensive enterprises, thus contributing to job creation. In particular, establishing effective linkages with the corporate sector and social sector is a key ingredient in the KE's new strategy for corporate venturing for social impact.

8. Indicators

The expected outcomes include: (i) number of new jobs created; (ii) increased revenues of supported ventures; (iii) tangible social impacts measured including the number of products/services or solutions offered to poor and vulnerable communities.

9. Financing

The 36-month project seeks a contingent recovery grant of \$1,000,000 from MIF, and will raise a matching amount from Telefónica and other partner both in cash and in-kind.

10. Team

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