



How Social Impact Start-ups Are Solving Brazil's Covid-19 Challenges

The persistent problem of inequality in Latin America leaves citizens more vulnerable to the coronavirus. Innovative platforms move towards balancing the scales.

In the current crisis, Brazil is unfortunately the country with the second highest number of cases, surpassing **one million** Covid-19 positive tests by mid-June. A month later, more than 70,000 lives have been lost.

More than **40 percent** of Brazil's employment is part of the informal workforce, which translates into poorer access to social security benefits, public health and established credit, according to the **World Bank**. Naturally the pandemic has weakened already fragile connections. There is a cascading effect: The poor social security system undermines the informal workers' ability to comply with social isolation measures since they need to go out to work and provide for their families.

About **80 percent** of Brazil's poorest classes lack the cash reserves to face a month without income. Precarity hinders those actions designed to contain the spread of the coronavirus. Overcrowded housing without basic sanitation makes it nigh impossible to implement simple recommendations, like hand washing. In Brazil, **48 percent** of the population doesn't have access to a sewage collection system, and there are 35 million people without access to clean water. Thus, in the context of Covid-19, inequality represents just as significant a risk factor as age or certain chronic illnesses like diabetes.

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To meet these urgent health, infrastructure and education needs, Brazil's start-up community, with its platforms and technologies, can help informal workers' access. Our ongoing **research** into leapfrogging potential and the United Nations Sustainable Development Goals (SDGs) examines how start-ups can address Brazil's socio-environmental problems.

Leapfrogging and social impact

Leapfrogging – that children's game where one pushes off the shoulders of another to move further ahead – is different in this context. It's a way for developing nations to skip steps since the infrastructure that developed nations used to succeed is no longer necessary in the digital age. Developing countries can leverage new technologies to fuel their growth.

In our study of 157 start-ups, we found that their proposed solutions predominantly featured five SDGs (Figure 1). To reduce inequalities (**SDG10**), the start-ups focused on health (**SDG3**), quality education (**SDG4**) and access to economic growth (**SDG8**).

Figure 1



Professor Monteiro's case study, "**Digital Transformation in Latin America: Leapfrogging and Social Impact**", has several examples of how digital transformation has enabled disruptive education technology (edtech), fintech and healthcare technology to address socio-environmental problems in Latin America.

Edtech

By integrating technology to widen the audience and improve quality, online education skips traditional classroom methods used in the developed world. Edtech offers solutions to the region's challenges in education and also gains global recognition. It boasts the potential to reach people in remote areas without resources like schools and teachers at all stages of education.

One example is Agenda Edu. A social impact venture, the multiplatform for communication management and engagement works as a link uniting schools, students and guardians. The start-up is among the **top 100** most innovative edtechs from Latin America.

During the pandemic, Agenda Edu supported Brazilian schools and educators in maintaining the connection with students and families to provide continuity in the educational journey. Google searches for the start-up increased 266 percent over the period. The start-up co-founded the "**movement for digital education**", offering free solutions to both public and private schools. It has also organised online events to help educators and families adjust to the new reality. It promotes the use of technology in education as a way to reduce social exclusion. In the post-pandemic scenario, it is necessary to rethink the direction of education.

Fintech

Fintech, in this case, is a facilitator of financial inclusion and a tool in the fight against poverty. Because the informal sector uses cash in daily transactions, it's a vector of contamination in pandemic times. Those with limited access to financial services – the underbanked – rely on cash or cheques, leaving them vulnerable to theft and fraud. For example, banks charge high fees for cash deposits, cashing cheques, money orders and transfers. Fintech, on the other hand, offers the underbanked a ticket to financial inclusion and access to financial tools and services at a reasonable cost.

One of the fintechs created to reduce poverty is

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Brazilian-based peer-to-peer lender **IOUU**. Its mission is to revolutionise and reinvent the lending industry by connecting small businesses with investors. Nano-entrepreneurs, micro-entrepreneurs and SMEs need the low-interest, fast loans available on the platform. Loan interest rates are up to eight times less than in the traditional banks. Investors benefit from a higher return than in the established market.

Faced with the challenges of Covid-19, IOUU launched a new campaign, offering more favourable conditions for small entrepreneurs in search of funding. The platform also allowed small businesses to complete customer transactions, thus strengthening local consumption and industry.

eHealth

Health has always been among the most significant challenges in Brazil. eHealth start-ups contribute to the creation of sustainable health systems. Faced with the shortcomings of traditional health care in providing access and quality, especially to the most impoverished, the social impact start-up **Dr. Consulta** was launched in 2011.

Originally, the platform offered high quality primary healthcare services via a network of medical centres in low-income neighbourhoods. It has switched to telemedicine in the pandemic.

The need for social impact businesses

The Brazilian **public sector** has lent support during the crisis. It has reinforced the *Bolsa Familia* (a social protection network capable of reaching the poorest), relaxed labour laws to maintain jobs and provided emergency aid to informal workers and SMEs. But social impact start-ups, with their agility, are essential to confront the effects of Covid-19 on vulnerable populations. Their post-pandemic role certainly remains fundamental in terms of recovery, resumption of economic activity and new path creation.

Brazil's growing trend of investment in impact business was **US\$131 million** between 2016 and 2017. However, entrepreneurs still face challenges in securing funds and resources. The pandemic is a wake-up call that gives us the opportunity to reflect on the type of business that we want. It's up to us to heed the warning from **UN Secretary-General António Guterres**: "We can go back to the world as it was before or deal decisively with those issues that make us all unnecessarily vulnerable to crises."

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