

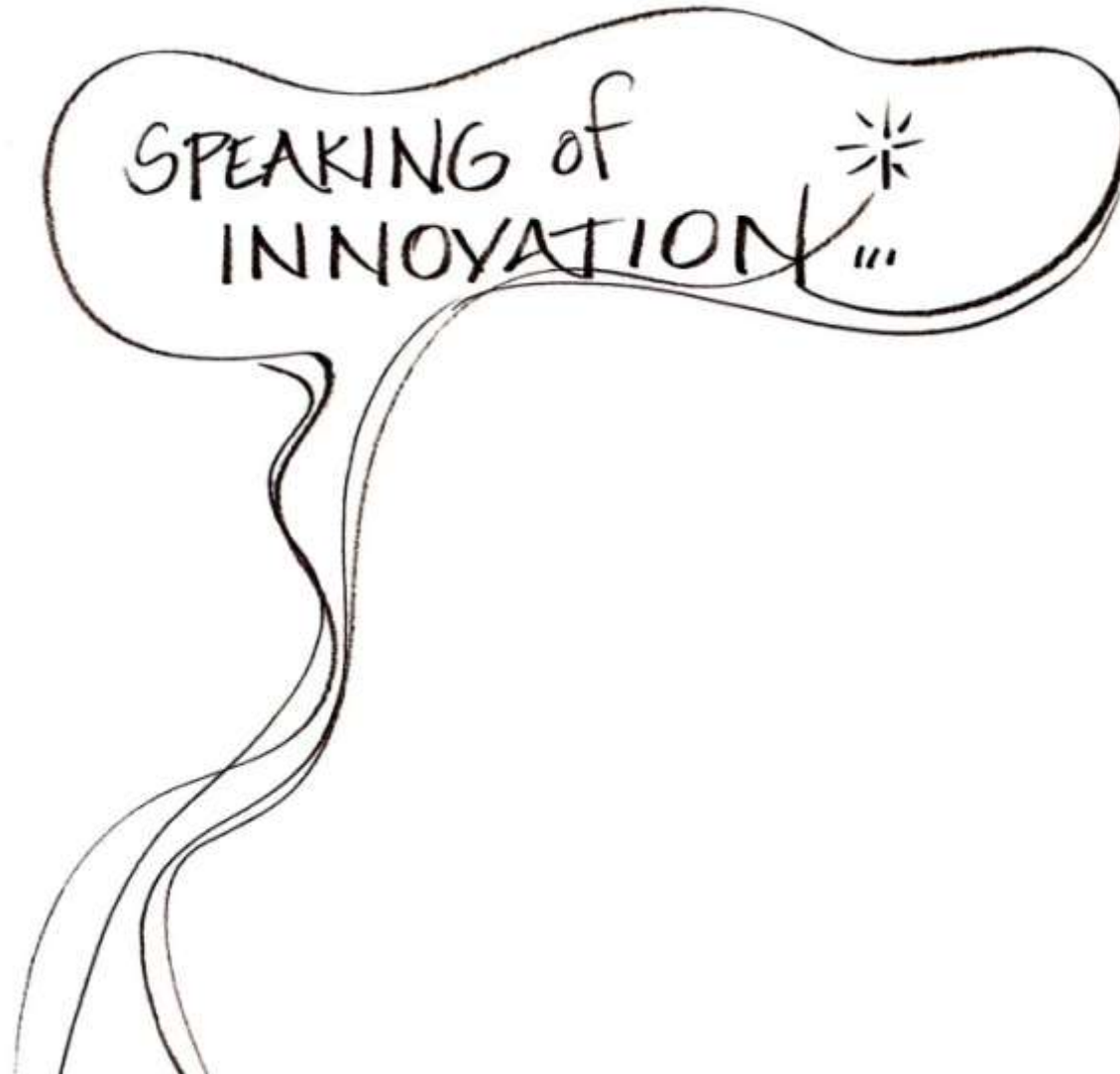
# INNOVATIONS IN DEVELOPMENT

WHERE TRADITIONAL MARKETS FAIL

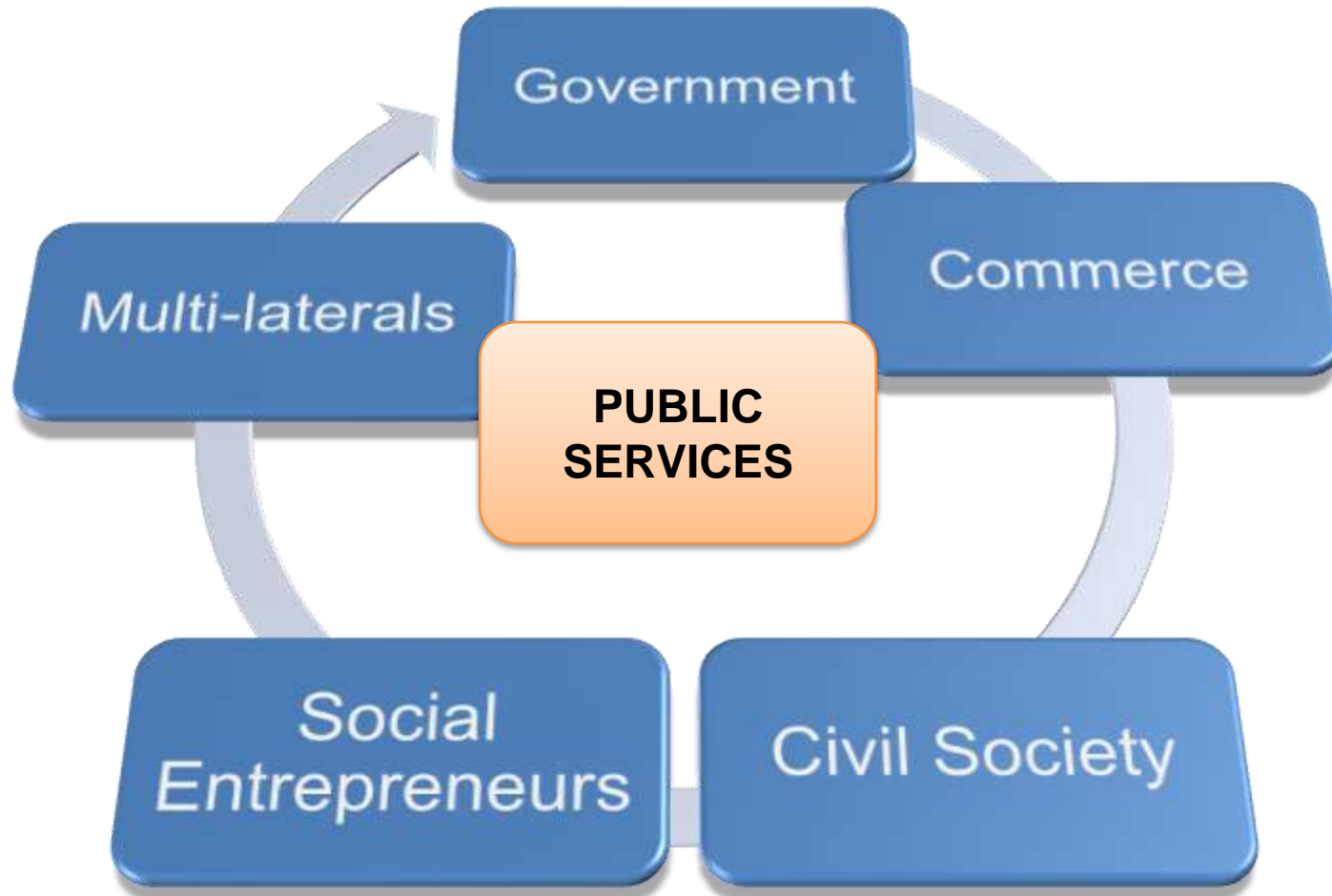


Aleem Walji  
Innovation Practice Manager  
World Bank Institute

# Where Traditional Markets Fail

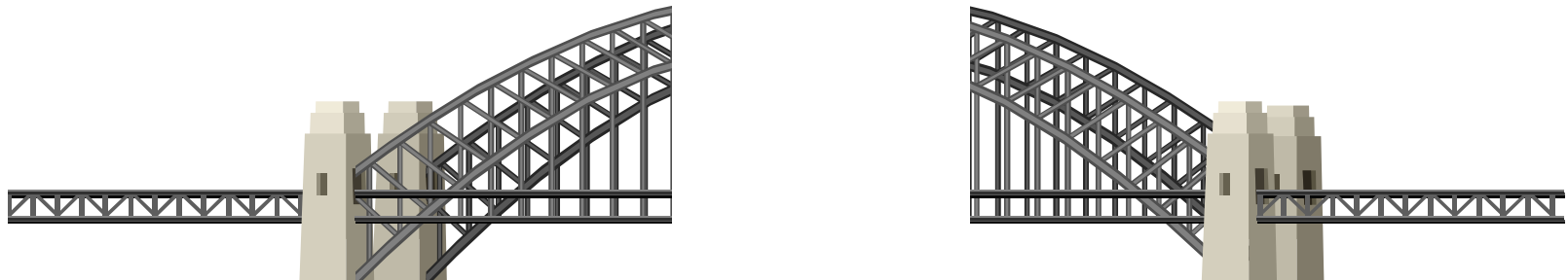


# Governments can't provide public services alone...



# Public actors facing challenges

They alone can not satisfy demand for public goods....



... private actors must fill the gap

# Example: African Healthcare

**11%** of world population

**24%** of global disease burden

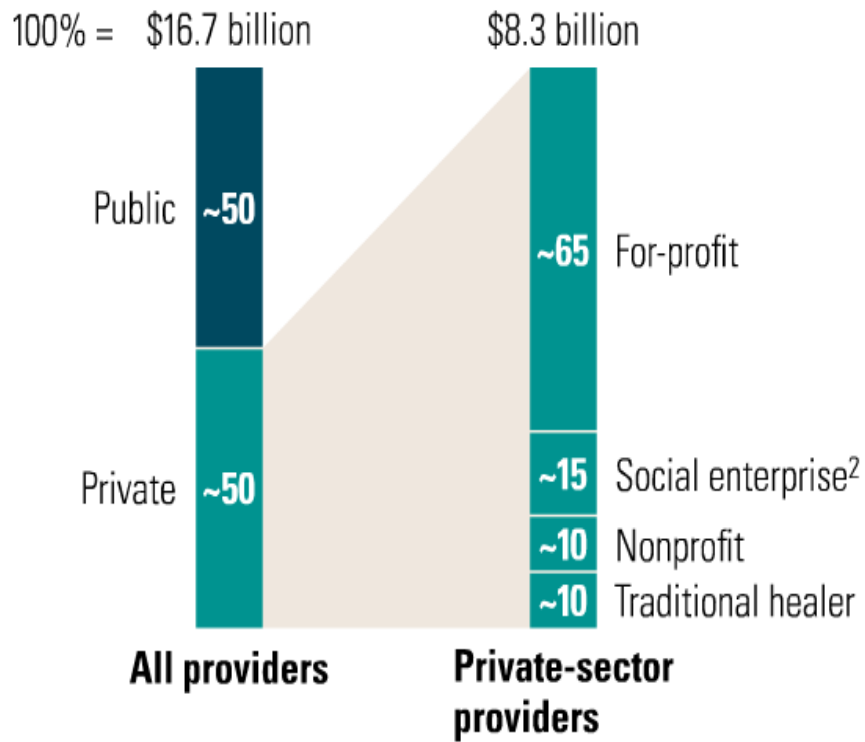
**\$35B** in estimated expenditures in  
2016

**\$25B- \$30B** needed to meet  
healthcare demand

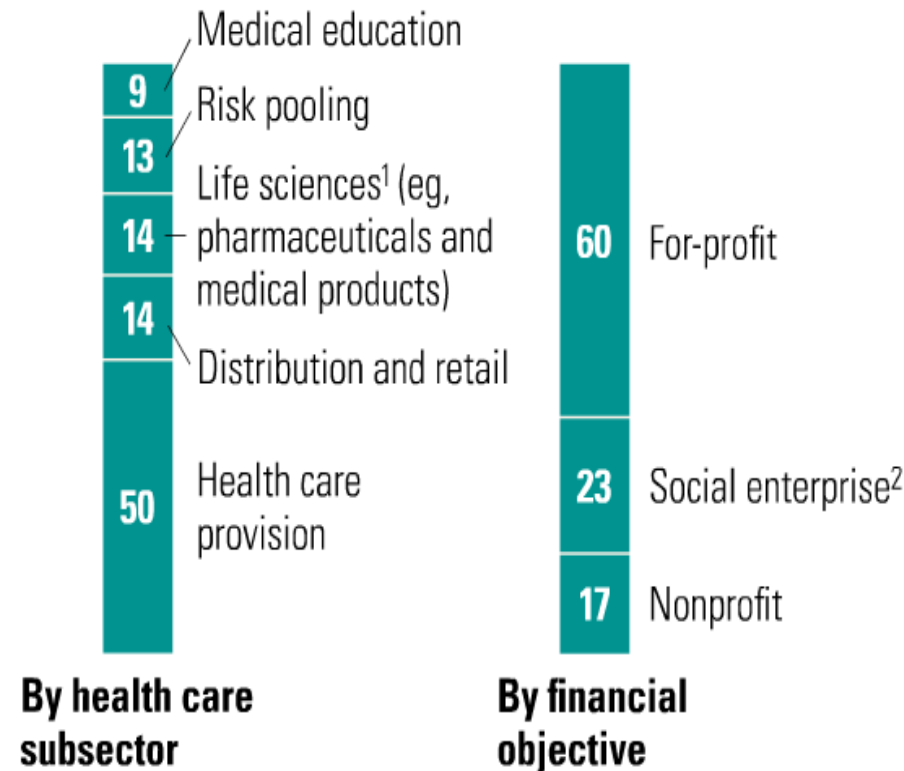
Source: IFC, McKinsey

# Role of Private Sector in Healthcare

**Approx. expenditure on healthcare by ownership- 2005**



**Dist'n of private investment opportunities- 2007- 2016 (%)**



Source: McKinsey

# Social entrepreneurs are helping fill gaps in public services

- Often provide public goods such as low-cost education and water
- Need growth capital and non-financial services to scale via...

Replication



OR

Expansion



# How do we help them scale?



# Opportunities



*“What we have here are some breathtaking opportunities disguised as insoluble problems.”*

- John Gardner

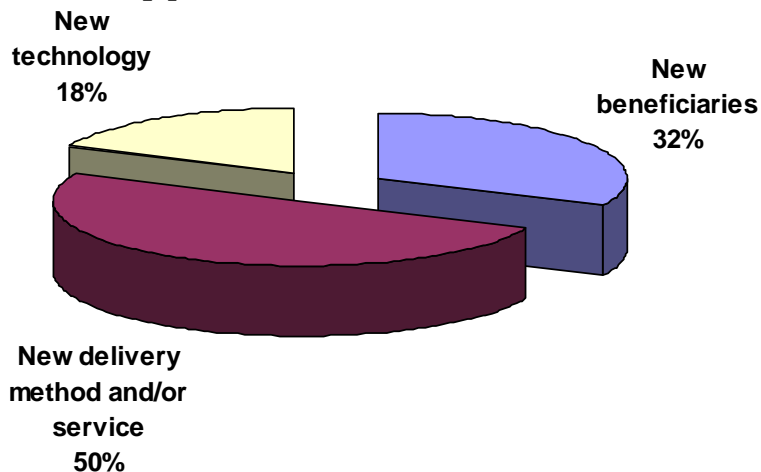
# Development Marketplace



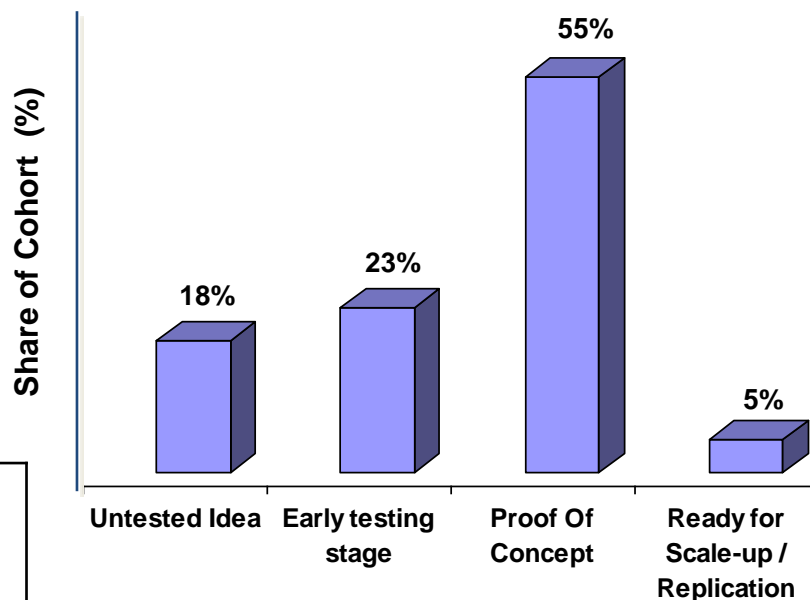
- Provides early stage finance to social entrepreneurs
- Since 1998
  - Estimated 20,000 entrants
  - 1,000 finalists
  - 220 projects have received up to \$200,000
  - Over \$60 million awarded in total

# Innovation Pipeline (DM2008)

## Type of Innovation



## Stage of Innovation at Start Up



## Development Marketplace Themes

2005	Sustainable Livelihoods
2006	Water, Sanitation and Energy
2007	Health, Nutrition and Population
2008	Sustainable Agriculture
2009	Climate Change Adaption

# Cook Stoves



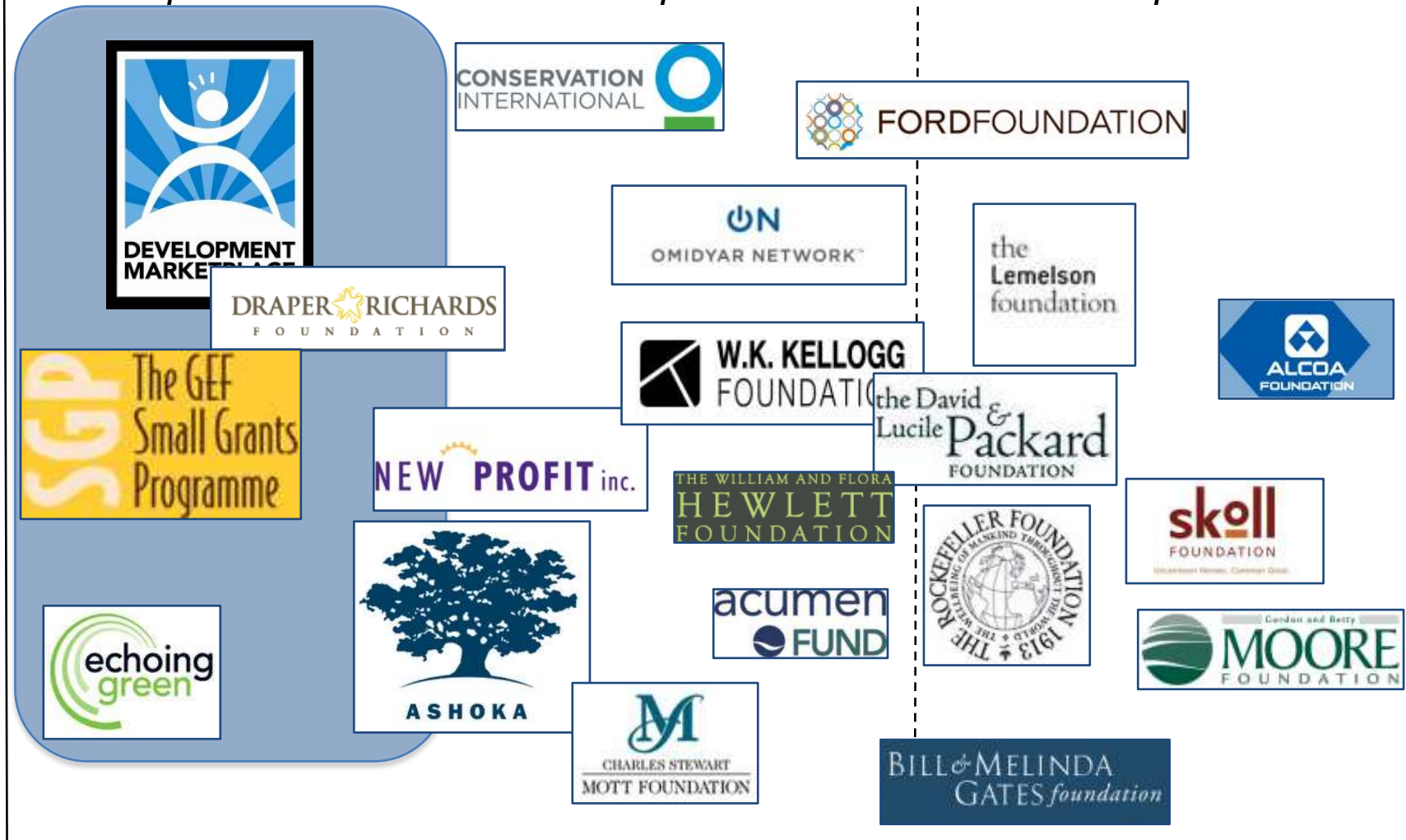
**4 Development Marketplace projects funded in Ghana, Zimbabwe, Philippines and Mexico since 2000**

# Social Investing Ecosystem

Early/"idea" stage  
– "Seed capital"

Proof of concept stage  
– "venture capital"

Established market viability  
– "investment phase"





# Next Generation Development Marketplace

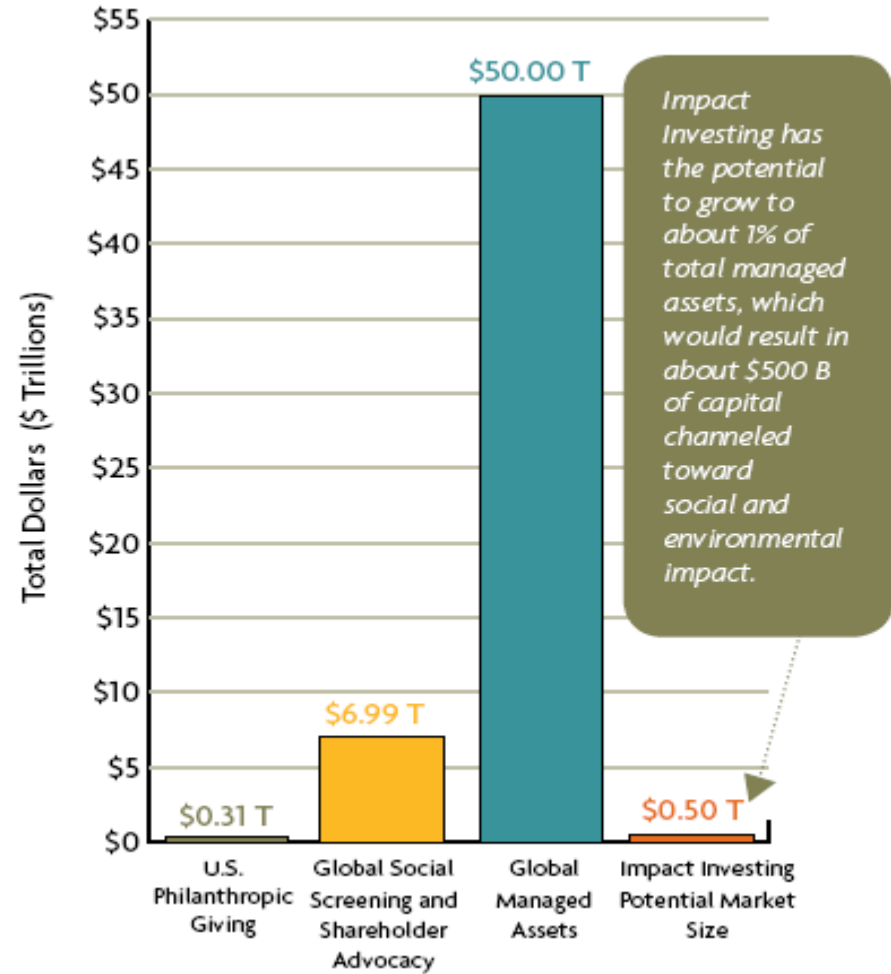
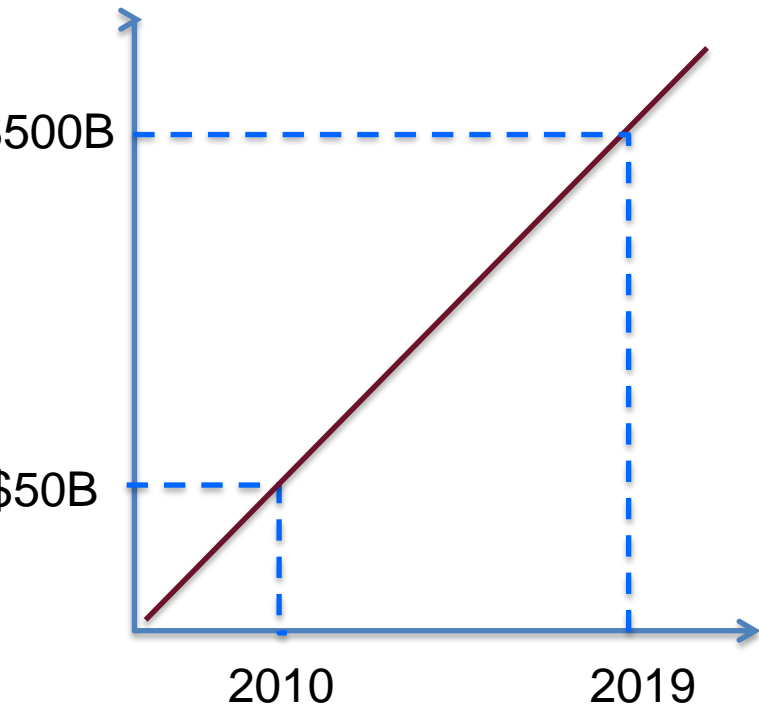
1. Connect early stage testing to later stage financing
2. Mobilize Impact Investors
3. Leverage our network to provide social entrepreneurs with new finance options



# Next Generation Development Marketplace

1. Connect early stage testing to later stage financing
2. Mobilize Impact Investors, Philanthropic Investors (Local/Global)
3. Leverage our network to provide social entrepreneurs with new finance options

# Impact Investment Market



Source: Monitor Institute

# Future of Impact Investing

“...this emerging industry has reached a transitional moment in its evolution, poised to move from a phase of uncoordinated innovation and to build the marketplace required for broad impact.”

- Monitor International

*Where DM  
has played  
a role*

## Opportunities

Growing interest  
among capital  
providers

Recognition that  
solutions are needed  
to social challenges

Steadily developing  
track record with  
early successes

## Challenges

Lack of efficient  
intermediation

Lack of enabling  
infrastructure and  
developed networks

Lack of sufficient  
absorptive capacity  
for capital



*DM is  
poised to  
address*



# Other Social Investors

## Financial First

- seek to optimize financial returns with a floor for social or environmental impact

## Impact First

- seek to optimize social or environmental impact with a floor for financial returns

## Philanthropic

- Leverage philanthropic capital to address market/public failure

*Source: Monitor Institute*



# Next Generation Development Marketplace

1. Connect early stage testing to later stage financing
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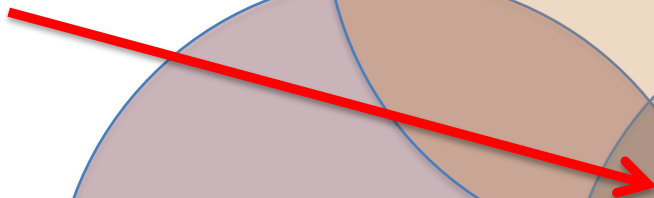
# Types of Investments

Sustained through subsidies and grants

Development Marketplace is active in all of these spaces

Scalable

Sweet Spot



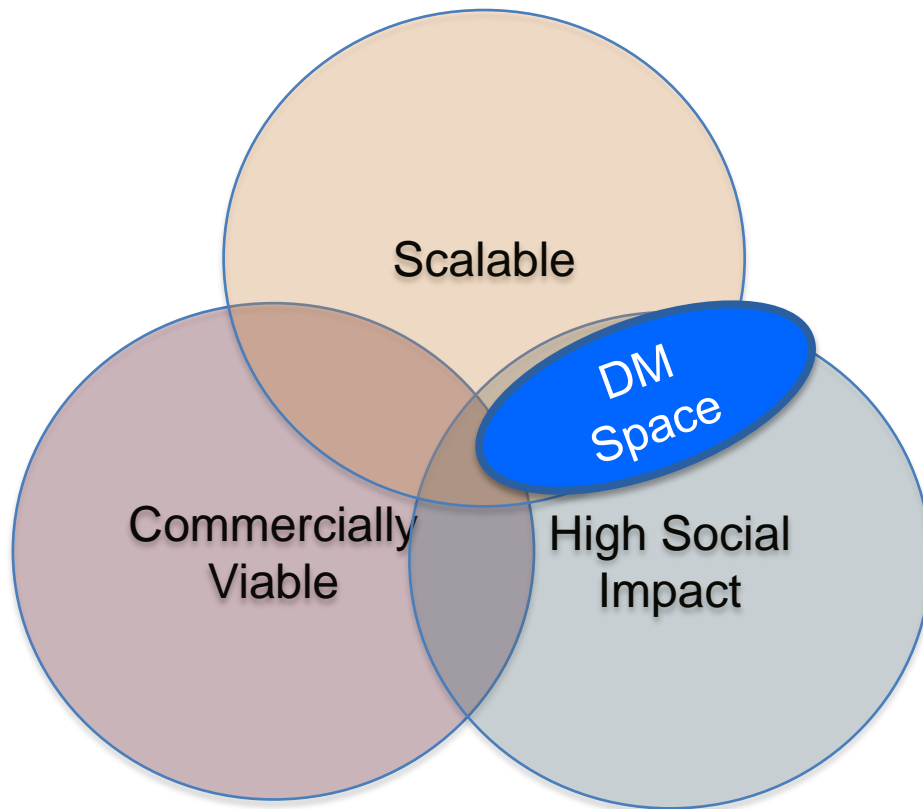
Commercially Viable

High Social Impact

Appeals to Financial investors

Private actors providing basic public goods

# Where the World Bank adds value



- The World Bank can invest in areas others can't and won't
- Catalyze the social enterprise space with new investors
- Invest in early stage entrepreneurs who are first movers in their space

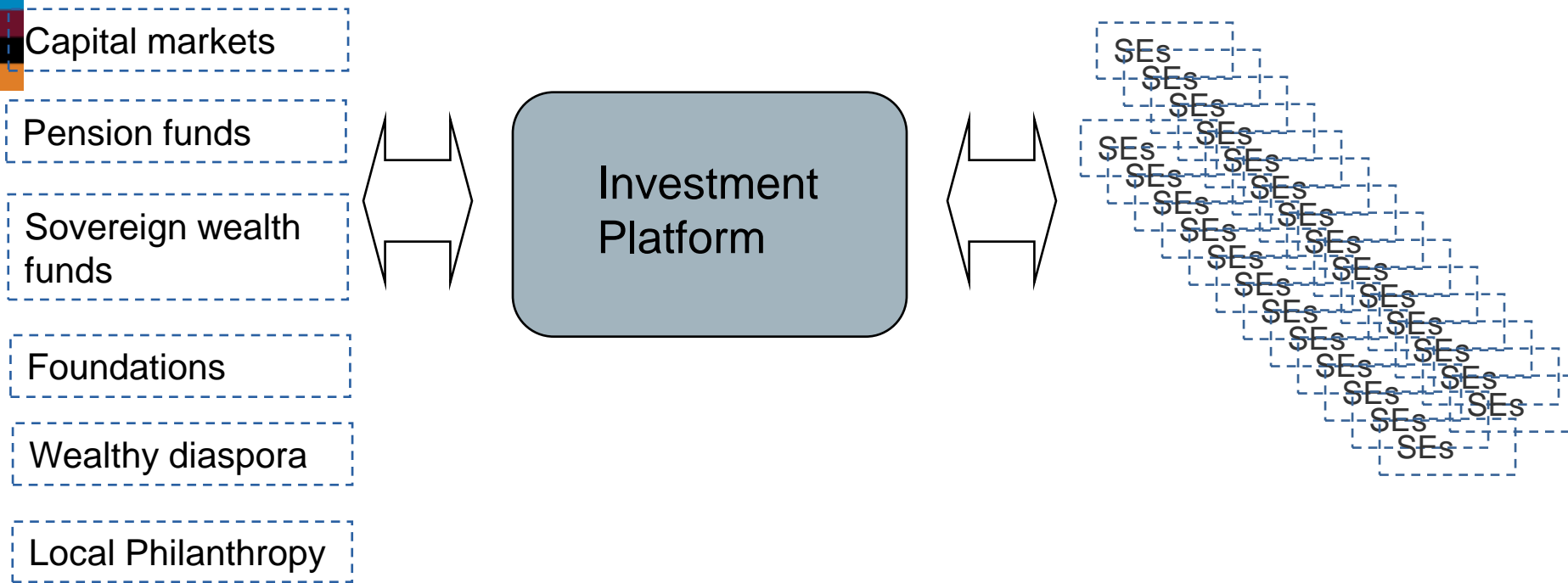
# Emerging Social Investors



Aspen Network of  
Development Entrepreneurs



# What we want to achieve: a new Investment Class?



*“This group recognizes that it is not a “supply of capital” nor a “lack of deal flow demand” but rather intermediation barriers that inhibit the sector from achieving its full potential”*

*Aspen Network for Development Entrepreneurs*

*(includes many players working on SMEs, including Omidyar, Soros, Aspen, etc)*

# Scaled World Bank Investments

Investing in Mobile  
Technology

Conditional Cash  
Transfers

Mobile Banking

Microfinance



# New investors in microfinance



**Deutsche Bank**

Morgan Stanley

# Can't do business as usual....





# Beginning a broader conversation

- Consultations on “the next generation”
- World Bank role
- Partner roles
- Create a larger community
- ...with your help!



# Join in...

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**Like us on Facebook** [Development Marketplace](https://www.facebook.com/DevelopmentMarketplace)

For more on this...



[www.worldbank.org/devoutreach](http://www.worldbank.org/devoutreach)



**THANK YOU!**

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