

How to borrow tools from the startup world for aid and development

Written by Danielle Logue, Associate Professor in Innovation, Entrepreneurship and Strategy, University of Technology Sydney



New funding vehicles could finance large scale agricultural programs Shutterstock

Ideas borrowed from the startup world – crowdfunding, incubators, accelerators and online marketplaces – could help close the [US\\$2.5 trillion shortfall](#) in funding for the [United Nations Sustainable Development Goals](#)

Our [research](#) with the [Department of Foreign Affairs and Trade](#) shows these methods can increase aid by attracting funding from private investors and diaspora communities.

But several barriers need to be overcome first. Education is the biggest challenge – all stakeholders, both investors and entrepreneurs, need to understand the potential of these methods as well as how (and when) to use them. We need to ensure programs are available in local languages and in rural areas. Lastly, we should not overburden entrepreneurs and grantees with complicated impact measurements.

Crowdfunding

Crowdfunding platforms, where entrepreneurs post a project and members of the public contribute small amounts, [can be a very successful](#) method not only to deliver funds, but to test how much interest there is in a product or project. The micro-lending platform

[Kiva](#)

is an example of this in action. Kiva

[claims to have provided](#)

over US\$1 billion in loans to 2.5 million people since launching in 2005. Its funded projects range from small businesses to village development.

But crowdfunding faces a range of challenges in the Indo-Pacific region. These include a lack of access to bank accounts, large commissions charged on withdrawing funds, and a lack of education for entrepreneurs in how to run crowdfunding campaigns.

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So while crowdfunding has been shown to work in funding development projects, it needs to be tailored to specific contexts. The platforms should be set up with local intermediaries. Funding is needed to provide initial educational support for social entrepreneurs in online campaigning. And campaigns should be run to reach potential funders in the developed world, including diaspora communities.

Incubators and accelerators

Incubators and accelerator programs help very early stage or startup businesses. These often provide co-working spaces, education, mentoring and connections to investors, often in return for a fee or a share of the business.

Our analysis of over 90 incubators and accelerator programs across the region found that entrepreneurial training and coaching opportunities were [still limited](#). It is not simply a question of providing more incubator programs. Programs are needed in local languages and in locations outside major cities.

For example, programs [in Myanmar](#) and [Vietnam](#) are building up a startup ecosystem. Yet, more local language incubator programs are required to increase accessibility for other young entrepreneurs.

Marketplaces

Online marketplaces, sometimes referred to as “[social stock exchanges](#)”, have recently emerged to help connect enterprises and investors and to standardise measures of financial and social return.

Just like mainstream stock exchanges, these platforms allow entrepreneurs to raise funds and investors to trade shares. But, on top of maximising monetary returns, the companies listed on these exchanges generally have social goals such as increasing clean energy or affordable housing stocks.

Social stock exchanges have taken off in the developed world – [over CA\\$100 million](#) has been raised on the SVX platform in Canada, and [more than £400 million](#)

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through the London Social Stock Exchange.

Existing platforms use different impact measures for enterprises wishing to list, such as [B Corporation](#) certification. While such platforms are a valuable part of market infrastructure, more needs to be done to educate enterprises and investors on business models for financial and social impact, and expectations of returns.

All up, the research shows that there is great potential in borrowing ideas from the startup world for economic development. These methods have been shown to effectively direct funds to projects that have community support, and to help entrepreneurs and organisations accomplish their goals. They can complement our existing approaches to aid and development.

In building a startup system for social impact, we also need to support those who do the intermediary work, who bring together these diverse groups, and who can understand the needs of aid, entrepreneurship and finance. We also need to try new types of collaboration and partnerships between public, private and non-profit actors.

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