ATTAINING SUSTAINABLE DEVELOPMENT OUTCOMES THROUGH BLENDED FINANCING OF SOCIAL ENTERPRISES: A CASE STUDY OF BLENDED FINANCE FACILITY FOR COVID-19 RESPONSE IN INDIA

Research Paper

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Abstract

Social enterprises address sustainable development goals as their core reason to exist but face peculiar financing challenges given the risky nature of their development business. Lately, blended finance has been emerging as a unique way of mobilizing private resources for social good, by using public resources to catalyse these private funds. Using a case study method, the authors analyse a recently launched healthcare blended finance facility, supported by USAID, to address COVID-19 pandemic response in India. Through extensive analysis of the project and financial documents, the authors present a framework linking blended finance and social businesses to sustainable development outcomes, indicating how the philanthropic and grant funding enables the "extra" actions needed for social and development outcomes. The applicability and robustness of this framework can be explored through further research in future.

Keywords: Blended Finance, Healthcare, Social Enterprises, Sustainable Development Outcomes.

1 Introduction

When it comes to sustainability in the context of businesses, it is mostly understood in the context of growth. But the idea of sustainable development is not new and began in the context of environment and forestry. Keiner, in his book on the history, definitions and models of sustainable development (Keiner, 2005) mentioned that "*the idea of "sustainable development" was born in 1713 when Carlowitz edited the first book on forest sciences*". Keiner further mentioned that The World Bank introduced the "capital stock model" of sustainable development in 1994 by defining Capital stock of Sustainable Development (CSD) as the summation of Capital stock of the Environment (CEn), Capital stock of the Economy (CEc) and the Capital stock of the Society (CS). This expanded the idea that economic growth is not only dependent on environmental sustainability, but also on social sustainability.

The United Nations General Assembly adopted the Millennium Declaration in September 2020, which emphasized the need for an integrated approach to economic, environmental, and social development (UN, 2000). The idea of sustainable development goals was further strengthened by The United Nations in 2015 with the "2030 Agenda on Sustainable Development", the preamble of which referred to the sustainable development agenda as "*a plan of action for people, planet and prosperity*" (UN, 2015).

Being aspirational goals, the Sustainable Development Goals not only face challenges in implementation but also financing challenges. Ziolo, Bak and Cheba, in their study of European Union countries linked to Organization of Economic Co-operation and Development, linked sustainable financing and Sustainable Development Goals, and found "*a strong link between sustainable finance model and social sustainability, environmental sustainability and economic sustainability*" (Ziolo, Bak & Cheba, 2021). Zhan and Santos-Paulino referred to the investment gap in Sustainable Development Goals as $2.5 trillion before the COVID-19 (Zhan & Santos-Paulino, 2021). They further mention that following the COVID-19 pandemic, the investment gap for Sustainable Development Goals (SDGs) has risen by an additional $1.7 trillion because of the increased social support necessitated by the pandemic.

To overcome the financial challenges for sustainable development goals, Kharas, Prizzon and Rogerson talked of a combination of concessional public finance, market-related public borrowing, and private finance to meet the funding requirements for infrastructure, basic needs and social progress, and global public goods (Kharas, Prizzon & Rogerson, 2014). They further suggested the expansion of "*public non-concessional flows to thematic areas where substantial private finance can be catalysed, especially in MICs (Middle Income Countries), and incentivize international financial institutions to leverage more private capital through explicit counting of a new category of flows that we call private finance for development*".

Social enterprises play an important role in the business of sustainable development. Anas Ali, Manaf and Hamza found a positive relationship between social entrepreneurship and sustainable development (Anas Ali, Manaf & Hamza, 2022). Ekren and Şentürk suggested that social enterprises also served the Sustainable Development Goals as their founding philosophy (Ekren & Şentürk, 2021). In his book "How to change the world – social entrepreneurs and the power of new ideas", Bornstein said, "*what business entrepreneurs are to the economy, social entrepreneurs are to social change*" (Bornstein, 2007). Martin looked at social entrepreneurship, which drives the social enterprises, as a "*phenomenon defined as combining existing resources in novel ways that yield added social value*" (Martin, 2015).

But social enterprises face peculiar financing challenges. Kassim and Habib suggest that the "*social enterprises face significant business and financial risks in scaling up their businesses and the social value that they deliver*." Bugg-Levine, et all, found the lack of funding opportunities as a major disadvantage for social enterprises (Bugg-Levine, et al, 2012). They asserted that "*some of the more forward-thinking foundations and social investors have realized that the current methods of financing social enterprises are inefficient, for the enterprises and themselves, and have started working to broaden the access to capital*." They further went on to describe some of the mechanisms to broaden the access to capital for the social enterprises, which include loan guarantees, quasi-equity debt, pooling, and social impact bonds. Such mechanisms fall broadly under blended finance approaches, as per the primer on blended finance published by Organization for Economic Co-operation and Development (OECD, 2015).

Blended finance was first mentioned as an option for financing development globally in the Addis Ababa Action Agenda of the Third International Conference of Financing for Development (UN, 2015). It defined blended finance as a mechanism "*which combines concessional public finance with non-concessional private finance and expertise from the public and private sector, special-purpose vehicles, non-recourse project financing, risk mitigation instruments and pooled funding structures*". In the context of Sustainable Development Goals (SDGs), the OECD defined blended finance as "*the strategic use of development finance for the mobilisation of additional finance towards the SDGs in developing countries*" (OECD, 2018).

Over the last few years, blended finance has been emerging as a unique way of mobilizing private resources for social good, by using public resources to catalyse these private funds. The consultation paper of Blended Finance Task Force quoted the United Nations estimation of around $6 trillion required annually to achieve the Sustainable Development Goals by 2030, with the gap being $2-3 trillion per year (Taskforce, B.F., 2018). The consultation paper further mentioned that "*development capital in the form of aid and public funds can, at most, cover half of this gap*" and asserted that "*by* *de-risking some of these investments, blended finance can allow the private sector to participate, potentially capturing over $1 trillion in additional annual investment potential*."

As per the USAID blended finance roadmap, blended finance mobilized $27 billion of private capital by 2015, which had been increasing at the rate of 22% annually (USAID, 2019). A survey of blended finance facilities globally, by Basile and Dutra in 2019 found that 44% of blended finance transactions targeted business enterprises, mostly small and medium businesses covering the social enterprises, but had focused largely on energy and financial services sectors, with only 6% transactions dealing with health (Basile & Dutra, 2019).

Clearly, there are too few healthcare blended finance initiatives financing healthcare social entrepreneurs and hence most of the literature on blended finance misses the unique needs of healthcare social entrepreneurs addressing the third Sustainable Development Goal. In a recently published white paper by the Government of India's think tank, NITI Aayog, blended finance was identified as a key driver of new capital into high impact healthcare solutions and projects (NITI Aayog, 2022). The white paper further listed a few healthcare blended finance initiatives launched recently to support healthcare social enterprises in India.

This paper is a study of one such initiative started by the United States Agency for International Development (USAID) to support the healthcare social enterprises with solutions appropriate for COVID-19 response in India. Through this paper, the authors explore the role played by public and philanthropic funds in supporting social enterprises achieve sustainable development outcomes in healthcare.

2 Methodology

The authors adopted a case study approach to analyse how social enterprises attain sustainable development outcomes and how such business models are financed to enable the achievement of those outcomes. The object of this study was a newly created blended finance facility for COVID-19 response in India, called Sustainable Access to Market and Resources for Innovative Delivery of Healthcare (SAMRIDH). The authors used document review, covering quarterly progress reports produced by SAMRIDH till the quarter ending June 2021, project proposals submitted by the social enterprises applying for SAMRIDH funding, and evaluation sheets prepared by the SAMRIDH project team for analysing the case for funding the applicant.

Some of the key questions that the authors explored through this case study are:

- Are the sustainable development outcomes limited to the goods and services produced by the social enterprises, or goes beyond that?
- Does financing of social businesses impact the way sustainable development outcomes are achieved by such businesses?
- What role does blended finance play in shaping a social enterprise in their pursuit of delivering sustainable development outcomes?

The analysis is based on univariate and bivariate tables using categorical variables for the four dimensions of (a) types of social enterprises supported under the SAMRIDH blended finance arrangement, (b) types of products and solutions offered by these social enterprises, (c) types of de-risking instrument used by SAMRIDH to leverage other commercial and philanthropic instruments, and (d) types of affirmative actions undertaken for equity and impact. The change in revenues and profitability is not considered in this analysis as none of the supported social enterprises have completed a financial year after receiving the SAMRIDH support. Also, because of the SAMRIDH support being less than a year for all enterprises, the impact figures are taken from the potential reach of beneficiaries mentioned in the proposals from the social enterprises for SAMRIDH support.

Using this case study, the authors present a framework linking blended finance and social businesses to sustainable development outcomes, indicating how the philanthropic and grant funding enables the "extra" actions needed for social and development outcomes. The applicability and robustness of this framework can be explored through further research in future.

3 Results

3.1 About SAMRIDH blended finance facility

USAID had been funding an innovative financing project in India to scale up private primary healthcare networks, since 2015. This project, called "Partnership for Affordable Healthcare Access and Longevity" (PAHAL) aimed at identifying healthcare businesses that serve the bottom of the pyramid market segment and provide these businesses access to philanthropic and commercial capital growth in a sustainable manner. PAHAL, in *Hindi*, means "initiative". When the COVID-19 pandemic struck in early 2020, the ongoing innovative financing initiatives and the different partnerships under the PAHAL project was leveraged to launch a blended finance arrangement called "Sustainable Access to Markets and Resources for Innovative Delivery of Healthcare" (SAMRIDH). SAMRIDH, in *Hindi*, means "perfect", but also represents prosperity.

SAMRIDH aims at supporting the expansion of the social enterprises that have products and solutions for the COVID-19 pandemic response in India, by providing them access to commercial and philanthropic capital. This initiative did not create a "fund" where all the investors and financial contributors pool their money. It created a lose arrangement where all the investors and donors are brought together around a common cause of pandemic response, through a governance arrangement to identify and monitor the investments. The structure of SAMRIDH is shown in figure 1 below.

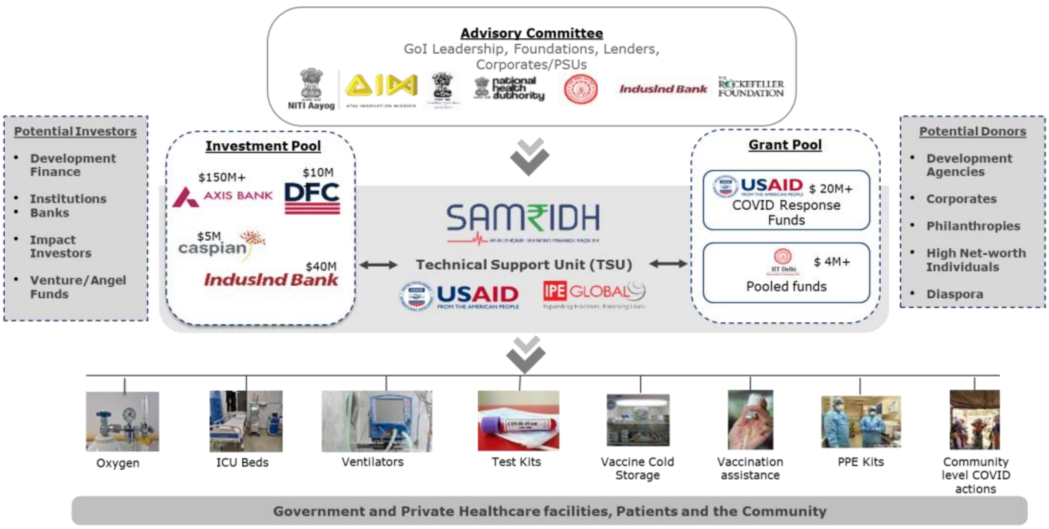

Figure 1. SAMRIDH blended finance structure

The SAMRIDH blended finance facility has two pools of funding – (a) the investment pool, and (b) the grants pool. These are notional pools as funds remain with individual funding entity which directly invests/grants the funds to the social enterprises as decided in the advisory committee. It is notional because the regulatory provisions in India do not allow mixing of commercial and public/philanthropic funds in one fund structure. Both these notional pools are coordinated by the Technical Support Unit (TSU) funded by USAID, which also acts as the secretariat for the advisory committee. The TSU builds the investment pipeline, evaluates the business case from each proposal submitted by the applying social enterprises, and also monitors the progress towards the development outcomes. The TSU also manages the actual grants made from the USAID grant pool of $20 million. The rest of the grants available to be made under the SAMRIDH facility is held in a common grants pool by Indian Institute of Technology (IIT) Delhi, which makes the grants from the IIT account to the enterprises recommended by the advisory committee. The partnering commercial banks (IndusInd and Axis), impact investment firms like Caspian, and development finance institutions like the US Government's Development Finance Corporation (DFC) hold their pledged funds (totalling $205 million) with themselves and lend to the enterprises recommended by the advisory committee, following their own credit processes. Thus, this facility is more of an arrangement and not a "fund", where different financial partners and investors have come together around a common cause of COVID-19 pandemic response, under a common governance mechanism in the form of the advisory committee. All the funding partners are members of the advisory committee. In addition, there are also Government of India representatives on the committee to ensure SAMRIDH supported entities adhere to the national pandemic response strategies and polices.

The social enterprises supported under SAMRIDH include entities engaged in providing products, services and solutions related to oxygen, critical care beds, ventilators, COVID test kits, vaccine cold storage facilities and equipment, vaccination assistance, protective kits for health personnel and patients and community level actions involving awareness building and education. By June 2022, SAMRIDH had made investments in 21 social enterprises, using $7.5 million from the USAID grant pool of $20 million (37.5% utilization). The types of social enterprises funded by SAMRIDH are described in table 1 below.

Type of Social Enterprise	**Number of enterprises supported by SAMRIDH**	**Amount of SAMRIDH support (US $)**
1 Manufacturer	7	2,268,498
2 Healthcare provider	4	1,662,293
3 Skilling/Training agency	2	625,103
4 Supply chain aggregator	3	545,694
5 Diagnostic lab	2	1,292,602
6 Digital/Technology solution	1	350,221
7 Market enabler	1	772,397
8 Insurance provider	1	66,285
TOTAL	**21**	**7,583,093**

Table 1. Types of Social Enterprises supported through SAMRIDH

SAMRIDH, as a financing facility created for COVID-19 pandemic response in India, seems to prioritise manufacturers of various medical equipment with one-third of the supported entities being manufacturers, followed by a few entities being actual healthcare provider networks and hospital chains, and some being supply chain aggregators for medical supplies.

The products and services offered by the SAMRIDH supported social enterprises overwhelmingly include critical care equipment (more than one third of the entities), which reflect the need during the early stages of the COVID-19 pandemic.

Type of Products/Services offered by the social enterprises	**Number of enterprises supported by SAMRIDH**
1 Critical healthcare services	1
2 Basic healthcare services	3
3 Comprehensive healthcare services	1
4 Diagnostic services	2
5 Critical care equipment	8
6 Drugs and vaccines	0
7 Medical consumables	3

8 Community mobilization	0
9 Skilling/capacity building	2
10 Community insurance	1
11 Market access & advisory	0
TOTAL	**21**

Table 2. Products and Services offered by SAMRIDH supported enterprises

Both tables 1 and 2 indicate that SAMRIDH investments are predominantly directed towards supply side strengthening of the health system in a pandemic situation and not so much on the demand side. The period of this funding is from May 2021 to June 2022, which coincides with the devastating second wave of COVID-19 in India with spikes in hospitalizations, critical cases, and deaths, putting a lot of stress on the supply side to cater to the increased critical caseload.

3.2 Blended financing and development impact

As a blended finance facility, the primary aim of SAMRIDH was to catalyse more investments, using the available grants, to meet the increased capital needs of the enterprises that are looking to grow their footprint in response to increased demand of healthcare products and services in a pandemic situation. Table 3 shows that, till June 2022, SAMRIDH was able to leverage more than $47 million in additional debts and grants, with 92% of that being debt. This is over and above older equity and debt that the supported enterprises had already invested in their ongoing operations. The incremental leverage was 6-times the grant funding done by SAMRIDH, from the USAID grants pool.

With total investments of $55 million, including the USAID grants and the additional debt and grants leveraged in 1:6 ratio, SAMRIDH is expected to reach 10 million beneficiaries (potential reach) with healthcare products and services. This implies the SAMRIDH facility is taking $5.5 to reach out to one beneficiary with some healthcare product or service as a pandemic response.

Type of Social Enterprise	SAMRIDH grants (US $)	Amount leveraged (in US $)		Total leverage		Potential Reach (Beneficiaries)
		Commercial Debt	Other Grants	(US $)	'X' times	
1 Manufacturer	7	10,619,563	500,000	11,119,563	5x	7,616,000
2 Healthcare provider	4	27,798,102	171,428	27,969,530	17x	171,400
3 Skilling/Training agency	2	0	832,856	832,856	1.3x	10,828
4 Supply chain aggregator	3	2,475,584	0	2,475,584	4.5x	2,126,000
5 Diagnostic lab	2	2,042,857	2,406,505	4,449,362	13x	17,000
6 Digital/Technology solution	1	0	0	0	-	62,500
7 Market enabler	1	770,000	0	770,000	1x	55,000
8 Insurance provider	1	0	0	0	-	2,000
TOTAL	**21**	**43,706,105**	**3,910,789**	**47,616,894**	**6x**	**10,060,728**

Table 3. Types of enterprises by commercial and other funds leveraged and potential reach

Table 3 also shows that most of the financial leverage (grants catalysing additional commercial investments) are achieved for healthcare providers (hospital chains and outreach clinics) and diagnostics solutions (17 and 13 times, respectively), but impact results, in terms of expected reach, is highest for manufacturers (7.6 million), followed by supply chain aggregators (2 million).

This indicates that additional capital leveraged through blended finance may not be directly related to the expected development impact if it is measured in terms of reach. This might change if more long-term impact measure is used like "lives saved" or "cases averted". But these impact indicators are very difficult to measure unless there is a case-control design adopted during implementation, which is difficult for a commercial business serving a given market in a short timeframe.

As far as the ways of catalysing additional investment by using grant funds is concerned, the solution is to reduce the risk of a business using different blended finance structures. Some of the structures used by SAMRIDH to de-risk the supported social enterprises are enumerated in table 4 below.

Type of Social Enterprise	**Types of de-risking using SAMRIDH grants (Number of entities)**						**Total**
	Bridge funding	**Partial loss guarantee**	**First loss guarantee**	**Impact premium on returns**	**Cash collateral**	**Upfront capital**	
1 Manufacturer	1	1	-	1	-	4	7
2 Healthcare provider	-	-	-	-	-	4	4
3 Training agency	1	-	-	-	-	1	2
4 Supply chain aggregator	2	-	-	-	-	1	3
5 Diagnostic lab	1	-	-	-	-	1	2
6 Digital/Tech solution	-	-	-	-	-	1	1
7 Market enabler	-	-	-	-	1	-	1
8 Insurance provider	-	-	-	-	-	1	1
TOTAL	**5**	**1**	**0**	**1**	**1**	**13**	**21**

Table 4. Types of enterprises by types of de-risking using SAMRIDH blended finance structures

In table 4, bridge funding denotes use of grants to fill the estimated capital gap of a project/venture, whereas upfront capital is pure grant to meet the initial capital requirement. Partial loss and first loss guarantees are underwriting the losses with the grant funds, whereas cash collateral is use of the grant funds as bank collateral. Impact premium on returns can be impact bonds, social success notes or other pay-for-result instrument that incentivises the achievement the results.

SAMRIDH seems to be addressing resource gaps for the social enterprises by using bridge funding (for five enterprises) or upfront capital grants (for more than half of the enterprises). These instruments, covering 18 of the 21 SAMRIDH supported enterprises, are essentially cash flow transactions leading to a positive cash flow in the short term, and thus addressing the business risk of the enterprises. On the other hand, we see only one partial loss guarantee and another one cash collateral support, which are balance sheet transactions, underwriting the financial risk of the entity. So, almost all the blended finance structures adopted under SAMRIDH, address business and financial risks in the effort to leverage more capital. But these solve upstream supply side gaps in a business. There is only one instrument adopted under SAMRIDH, till June 2022, that addresses the downstream, impact end of the spectrum by paying a premium for achieving impact outcomes.

Looking at the type of social businesses supported by SAMRIDH, it seems that manufacturing businesses provide more avenues of trying different blended finance structures as compared to other types of businesses. But, given the small number of each type in the SAMRIDH portfolio, this might be a premature inference, and would need more examples and further research to comment with any degree of confidence.

While SAMRIDH used different blended finance structures to leverage additional commercial investment for their portfolio of healthcare social business, the facility also used the grants pool to finance certain affirmative actions by the enterprises to achieve the desired social and health impact. Based on the document review of the funding proposals received by SAMRIDH, it was found that these affirmative actions were funded as separate projects, which took care of the additional cost that the businesses would incur to reach out to the target geographies and vulnerable populations. It needed separate project funding as these outreaches would not generate the desired revenues for the enterprises and so could not be undertaken as part of their regular business. Some of the affirmative actions financed by the grants pool under SAMRIDH, are listed in table 5 below.

Type of Social Enterprise	**Type of affirmative actions for equity and impact (Number of entities)**					**Total**	**Potential Reach**
	Targeted geographic outreach	**Targeted population outreach**	**Community empowerment**	**Partnering with government and non-profit health facilities**	**None**		
1 Manufacturer	3	-	-	4	-	7	7,616,000
2 Healthcare provider	1	2	-	-	1	4	171,400
3 Training agency	2	-	-	-	-	2	10,828
4 Supply chain aggregator	1	-	-	1	1	3	2,126,000
5 Diagnostic lab	-	-	-	-	2	2	17,000
6 Digital/Tech solution	1	-	-	-	-	1	62,500
7 Market enabler	1	-	-	-	-	1	55,000
8 Insurance provider	-	1	-	-	-	1	2,000
TOTAL	**9**	**3**	**0**	**5**	**4**	**21**	**10,060,728**

Table 5. Types of enterprises by affirmative actions supported for equity and potential reach

The affirmative actions mentioned in table 5 include either reaching out to specific geographies like slums, tribal pockets or hard to reach areas, or socio-economically vulnerable population groups. Community empowerment is specific actions that improve the politico-economic bargaining power of the vulnerable sections of the society. Partnering with non-profit or public health facilities is also affirmative action as these facilities mainly serve the poor and the vulnerable and affordable or no cost to them and partnering with them helps reach out to these vulnerable groups for greater equity.

There can be more than one affirmative action employed by an enterprise. For example, the insurance provider not only targets reaching out to a special population group or geography, but it also works on empowering the community involved. But there is always a primary purpose for which the grants and investments were sought by the enterprise, and we have considered here that primary purpose as the qualifying affirmative action in the deal with SAMRIDH.

It can be seen from table 5 that most of the social enterprises (17) needed funding for additional affirmative actions to reach out to the priority geography, vulnerable populations and to the government and non-profit health facilities. There were also a small number of enterprises (four enterprises) that did not need additional grant funding for affirmative actions and were able to reach out the intended beneficiaries in their normal course of business. Also, most of the affirmative actions were focussed on targeted geographic outreach (nine enterprises), followed by forging partnerships with government and non-profit healthcare facilities (five enterprises).

It is emerging from table 4 and 5 that upfront capital and bridge funding is the most sought-after instrument of blended finance by the SAMRIDH supported social enterprises, and they need the support for mainly geographic outreach and for partnering with government and non-profit facilities that, normally, would not provide them enough revenues as part of their regular business. But, as discussed earlier, given the small number of SAMRIDH supported enterprises across the blended structures and types of affirmative actions, it might be premature to draw such inferences, and it needs further research. Nonetheless, a comparative analysis of types of blended finance structures employed by SAMRIDH and the affirmative actions needed for equity and impact, is presented in table 6 below.

Affirmative Actions for Equity and Impact	**Types of de-risking using SAMRIDH grants (Number of entities)**						**Total**
	Bridge funding	**Partial loss guarantee**	**First loss guarantee**	**Impact premium on returns**	**Cash collateral**	**Upfront capital**	
1 Targeted geographic outreach	2	-	-	1	1	5	9
2 Targeted population outreaches	-	-	-	-	-	3	3
3 Community empowerment	-	-	-	-	-	-	0
4 Partnering with government and non-profit health facilities	2	1	-	-	-	2	5
5 No affirmative action	1	-	-	-	-	3	4
TOTAL	**5**	**1**	**0**	**1**	**1**	**13**	**21**

Table 6. Comparison of affirmative actions for impact with blended finance structures

Running a Chi-Square (χ^2) test for table 6, the χ^2 statistic is 0.9992, which is way less than the χ^2 critical value (31.41) at significance level of 0.05 and 20 degrees of freedom, indicating almost no relationship between types of affirmative actions and types of blended finance structures. It may be noted that there are too few blended structures, apart from upfront and bridge funding, to establish any relationship between types of affirmative actions and types of blended structures and a larger number is needed to analyse the relationship.

It is thus evident that SAMRIDH is essentially using upfront and bridge funding for geographic targeting and partnering with government and non-profit health facilities. This may indicate the peculiar nature of the SAMRIDH's purpose, which is to support the COVID-19 pandemic response in India. In a pandemic situation, the need is for quick response with product and service solutions, and therefore, SAMRIDH grants were mostly structured as upfront grants. This upfront funding, in a way eases the path for commercial investments later when they see the market feasibility of the solutions unfold in real time. This might look very similar to using grants as seed capital, but the difference is that commercial investments under SAMRIDH are not waiting for the social businesses to get into the next phase of feasibility, but very closely following the upfront grants and bridge funds. This is evident from the six-times incremental leverage already achieved against the SAMRIDH grants within a year's time.

4 Discussion

The analysis of SAMRIDH portfolio of social enterprises show that sustainable development outcomes are not just market-based consumption of goods and services, but it also involves ensuring that these goods and services reach the priority population groups and priority geographies in an equitable manner. This is supported by Dan, et al, who suggest that "*the human component in sustainable development has a major role, because the concept of equity incorporates several forms of manifestation in regard to sustainable evolution of human society*" (Dan, et al, 2015). The idea that sustainable development goes beyond just the consumption of goods and services, is strengthened by the "2030 Agenda on Sustainable Development", the preamble of which referred to the sustainable development agenda as "*a plan of action for people, planet and prosperity*" (UN, 2015).

This case study also shows that social businesses are better suited to reach the priority population and geographies. In fact, as per Peattie and Peattie, "*social enterprises innovate and spread the solutions*" that address the Sustainable Development Goals (Peattie & Peattie, 2009). All SAMRIDH supported enterprises are social businesses having solutions for COVID response, especially for the priority population groups and geographies. This centrality of serving priority geography and population groups is as per Kassim and Habib, who define social businesses as "*a commercial business which is established with the main agenda of creating positive social changes and social values*" (Kassim & Habib, 2020).

To create equitable impact in a crisis, like in the COVID-19 pandemic, the financing of the solutions offered by social enterprises needs upfront funding by philanthropic and public funds, as is evident from the upfront capital and bridge funding provided under SAMRIDH for 18 of the 21 portfolio enterprises. Commercial investments are not able to finance the additional affirmative actions for equity needed for sustainable impact, and wait till those actions are funded, to take on the other commercial activities subsequently. In a study of social enterprises and investors in Indonesia, it was found that *although blended finance bridged a crucial funding gap, many social enterprises were not investment ready, lacked sector focus, and had limited connections to social finance* (Soukhasing, D., Dea, V. & Ruslim, C., 2017). Such gaps need grant funding to first make the social enterprises investment ready, and then they attract commercial investments, as the SAMRIDH case shows.

Although only three of the 21 SAMRIDH deals employ direct risk mitigation measures, using public and philanthropic grants, the upfront grants and bridge funding provided to 18 other enterprises, also reduces the business risk indirectly by increasing positive cash flow, thus inducing commercial investments to flow into these businesses. This is supported by Havemann, et al, who emphasises the need for blended finance as current financial markets treat public and private funders distinctly and fail to mobilize additional capital required of sustainable agriculture (Havemann, et al, 2020). Also, Bhattacharya and Khan, in their occasional paper, cite an example of a blended finance structure for a highway project in Senegal, observing that it *had both concessional as well as non-concessional components, which align with the principle of not over subsidising profit motives of the private sector* (Bhattacharya & Khan, 2018).

On the other hand, what came out from the case study is that the blended structures have no direct relationship with the affirmative actions needed to reach out to the special populations and geographies for sustainable impact. This implies, the philanthropic and public financing, in addition to playing the de-risking role, also needs to take on the burden of financing the affirmative actions, while ensuring enough cushion against the core profit motive of businesses that may neglect the priority populations and geographies. This in turn implies the need for special technical assistance to the business entities to ensure focus on affirmative action using philanthropic grants and public funding, and not restricting the assistance merely to structuring blended finance solutions and facilitating access to capital.

Based on the above discussion, the authors suggest a framework of how blended finance creates sustainable impact through social enterprises. The suggested framework is shown in figure 2 below.

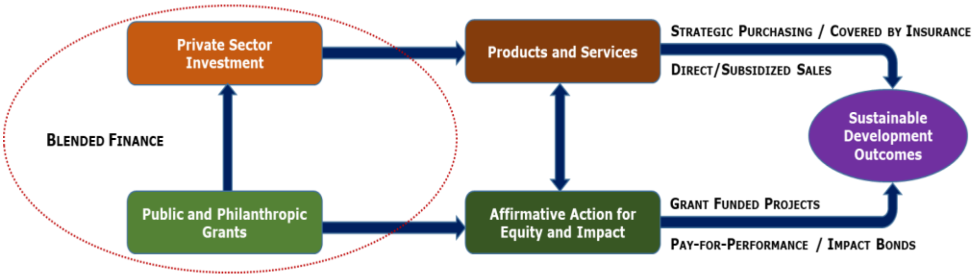

Figure 2. Framework of blended financing for sustainable development outcomes

As depicted in the framework (figure 2), the public and philanthropic grants not only de-risk the private sector (commercial) investments into impactful products and services, but also directly funds the additional affirmative actions needed to reach out to the special populations and geographies for an equitable and sustainable impact. Whereas the goods and services can be directly purchased by the consumers or can be partially/fully subsidized through strategic purchasing or insurance, the affirmative actions are not “saleable” and needs grant support either in a traditional grant funded project mode or through pay-for-results and impact bond structures.

5 Conclusion

The framework suggested by the authors link blended finance and social businesses to sustainable development outcomes, indicating that the philanthropic and grant funding enables the “extra” actions needed for social and development outcomes, in addition to de-risking the commercial investments. This framework is based on the USAID supported SAMRIDH facility for COVID-19 relief in India, but we have seen that the number of social enterprises supported under this facility and the blended finance structures adopted are not adequate to conclusively establish this framework. Hence more research is needed with a larger sample of social enterprises with a large variety of blended finance structures to further test this framework. Nonetheless, the framework suggested by the authors is a step towards answering crucial financial structuring questions that global investors may have while looking for investment opportunities in sustainable development businesses.

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