



We are seeking innovative business models with potential for high social and economic impact in cultural and creative industries to be implemented in nine countries: Belize, Costa Rica, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, and the Dominican Republic

GUIDELINES

1. BACKGROUND

The creative and cultural industries, which the Inter-American Development Bank (IDB) calls the Orange Economy, consider talent and creativity to be its main inputs. This is a knowledge-based economy, capable of generating employment and wealth, which promotes a socio-economic impact. This industry directly contributes to a country's economy in terms of value added, exports, investment, and higher productivity. According to UNCTAD,¹ the global contribution to the creative and cultural economy in 2012 was US\$547 million, generating 29.5 million jobs, equivalent to those of Great Britain, representing 3% of global GDP.² For Latin America and the Caribbean, it created 1.9 million jobs in 2015, or 2.2% of GDP.³

Access to information and the digital revolution have accelerated and multiplied the participation of the creative and cultural industries in the development of more

¹ United Nations Conference on Trade and Development.

² 31.84 million people are employed in the United Kingdom. UK Labor Market for October to December 2016, seasonally adjusted. Office for National Statistics. Disponible en: <http://bit.ly/2gZvI35>. Consultado en febrero de 2017.

³ International Labour Organisation, 2016. Panorama laboral 2016 América Latina y el Caribe. Available at: <http://bit.ly/2m4crh7>. Consulted in February 2017.

sophisticated goods and services in sectors such as multimedia, video games, fashion, creative services, and others. The creative and cultural industries are also increasingly entering sectors such as health, infrastructure, education, finance, and others. The great leap in the development of the region's creative and cultural industries is due to the adoption of technology. In fact, the creative and cultural industries have already begun to develop models based on the use of artificial intelligence (AI), virtual reality (VR), the internet of things (IoT), machine learning, and blockchain, to mention only a few.

This challenge seeks to identify and select proposals on innovative models in the orange economy, to be implemented in the nine target countries. It will contribute to strengthening the creative entrepreneurship ecosystem, employment generation, and knowledge transfer in these countries and the rest of the region.

2. THE CHALLENGE

The Inter-American Development Bank (IDB), through its innovation laboratory of the IDB Group (IDB Lab), and its Innovation and Creativity Division (ICD), seeks to identify business models to support its implementation in the nine target countries. These models must encompass the following characteristics:

- A. They introduce innovations to the defined **subsector** of creative and cultural industries;
- B. They use cutting-edge technologies;
- C. They show that they are financially sustainable;
- D. They have economic and social impact;
- E. They have a legal constitution registered in the target country. (Those entities located in other countries can only submit proposals if they do so together with an entity registered in one of the 9 target countries.)

The subsectors of the orange economy that we are looking for are:

- **Audiovisual, digital arts and animation, and video games,**
- **Multimedia applied to the publishing industry,**
- **Support services for digital content,**
- **Film and music industry**

- **Fashion, design, tourism, cultural heritage, and gastronomy, as long as the solution is a technological one.**

The nine target countries:

- This challenge seeks to identify business models to be implemented in the following countries:
 1. Belize
 2. Costa Rica
 3. El Salvador
 4. Guatemala
 5. Haiti
 6. Honduras
 7. Nicaragua
 8. Panama
 9. Dominican Republic

3. WHO CAN PRESENT PROPOSALS?

Entities located in the 48 member countries of the IDB can present proposals. These entities include innovators, entrepreneurs, NGOs, academic institutions, research institutions, social enterprises, public innovation agencies, or similar entities with specialization and knowledge in the development of business models in the cultural and creative industries based on technology and with a focus on social and economic development.

Entities located in other countries outside the nine target countries (Belize, Costa Rica, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, and the Dominican Republic) can only present proposals jointly with an entity registered in one of the nine target countries.

The IDB will evaluate the capacity of the applicant organizations to implement the proposed innovative models. The models will also be analyzed to obtain evidence of their viability.

4. PRIZES: FINANCING BY IDB LAB AND IDB GROUP KNOWLEDGE NETWORKS

The IDB Lab may consider the entities whose proposals are selected to receive financing to implement the proposed business model in one of the nine target countries.

Additionally, the entities whose proposals are selected will be invited to participate in a regional event called [FOROMIC](#)⁴ (the leading event in Latin America and the Caribbean on topics related to financial inclusion and business development) to present their model, and they will receive travel and lodging expenses for one representative per applicant organization.

All entities selected, regardless of their financing, will be included among the IDB Group's global innovators working in the region to exchange knowledge, experiences, best practices, and will have many opportunities to participate in events held by regional networks related to the IDB Group.

The IDB Lab grants financing equivalent to approximately 50% of the model's total budget; therefore, the applicant organizations should be prepared to contribute the remaining 50%. Under the modality called "**Innovation Prototype**," they may receive up to 80% financing, as long as they meet the requirements, one of which is a maximum amount of US\$150,000.

The type of financing requested must be sufficient for the proposed model and implementation capacity of the proposing entity and its associated entities.

5. TYPES OF FINANCING AVAILABLE AND REQUIREMENTS FOR EACH ONE

Applicants can present their proposals under "Grant" or "Innovation Prototype":

A- Grant (nonreimbursable financing)

- This type of financing is offered generally to NGOs, nonprofit organizations, or companies that implement innovative models with limited earning potential but with clear benefits in terms of inclusion and employment and business opportunities.
- Range: US\$150,000 - US\$500,000

⁴ www.foromic.org

- Counterpart funds: 50% of the total budget, half in cash and half in kind (applicant organization 50% = 25% cash and 25% in kind)
- Expenses that cannot be funded with this mechanism: purchase of land, construction of infrastructure, and in the case of equipment purchase, software or other products, software or other products, as long as they do not use more than between 10 and 25% of the financing from IDB Lab. IDB Lab does not cover overhead, and there are some restrictions on financing administrative costs.
- Implementation period: between 12 and 36 months, depending on the case.
- Documents: Present two letters of recommendation, one from an outside collaborator or client who can vouch for the work, and another from an organization or institution that knows the work that has been done and its achievements. The letters of recommendation cannot be submitted by family members or founding or co-founding members of the applicant organization. (Diplomas, invitations to events, or letters of recommendation for other contests will not be accepted.)
- Pitch: Present a video pitch of a maximum length of 2 minutes, explaining the model (the development problem that it addresses, and the innovative solution proposed, as well as the composition of the implementation team). The video link must not be protected. **If the video cannot be seen, the application will be disqualified.**
- The representatives of the selected entities must be over 18 years of age by June 8, 2019, and must be residents of one of the [48 IDB member countries](#), with a local partner for the prototype if he or she is not a resident of one of those countries. Entities that have participated previously in a Demand Solutions event are eligible.

B- Innovation Prototype (nonreimbursable resources)

- This type of financing will be granted to businesses with high impact, entities with innovations based on disruptive technologies, and new business models. The model of a prototype must be replicable or scalable as long as it is innovative in the local market where it will be implemented. Nonreimbursable financing is offered generally to NGOs, nonprofit organizations, or companies/startups that implement innovative models with limited ability to

generate income but that have clear benefits in terms of inclusion and generation of business and employment opportunities.

- Range: A maximum of US\$150,000 to develop and test the prototype.
- Counterpart resources: 20% of the total budget, half in cash and half in kind (applicant organization 20% = 10% cash + 10% in kind).
- Allowable expenses under this modality: capital expenditures (such as equipment, software, and other products), as well as working capital.
- Expenses that won't be financed: IDB Lab does not cover overhead and there are restrictions on financing administrative costs.
- Implementation period: maximum of 18 months.
- Documents: Present two letters of recommendation: one from an outside collaborator or client, who can vouch for the work and another one from an organization or institution that knows the work that has been done and its achievements. The letters of recommendation cannot be from family members or founding or cofounding members of the applicant organization. (Diplomas, invitations to events, or letters of recommendation for other contests will not be accepted.)
- Pitch: Present a video pitch of a maximum length of 2 minutes, explaining the model (the development problem that it addresses, and the innovative solution proposed, as well as the composition of the implementation team). The video link must not be protected. **If the video cannot be seen, the application will be disqualified.**
- The representatives of the entities selected must be over 18 years of age by June 8, 2019, and must be residents of one of the [48 IDB member countries](#), with a local partner for the prototype if he or she is not a resident of one of those countries. Businesses that have participated before in a Demand Solutions event are eligible.

6. EVALUATION CRITERIA

Proposals will be evaluated based on the following criteria:

- A. **Use of disruptive technologies (15%)**. Level of utilization of technologies in the creation phase, implementation and management of goods and services, such

as: artificial intelligence (AI), machine learning (ML), virtual reality (VR), augmented reality (AR), internet of things (IoT), cryptographic token, blockchain, behavior tracking & modeling, 3D printing, big data, facial and voice recognition, etc.

- B. **Innovation of the model (15%).** Innovative models based on technologies that can be piloted or adapted for the first time in the sector or country, to promote the long-term sustainability of the solution. The problem must take on the creative process in an innovative manner and use digital tools or platforms with cutting-edge technologies to generate inclusion and business and employment opportunities.
- C. **Potential for scalability (20%).** Clear indication of the strategies that will be used to achieve scale, as well as the key enabling partners, especially if there are public or private sector partners that provide funding to reach more beneficiaries.
- D. **Financial sustainability for the next 3-5 years (20%).** The model must incorporate funding sources to sustain and grow the initiative, generate income, and support the cost structure.
- E. **Capacity of the applicant organization and strategic partners (10%).** Describe the strategic alignment of the model with its mission, the team that supports it, and its strengths. What are the links and connections to industry, the relationship with the other potential partners, and any other strategic association? What is the level of development of the proposed solution?
- F. **Viability of execution, and risks (5%).** What are the current obstacles to the growth of the model, the risks identified, and the conditions necessary for successful implementation?
- G. **Results and impact (15%).** What are the metrics to measure impact (e.g., employment generation)? What is the impact on groups, communities, and clients? How will the model contribute to the environment? What is its social impact? How will it impact the sector or subsector in the country where it will be implemented?

7. HOW TO PARTICIPATE

The application process for all applicant organizations consists of two steps:

Step I: Complete the application online

- Complete the application and submit it through the online platform within the specific time frame. The final submission deadline is **July 31, 2019 (11:59 p.m. EST)**. Proposals will be considered only if they satisfy the evaluation criteria and requirements described above. The IDB reserves the right to contact applicants who initiate the process about their proposals. The proposals can be presented in English, Spanish, or French only. Please note that you must create an account. The IDB reserves the right to extend the deadline of the final presentation.
- Complete an estimated budget of the model in the template provided and submit it through the platform.

Step II: Upload eligibility documents

Entities that are requesting grants must upload the four documents described below: Entities that are applying for innovation prototypes must only upload documents 1, 2, and 3 (they do not have to upload the documentation in point 4 below).

Eligibility of the applicant organizations will be verified through the following documents, which must be loaded onto the system. Local documentation can be sent or translated into one of the four official languages of the IDB: English, Spanish, Portuguese, or French. The IDB is not responsible if the files cannot be opened.

1. Written proof of counterpart resources to implement the model (similar to a letter of interest or commitment).
2. A copy of the proof of legal constitution or incorporation of the organization in accordance with the laws of one of the [48 IDB member countries](#), where the applicant is located, and where the project will be implemented. This must be a legal document which establishes that the entity is registered or authorized by the government. NOTE: Foreign/international organizations must have legal representation that meets all the requirements, domiciled and legally operating to do business in the country in which the project will be implemented. Organizations with temporary authorizations/licenses to operate in the country will not be accepted.

3. Copy of the organization's bylaws and other documents on its corporate governance.
4. Summary of the latest external auditor's report or financial statements of the organization in cases of a grant proposal.

8. SELECTION PROCESS

The selection process will have the following phases. The IDB reserves the right to modify this process by modifying, adding, or eliminating phases.

Phase I

After completing the application on the online platform, an IDB Group technical team will review, analyze, and pre-select proposals.

Phase II

Those proposals that are pre-selected will be analyzed by a panel of judges consisting of subject matter experts and an IDB Group technical team. If necessary, the panel of judges will interview the pre-selected entities.

Phase III

IDB Lab will select proposals according to the evaluation criteria described in Section 6 above. Once they have reached agreement on how to implement the model, a technical team from IDB Lab will offer support to the entities selected to initiate the design of the model (which includes developing a project plan and other documents necessary to request official internal approval of the IDB). This process may last up to six months, depending on the maturity of the model and the implementation capacity of the entities selected, among other factors. Please note that final approval is subject to the internal procedures of the IDB, with the understanding that for a project to be selected to receive IDB funds, it must have been approved by all those directly involved in the IDB and IDB Lab approval process.

Likewise, and subject to obtaining all the requisite authorizations and approvals, including, but not limited to, internal approvals from the IDB Lab and the IDB, the entities selected must sign a legal agreement that sets forth how the financial resources of the IDB Lab and the counterpart resources will be used to implement the model.

9. TIMELINE

- Launch: May 23, 2019
- Final submission deadline: July 31, 2019 (11:59 pm EST)
- Finalists will be contacted in September
- Finalists present their proposal in FOROMIC : October 30 – November 1, 2019

** These dates are approximate and subject to change.

[FREQUENTLY ASKED QUESTIONS](#)

PLEASE EMAIL QUESTIONS TO: DEMANDSOLUTIONS@iadb.org

NOTICE AS TO DISCLAIMERS AND RESERVATION OF RIGHTS

The IDB reserves the right to eliminate participants at any part of the process and this decision shall be final and binding. The IDB may decide to not select an applicant if the submissions did not meet the requirements or did not have sufficient quality. The IDB may search for publicly available information regarding participants, and may seek to verify details referenced in the application. The IDB reserves the right to cancel the competition at any time.

All decisions of the IDB are final and binding, with no process for appeal.

Participants that submit content that is offensive, illegal, etc. and those that disparage the Bank or other sponsors will be eliminated.

IDB will not consider participants who are ineligible to participate in Bank projects or contracting under its sanctions protocol.

Participants must attest that the submittal is original and that they are not infringing on any copyrights or other intellectual property. Any such infringement may result in disqualification.

The IDB will not be responsible to maintain the intellectual property of the proposals submitted.

Winning participants whose projects are approved, in order to receive IDB funding, must sign an agreement with the IDB which includes relevant commitments, representations, and grants of indemnity by the project company.

IDB reserves the right to disseminate and share the identity of the applicants and any other information deemed relevant.

These terms and conditions may be updated at any time and will be made available to all participants online.