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MULTILATERAL INVESTMENT FUND

REGIONAL

ECOSYSTEM BUILDERS - “GLOCAL” NETWORK OF INCUBATION PROGRAMS

(RG-G1041 Y RG-T4038)

DONORS MEMORANDUM

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PROJECT SUMMARY
REGIONAL
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Despite Central America's increased entrepreneurial activity, the existing incubation programs in the entrepreneurial ecosystems of the region are not able to support the required number of enterprises with the quality services that will help them survive initial stages to become consolidated mid-sized enterprises, key to economic development and job creation. Entrepreneurship Support Organizations (ESOs) (incubators, accelerators, coworking spaces, chambers of commerce, etc.) are highly discounted, have very manual processes which are costly, unscalable and makes them dependent on donors, reducing availability of consistent & quality incubation programs.

This project, focused on Costa Rica, El Salvador, Honduras, Guatemala and Panama, seeks to strengthen incubation services in the entrepreneurship ecosystems in Central America by professionalizing and connecting ESOs, thus creating a "glocal" network of inclusive, sustainable, and effective support for incubated entrepreneurs and small businesses so these have a better opportunity to survive over time and create jobs. The overall impact goal is to improve the survival rate of these businesses by training a generation that creates employment and economic opportunities that contribute to local development and consequently prevents emigration, especially in the Northern Triangle. Twenty-five (25) ESOs in the target countries will be supported to assist 2,518 entrepreneurs within the next 3 years, creating a total of 1,983 jobs.

The solution consists of two main interventions: Professionalize and connect ESOs (Component 1) and run incubation programs for entrepreneurs jointly with ESOs (Component 2), with a gender-equality approach. The first, focuses on selecting, training, and creating a network of 25 ESOs that can leverage Bridge for Billions¹ technology, innovation methodology and efficient operational approach to deliver high-quality customized professional incubation programs. The network will also benefit from joint fundraising initiatives to generate bigger funding to improve the sustainability of the project and of the ESOs. The second, will offer, together with the ESOs selected in Component 1, an incubation program customized to suit the local context and sector needs of incubated entrepreneurs and small businesses from diverse sectors and demographics (43% run by women, 35% entrepreneurs from outside capital cities). This will make access to business incubation more readily accessible for a wide diversity of early-stage entrepreneurs in the region. Entrepreneurs will receive disciplined entrepreneurship training through the interactive online platform that simplifies the process of starting a business.

The innovative elements that stand out include: (i) Digitalization, Automation & Standardization of Incubation processes. (ii) Targeting an overlooked segment of entrepreneurs; (iii) Creating

¹ Bridge for Billions is a social enterprise with a mission to create innovation-based SMEs globally. In 6 years of operations, Bridge has supported 2,400+ entrepreneurs from 89 countries with nearly 2,900 volunteer mentors.

a glocal incubation mentors' network; (iv) Joint application for funding; and (iv) Methodology for innovation-based entrepreneurs with a gender-equality approach.

This project exemplifies how IDB Lab is leading the efforts of the IDB Group in developing the innovation and impact ecosystem in Central America and in terms of creating the conditions for broad economic growth, particularly by supporting innovation vehicles that are aligned with each country's strategy for Panama, Guatemala, Costa Rica, El Salvador and Honduras. Additionally, the Project is aligned with the CTI strategy (document GN-279-81), especially with the priorities related to the promotion of technology and innovation financing for SMEs and startups.

ANNEXES

ANNEX I	Results Matrix
ANNEX II	Detailed Budget
ANNEX III	iDelta

APPENDICES

Draft Resolution

**AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF IDB LAB PROJECT INFORMATION SYSTEM
(EZ SHARE)”**

ANNEX IV	ESO Financial Model
ANNEX V	Diagnostic assessment institutional capacity (DIC)
ANNEX VI	Integrity Due Diligence (IDD)
ANNEX VII	Terms and conditions for the IDB Lab contingent recovery investment grant (CRIG)

ACRONYMS AND ABBREVIATIONS

B4B, Bridge	Bridge for Billions
CAM	Central America
DICI	Diagnostic of Institutional Capacity
ESOs	Entrepreneurship Support Organizations
GDPR	General Data Protection Regulation (<u>GDPR</u>)
IDB	Inter-American Development Bank
IDB Lab	Multilateral Investment Fund
ILO	International Labor Organization
NDA	Non-Disclosure Agreement
SMEs	Small and Medium Enterprises

PROJECT INFORMATION - REGIONAL

**ECOSYSTEM BUILDERS - “GLOCAL” NETWORK OF INCUBATION PROGRAMS
(RG-G1041 Y RG-T4038)**

Country and Geographic Location:	Focus countries are Costa Rica, El Salvador, Guatemala, Honduras, and Panama. Each country will be working in locations where Entrepreneurship Support Organizations (ESOs) have programs.		
Executing Agency:	Bridge for Billions, S.A.		
Focus Area:	Talent and Employment		
Coordination with Other Donors/Bank Operations:	The project will coordinate and generate synergies with: (i) projects of the CTI division for the promotion of technology and innovation financing for SMEs and startups, (ii) IDB Lab local operations to strengthen the Central American ecosystem of entrepreneurship and innovation including RG-3526, PN-T1192, ES-T1328, GU-T1273, and other local efforts.		
Project Beneficiaries:	Direct project beneficiaries are 25 Ecosystem Support Organizations (ESOs) that will receive capacity building, technical and business development support to scale and improve the quality of their entrepreneurship programs. Together with these ESOs, the project will benefit 2,518 small medium enterprises (SMEs) with incubation and business development support. Indirect project beneficiaries include 1,983 individuals that benefit from the jobs created by entrepreneurs.		
Financing:	Non-reimbursable Technical Cooperation:	US\$ 295,000	18%
	Contingent Recovery Investment Grant	US\$ 515,000	31%
	TOTAL IDB Lab FUNDING:	US\$ 810,000	49%
	Counterpart:	US\$ 858,555	51%
	TOTAL PROJECT BUDGET:	US\$ 1,668,555	100%
Execution and Disbursement Period:	Technical Cooperation: 36 months of execution and 42 months of disbursement. Contingent financing: 30 months for disbursement and up to 84 months for execution (disbursements and repayment).		
Special Contractual Conditions:	Special conditions precedent to first disbursement will be, to the satisfaction of IDB Lab: (i) updated Cost Contribution Agreement among the Bridge for Billions legal entities (USA, Spain) to include the new entity created in Panama and clearly specify obligations between the parties thereof in connection with the transfer of know-how, expertise, IP, platform use, and others as required by IDB Lab, and (ii) submission for IDB Lab’s approval of a Project Operations Manual detailing the management and reporting of the flow of resources among the three Bridge for Billions registered entities (USA, Spain and Panama). There will be special contractual conditions for the IDB Lab contingent recovery investment grant concerning the disbursement mechanism and triggering of the contingency, which are described in Annex VII and summarized in Section IV.		
Environmental and Social Impact Review	This operation was screened and classified as required by the IDB’s safeguard policy (OP-703) on December 20th, 2021. Given the limited impacts and risks, the proposed category for the project is C.		
Unit responsible for disbursements (UDR)	CID/CPN		

I. THE PROBLEM

A. Problem Description

- 1.1 **The “Missing Middle” in Central America.** Dynamic and competitive companies propel growth and well-paid jobs, but Latin American firms have yet to overcome a persistent polarization between a few exceptionally large companies and a long tail of small, unproductive firms.² Central America is no exception to such reality. Due to lack of well-paying jobs, limited economic opportunities, natural disasters, and insecurity, about 10% of the population of Central America emigrated only in 2017³. Of the working-age population, those between twenty and thirty-nine years old continue to be the most likely to emigrate⁴.
- 1.2 Even so, the region has a high appetite for entrepreneurship and a high percentage of economically active population⁵. International Financial institutions such as the IDB are injecting post-pandemic liquidity through public bank loans for small businesses, but without adequate support and training in the initial phases, these optimistic factors will not translate into a significant increase in SMEs and, therefore, will not contribute to economic recovery. IDB estimates show that an improvement in emerging human capital in Central America could translate into a 33% increase in GDP per capita over the baseline scenario, a particularly important opportunity in a post-COVID period⁶. For these reasons, it is urgent that enterprises and entrepreneurs have a strong and well-connected incubation ecosystem that gives them the tools and support to thrive and become the strong mid-sized companies needed to propel economic growth.
- 1.3 Unfortunately, despite the growth of entrepreneurial activity in the region, the existing incubation programs in the entrepreneurial ecosystems of Central America are not able to support the required number of enterprises and micro-enterprises with the quality that will help them survive initial stages to become consolidated SMEs. According to data from the Global Entrepreneurship Monitor (GEM) the Total early-stage Entrepreneurial Activity (TEA)⁷ Rate has increased from 19.2% (2010) to 28.32% (2020) in Guatemala, from 20.78% (2011) to 32.35% (2020) in Panama and from 15.3% (2012) to 19.5% (2014) in El Salvador.

2

<https://www.mckinsey.com/~media/mckinsey/featured%20insights/americas/latin%20americas%20missing%20middle%20of%20midsize%20firms%20and%20middle-class%20spending%20power/mgi-latin-americas-missing-middle-report-may-2019.pdf>

3

<https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/central-america-economic-reactivation-in-a-covid-19-world-finding-sustainable-opportunities-in-uncertain-times/>

4

https://www.bbvaresearch.com/wp-content/uploads/2019/09/Anuario_Migracion_y_Remesas_2019.pdf

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<https://www.babson.edu/media/babson/site-assets/content-assets/academics/centers-and-institutes/the-arthur-m-blank-center-for-entrepreneurship/global-research/gem-2018-2019-global-report.pdf>

6

Jordi Prat, et al., "Crecimiento inclusivo: Retos y oportunidades para Centroamérica y la República Dominicana", Banco Interamericano de Desarrollo (BID), febrero de 2018, <https://publications.iadb.org/publications/english/document/Inclusive-Growth-Challenges-and-Opportunities-for-Central-America-and-the-Dominican-Republic.pdf>

7

Percentage of 18-64 population who are either a nascent entrepreneur or owner-manager of a new business

However, the Established Business Ownership Rate⁸ (EBO) demonstrates that entrepreneurs are struggling to maintain their enterprises over time. For example, while the TEA in Guatemala in 2019 was 25.05% and 28.32% in 2020 the EBO for the same years was 14.8% and 12.30% respectively. A similar situation can be observed in Panama, Costa Rica and El Salvador (see table below).

Year	Guatemala		Panama		Costa Rica		El Salvador	
	TEA (%)	EBO (%)	TEA (%)	EBO (%)	TEA (%)	EBO (%)	TEA (%)	EBO (%)
2010	19.20	6.65	-	-	13.44	4.83	-	-
2011	19.31	2.54	20.78	6.04	-	-	-	-
2012	-	-	-	-	-	-	15.3	9.4
2014	20.39	7.36	17.06	3.44	11.33	2.53	19.5	12.7
2019	25.05	14.8	22.68	4.66	-	-	-	-
2020	28.32	12.3	32.35	4.09	-	-	-	-

Source: Own elaboration from Global Entrepreneurship Monitor data available. No data available for Honduras.

Among the underlying causes addressed by this project are:

- 1.4 **Disconnected entrepreneurship support organizations (ESOs).** Most of the Entrepreneur Support Organizations (ESOs) (incubators, accelerators, coworking spaces, chambers of commerce, etc.) in Central America, although they know each other, do not collaborate amongst them. Bridge for Billions’ market research has found that most ESOs operate in isolation from each other and have a strong belief that they compete to support the same entrepreneurs and get funding from the same donors. Thus, ESOs end up duplicating efforts, and are not able to leverage a network effect to meet the current demand for entrepreneur support and donors continue to face the atomization of countless small funding requests (between US\$10K-US\$100K)⁹.
- 1.5 **High-cost incubation models:** The cost per entrepreneur of an ESO is remarkably high and not very scalable. About 80% of their budget is dedicated to space and salaries and only 20% to training and mentoring of entrepreneurs¹⁰. Bridge’s interviews with ESOs show that this happens because most programs in the region are delivered fully in-person and ESOs tend to have very manual program management processes (which also makes it difficult to monitor progress and quality of programs). Even if ESOs want to increase the number of programs or entrepreneurs they support in a year to reduce their costs per entrepreneur, they cannot do so because to run more programs they would have to hire more people and, in some cases, need additional space. Therefore, this only increases their budgets and makes

⁸ Percentage of 18-64 population who are currently an owner-manager of an established business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 42 months.

⁹ Based on Bridge for Billions internal records.

¹⁰ 2021 EUJIC Impact & Activity Study - Facts, figures, and analysis of the impact, services, and activities of the quality-certified EUJIC organization in 2020, https://ebn.eu/wp-content/uploads/2022/02/2021-EUBIC-Impact-Report_digital-Ir.pdf, and on internal Bridge for Billions conversations with Central America’s ESOs.

it even more difficult to obtain the necessary funds from scarce donors. A 2021 report by Argidius Foundation and Dalgberg Advisors¹¹ concludes that, while the COVID-19 crisis gave more momentum and urgency to the trend toward using digital technologies to provide business development services more efficiently, inclusively, and effectively, there is a significant variation among organizations in terms of how important digitalization will be to their service delivery in the future. This variation is driven largely by differences in context and strategies suggesting that some will choose to re-integrate in-person services delivery as their core business model, while others will maintain a digital focus as a central feature to their strategy.

- 1.6 **Dependence on donors**, which pushes ESOs to inconsistent programming upon funding availability and prevents ESOs from specializing to create high quality programs that are sustainable over time. Currently, most ESOs in Central America offer a vast variety of entrepreneurship services (ideation hackathons, incubation programs, acceleration, investment readiness, open innovation, etc.) in response to the available funding offer in the ecosystem, where donors decide what to fund and it is assumed that ESOs have the capability to do all kinds of programs. In sum, donors' agendas drive ESO's strategies limiting their autonomy and unconsciously damaging the quality of their programs, and the ecosystem in general, which can hardly build on prior experience to become professional at a specific stage of the entrepreneurial journey and implement specialized programs.
- 1.7 **Exclusive programs**. Finally, higher quality programs (of specialized ESOs) ask for shares or high fees (between 1,000 to 5,000 USD), previous business knowledge, are only in large cities and accept only 1-5% of entrepreneurs. Also, because most ESOs exist only in big cities and their incubation opportunities require in-person attendance, many entrepreneurs find it difficult to seize those opportunities. Because of these bottlenecks, good programs unintentionally end up being exclusive, unmeritocratic, and systematically limiting low-income, rural, women, and minority entrepreneurs. From a gender perspective, ILO has reported a worrisome trend in the decreased participation of women in its product of greatest demand in the last 30 years, the Start and Improve your Business (SIYB) – a global entrepreneurship and management training program for potential start-ups and existing small businesses that has established itself as a “bestseller” on the business training market for micro and small enterprises. In its 2021 report about the program¹², women participation in training decreased from 50% to 34% globally from 2015 to 2020 while overall number of participants in the program double in Latin America in the same period.

Several organizations globally recognize and are implementing solutions to support ESOs in emerging markets to overcome the challenges mentioned above. One of the largest and most-well known for this type of work is Afrilabs in Sub-Saharan Africa. However, its model focuses only on training and connections to resources across ESOs and does not offer tech-

¹¹ [Digital Delivery: a digitalization guidebook for enterprise support organizations, March 2021](#)

¹² [Expanding entrepreneurship: 23 million and counting, ILO, 2021](#)

based management tools or innovative incubation methodologies to enable ESOs to innovate and make their business models more sustainable, scalable and impactful.

II. THE INNOVATION PROPOSAL

A. Project Description

- 2.1 **The project's overall impact goal** is to increase the success rate of early-stage entrepreneurs and small businesses by training a generation that creates employment and economic opportunities in a gender-equality structure that contributes to local development and consequently prevents emigration, especially in the Northern Triangle. To achieve this, **the project's specific objective** will be to strengthen incubation services in the entrepreneurship ecosystems in Central America by professionalizing and connecting Entrepreneur Support Organizations (ESOs), thus creating a "glocal" network of inclusive, gender-equal, sustainable, and effective support for incubated entrepreneurs and small businesses so these have a better opportunity to survive over time and create jobs.
- 2.2 The **proposed solution** consists of professionalizing and connecting ESOs and running incubation programs for entrepreneurs jointly with Bridge for Billions.
- 2.3 **"Ecosystem Builders" model for connecting and professionalizing ESOs** has four (4) main building blocks: (i) training with "Train the Trainers" approach, (ii) access to technology infrastructure and global community online, (iii) financial sustainability advisory and joint efforts, and (iv) events & networking. The process starts with a thorough selection process of ESOs consisting of an application, interview, and diagnostic session to ensure that the ESO has the commitment and potential to succeed as well as the capacity to attract and support entrepreneurs¹³. To avoid potential barriers to collaboration among the ESOs in the network, Bridge for Billions selects ESOs which focus in specialized sectors or demographics (agriculture, financial inclusion, rural, women, etc.).
- 2.4 Training. Selected ESOs will be trained by a Bridge for Billions program manager in a two-week accelerated virtual training that will cover developing a deep understanding of all the resources and the methodology offered by the Bridge for Billions network and mapping needs for financial model innovation of ESOs. After this stage, ESOs will receive ongoing optional recommended training in monthly virtual sessions (up to 5 per year) on topics selected based on needs of the ESO cohorts from common challenge topics like finance, business models and new revenue streams, marketing, search and selection of entrepreneurs, community building, innovation and entrepreneurship methodologies and pedagogical best practices.
- 2.5 Access to technology infrastructure and global community online. All ESOs will receive training to be able to use Bridge for Billions' online platform and incubation methodology, as well as access to Bridge for Billions' extensive global community of mentors, investors, and resources. The Bridge for Billions team will initially work with each ESO to adapt the

¹³

Selection criteria document will be customized for each country context once the project starts.

methodology and processes to their target segments, complementing their programming with content previously developed by each ESO that has proven effective locally. Each ESO will be able to add additional content directly on the Bridge for Billions platform at any time to ensure a seamless experience and provide a sectorial view when necessary. The platform will enable more effective program management, impact measurement, monitoring, and program community engagement. Each ESO can also contract additional support services from Bridge for Billions in any of the incubation processes at a reduced price, such as recruitment, selection of entrepreneurs and mentors, incubation management, as well as additional online workshops, Demo Day events and the organization of pitch events with investors in the region.

- 2.6 Financial sustainability advisory and joint efforts. Bridge for Billions will train ESOs in identifying new revenue streams, such as events and conferences, assistance with online payments to entrepreneurs for their participation (Pay-it-Forward model) and selling services to high-paying clients (large national and international corporations, governments, etc.). Bridge for Billions' will in parallel conduct fundraising efforts in Central America to implement and later scale the ESO support model started with this project. These efforts will also act as an umbrella to attract more opportunities, providing each ESO with the necessary annual funding. By undertaking joint fundraising efforts, it will be more likely to secure substantial amounts of funding currently beyond the reach of a single smaller organization.
- 2.7 Events and networking. Finally, by being part of the network, the staff of the ESOs will connect monthly in virtual spaces to share best practices and opportunities with each other, generating national and regional linkages. The project will add events on diversity and inclusion to the agenda.
- 2.8 In average, five (5) ESOs will be selected for each of the five project countries¹⁴, from a list of previously vetted organizations that demonstrated interest in the program. In countries with smaller and more nascent ecosystems the final number could be smaller (3-4 in Honduras for example) and in other countries it may be larger (like in Panama). The selection of ESOs as well as the final mix of sectors, geography and demographic of entrepreneurs and small businesses will be **demand-driven** to explicitly break with the challenge identified of donor-driven agendas that divert from ESO specialization. Implementation strategy in each country will be co-created with selected ESOs and consulted with the IDB Lab specialists in the country to accommodate the local contexts, existing gaps, complementarity current IDB Lab Initiatives, and opportunities. No BID Lab resources shall be invested in Nicaragua or Venezuela, as they lack a country strategy as required by GN-2468-9 for investment projects as the one at hand.
- 2.9 **Incubation Programs for entrepreneurs.** Bridge for Billions' differentiating factor for incubation programs for entrepreneurs lies in its pedagogical model, which incorporates and digitalizes most of the services of an incubation experience, reducing costs per program for its partners and allowing them to serve many more entrepreneurs in each cohort. This

¹⁴ Project selected countries (Panama, Guatemala, Costa Rica, El Salvador, and Honduras) were identified in line with ecosystem needs and IDB Lab's country KPIs priorities.

pedagogical model has been used by prestigious public and private entrepreneurship universities such as the Mondragon Team Academy in Spain and organizations such as the United Nations, VISA, Coca-Cola, or Ashoka and has supported entrepreneurs from different sectors and socio-economic backgrounds as well as educational levels. Up to today, this pedagogical model has been used in more than 220 programs supporting 3,800 founders from 97 countries and 2,700 of those have completed the program. 46% were women and nearly 70% of graduating enterprises were active a year after the program. 80% of all past participants (entrepreneurs, mentors and program managers) rated the program as satisfied (7-8) or highly satisfied (9-10). The programs have a duration of between 3 and 6 months, to be decided by each ESO. They can be developed entirely online or in a hybrid way (combining online learning with face-to-face activities).

2.10 The model incorporates:

- Globally recognized asynchronous training methodology in disciplined entrepreneurship.
- Learn-by-doing pedagogical model within a proprietary incubation online platform.
- 15-20 hours of one-to-one mentoring by a mentor from the Bridge for Billions network.
- Synchronous training by experts from the Bridge for Billions network.
- Life-long mentoring and access to a community of post-program opportunities.
- Ongoing monitoring and evaluation of the impact of each entrepreneur and mentor.

2.11 Entrepreneurs will receive their disciplined entrepreneurship training through the interactive online platform that replicates the step-by-step process of an incubation program. The program, implemented through the ESOs of the project in cohorts of 20 entrepreneurs on average, helps entrepreneurs and small businesses simplify the process of starting a business by guiding each entrepreneur and their mentors through a unique and validated entrepreneurship pathway. Each entrepreneur works on their own business plan through 8 business modules, which are validated by their mentors on a weekly basis, and finally they create an executive summary which is a document for external stakeholders that summarizes key information about the enterprise. They may also receive additional training from the ESO, as well as access to the Bridge for Billions global community platform where they can connect with other entrepreneurs, mentors, investors and receive training, masterclasses and, benefit from access to startup resources (“perks”) from third parties (such as Amazon Web Services, Stripe, Hubspot, etc) valued at over \$40,000 for each enterprise.

2.12 **Revenue model for Central America’s network of incubation programs.** Under the network model proposed, the project will cover the costs of professionalizing and connecting ESOs as well as the cost of the incubation programs run jointly with Bridge for Billions for early-stage entrepreneurs and small businesses fully in the first year and partially in the second year. After the first year, each ESO will pay a program fee (heavily discounted due to volume and continuity in the network) to Bridge for Billions to run joint programs and continue to benefit from training that helps them to professionalize. The project financing will provide the time needed to achieve the economies of scale over the 3 years of the project to reduce the cost that B4B incurs per program per ESO from US\$ 35,000 per cohort of 20 entrepreneurs in year 1 to US\$ 9,800 per cohort of 30 entrepreneurs from year 4 onwards.

In parallel, B4B will offer incentives for ESOs and work jointly to gradually build their capacity to pay a fee to B4B of \$US 10,000 per cohort of 30 entrepreneurs starting in year 3 for the services of the Ecosystem Builders support model (see paragraph 2.3) until this fee covers the new lower costs of running the program in the region expected by year 4 of the project. The difference between program cost and price until breakeven is reached, will be covered by the joint fundraising efforts led by Bridge for Billions and revenue generated by B4B in other regions in the world with more mature ecosystems. Assuming a conservative annual budget for the operation of the network of incubation programs of approximately \$US 560,000, the model becomes self-sustaining with 29 ESOs paying the \$10K fee per incubation program of 30 participants in the cohort (See table below).

Conservative Scenario									
Year (a)	# of enterprises per cohort (b)	# of Supported Enterprises (c) = (b) x (d)	# of Programs with ESOs (d)	# of ESOs (e)	Total Project Costs (f)	Cost per Program per ESO (g) = (f)/(d)	Price to pay for an ESO to run a Program (h)	Margin per Program (i)=(h)-(f)	Incentive to ESOs from B4B
Year 1	20	300	15	15	\$532,450	\$35,497	\$0	(\$35,497)	\$8,333
Year 2	22	968	44	22	\$567,582	\$12,900	\$5,000	(\$7,900)	\$2,273
Year 3	25	1250	50	25	\$568,523	\$11,370	\$10,000	(\$1,370)	\$0
TOTAL	22	2518	109	21	\$1,668,555	\$15,308	\$10,000	(\$5,308)	\$8,468
Year 4	30	1740	58	29	\$568,523	\$9,802	\$10,000	\$198	0

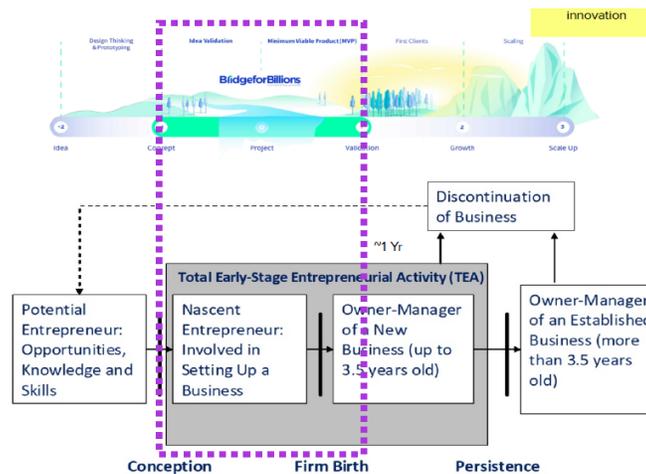
2.13 The incentives scheme looks to motivate ESOs while they build a diversified revenues model together with Bridge for Billions and other ESOs via joint fundraising, sale of services to high-paying clients (large national and international companies, governments, etc.) and a “Pay it forward” model with entrepreneurs. To this end, in the first year of the proposed project, B4B will not only waive the ESOs fees but also offer incentives for a value of US\$8,000 approx. per incubation program completed with cohorts of at least 20 participants. In the second year, ESOs pay B4B a partial fee (US\$5,000 and receive a US\$2,273 value incentive) and in the third year a full fee (\$10,000 USD, \$0 incentive). The financial model shown in Annex IV demonstrates that ESOs can achieve sustainability by professionalizing their services, decreasing their costs, and increasing the number of entrepreneurs they support, thus increasing their income in 1-3 years.

2.14 **The direct beneficiaries will be partner ESOs and incubated entrepreneurs or SMEs.** The project will benefit 25 ESOs that work with early-stage entrepreneurs¹⁵ and SMEs. The project will also look to achieve a mix of ESOs serving different demographic groups (women, youth, rural entrepreneurs, etc.) to create a more diversified and inclusive ecosystem establishing targets of 43% small businesses that complete the incubation program run by women and 35% by entrepreneurs from outside capital cities. Currently, the ESOs targeted by the project tend to be proud of their services, support between 5-15 entrepreneurs per cohort, have small operational teams and highly manual operations of their programs. They

¹⁵ Less than 1 year in business or nascent entrepreneurs looking to launch their businesses.

are very dependable on grants and external funding, resulting in a lack of continuity in their offerings and making specialization of services a challenge. Most of the ESOs' time is devoted to fundraising and the manual operations of managing a program leaving limited time for actual SME support. There is also an obvious lack of collaboration among ESOs and other ecosystem stakeholders. This is because they compete for the same pools and have been unable to create synergies and a network to source for larger funding pools.

- 2.15 **Entrepreneurs/SMEs to benefit directly from the program** will be early-stage entrepreneurs (less than 1 year in business or nascent entrepreneurs looking to launch their businesses) from diverse backgrounds (socioeconomic, gender, education, etc.), economic sectors and geographical locations (with focus outside of capital cities) and who have not received previous incubation support. Each ESO will select entrepreneurs based on their demographic and sectorial focus ensuring a wide diversity. Together with the ESO's **2,518 entrepreneurs will be supported** through a total of 109 incubation programs run over the course of 3 years with participation of at least 20 entrepreneurs per program. **Out of this it is expected that 1,763 will complete an incubation program (70% completion rate).**



Global Entrepreneurship Monitor (GEM) classification

- 2.16 The project will focus on opportunity-based and traditional businesses that want to grow and are motivated to innovate rather than on tech-based business models or innovation. Participants will have a minimum of a post-secondary education to fully benefit from the program methodology. The Majority of the entrepreneurs (65%) will be from the capital city where there are more ESOs and where they will have more ready access to internet facilities required for the program. However, it is expected that an average of 35% of the target will be entrepreneurs from outside the capital and an average of 43% of beneficiaries will be women.
- 2.17 Most of the targeted entrepreneurs or SMEs look for reputation and financial support in ESOs, as well as a community of like-minded individuals that are facing similar challenges. They also look for technical guidance and mentoring, since they can feel lonely in their entrepreneurial journey and face fears when it comes to decision making. Many need to maintain side-gigs, part-time or full-time jobs thus they are not 100% dedicated to their businesses. Early-stage entrepreneurs usually struggle to find the right support for their business growth.

- 2.18 **Indirect beneficiaries** of the project will be **1,983** new **employees of supported enterprises** (based on a job creation ratio of 2.5 per enterprise which is active 2 years after completing the incubation program (assuming a 70% completion rate of incubation program and a 45% survival rate of these enterprises)). Beyond the project, the job creation potential of entrepreneurs will continue to increase, helping to create better paid job opportunities in the region. Beneficiaries of supported entrepreneurs are those who purchase or benefit from the products and services created by entrepreneurs as well as the economic improvement for the entrepreneurs' families and community.
- 2.20 **Gender inclusion.** To tackle the current low participation of women in the Central American ecosystem, the project will incorporate gender as a priority and an integral element in all project components. It will seek to select ESOs with a record of accomplishment supporting female founders and incorporate female focused ESOs as part of the network. Training of ESOs will touch on applying a gender lens in entrepreneurs' selection and training. Focus will be placed on encouraging, scouting, and selecting female-led businesses for the incubation programs by leveraging partnerships. Efforts will also be made to run at least one all-female cohort each year and to have a 35% female mentors' representation to serve as role models and provide support to the entrepreneurs. This will be achieved through partnerships with organizations like Voces Vitales and female business networks in the region. In all, we project an average of 43% representation of female entrepreneurs at the end of Year 3 which will aid in creating a more inclusive ecosystem.
- 2.21 Lastly, gender diversity among program facilitators and staff enhances the capacity of an ESO to communicate, attract and structure programming for female entrepreneurs. The project will leverage the monthly ESO workshops to host conversations aimed at increasing female representation in ESOs teams.
- 2.22 **Innovation.** The project is innovative in that it presents a sustainable and multi-faceted approach to strengthening the ecosystem for early-stage entrepreneurship support in the region. The innovative elements that stand out include:
- i) **Digitalization, Automation & Standardization of Incubation processes.** Bridge for Billions leverages a proprietary digital technology to automate and standardize the core operational aspects of program management including participants' application, selection, mentor matching, automated surveys, performance tracking and compilation of survey results. Through this digitized approach, ESOs will spend less time on these operational tasks allowing them to scale their operations and support a higher number of entrepreneurs within the year, reduce their operational cost and become more attractive to donors. Through this approach, Bridge has consistently supported more entrepreneurs than the average ESO. In 2021 alone, Bridge supported a total of 1,055 entrepreneurs thanks to this advantage.
 - ii) **Targeting an overlooked segment of entrepreneurs.** Most organizations like Aspen Network of Development Entrepreneurs and The PES LATAM Initiative investing in ESO capacity building, entrepreneurship programs and ecosystem community building in Central America tend to be very generic, targeting all ESOs and SMEs in all growth phases. This initiative is unique in focusing on the early incubation stage- a critical stage

for the growth of SMEs and the stage with the least support in the region because it is considered high risk by most funders. This specialization approach leads to delivery of higher quality services and a deeper understanding of the needs of entrepreneurs in this phase.

- iii) **Digital glocal incubation mentors' network.** One of the biggest challenges most ESOs face is creating a reliable community of volunteer mentors. Many ESOs spend a considerable amount of their program budget on mentor recruitment. Bridge's approach to mentor recruitment is quite innovative, leveraging corporate employee volunteering and professional networks to create a current network of over 2,000 volunteer mentors from around the world. ESOs will be trained on this approach to co-create and train a glocal network of business mentors with expertise in diverse sectors and who will be accessible to all ESOs participating in the project.
- iv) **Joint application for funding.** The project is also unique in creating a sustainable model for running incubation programs. This builds on the business model that has been the key behind Bridge's global expansion and sustainability over the past 6 years. It entails a shift in the mindset - from the competition (loss-loss) to collaboration (win-win)- and a new business model based on avoiding atomization and joining forces to get bigger funding to implement larger multiyear initiatives. This also allows reducing program operations costs and Customer Acquisition Costs (CAC).
- v) **Methodology for innovation-based entrepreneurs.** From a methodology standpoint, most programs today still rely on old-fashioned training methods that are academic, costly, time-limited and using very generic templates like Business model Canvas and Business Plan templates. Bridge's methodology is innovative in that it is based on collaborative "active learning" pedagogies, where all entrepreneurs work on their own projects, become content seekers (instead of content receivers), and collaborate hand-in-hand with their teams and mentors via the platform. Bridge's business methodology is based on MIT's Disciplined Entrepreneurship methodology that brings the scientific approach of hypothesis, testing and learning to create innovation-based businesses. Each program has the flexibility to include content and sessions relevant for the local context and sectoral focus. With this approach, Entrepreneurs tackle the root causes of problems their solutions are solving, gain better understanding of their customers with the result of more competitive and impactful SMEs.

2.23 **Ethical and responsible use of technology and data.** Bridge's privacy policy protects entrepreneurs' work and privacy. Intellectual property of entrepreneurs and data from the work done on the platform always belongs to the entrepreneurs. A mentorship agreement is signed at the beginning of each mentoring phase to ensure that mentors commit to respecting this condition.

2.24 In terms of data protection, the Bridge platform is General Data Protection Regulation (GDPR) compliant in accordance with European laws and our Terms & Conditions. Finally, a service agreement and NDA is signed with each partner ESO who gains access to the Bridge platform and methodology to protect the Bridge's intellectual property.

2.25 **IDB Lab non-financial additionality.** In a very tangible way, IDB Lab will be the catalyst for a network of 25 Entrepreneur Support Organizations in Central America where IDB Lab specialists from the project countries will contribute to generating connections with public and private stakeholders that work both in the incubation and subsequent phases and will participate in the selection committee of ESOs to achieve an effective chain. Likewise, by accelerating the development of the fabric of early-stage entrepreneurs in the region, it will generate more investment opportunities for the rest of the agents in the ecosystem some currently financed by the IDB Lab projects as is the case of Mass Challenge (regional), CAPATEC/Escala Latam (Panama), Sandbox (El Salvador) and Alterna (Guatemala), among others.

Component I: Professionalize & Connect ESO's (IDB Lab Contribution US\$117,881, Counterpart US\$580,317). This component focuses on selecting, training and creating a network of 25 ESOs who can leverage Bridge's technology, innovation methodology and efficient operational approach to deliver high quality customized professional incubation programs. The network will also benefit from joint fundraising initiatives to generate bigger funding to improve the sustainability of the project and of the ESOs. ESOs will become 'collaborators' rather than competitors. Through dedicated joint fundraising efforts, the network will be positioned to receive larger funding for bigger multi-year projects, reducing the overall operational costs and helping ESOs become more sustainable.

2.26 The main activities to be financed will include: (i) ESO Training & Evaluation (Quality & Quantity). ESOs will be trained by B4B on best practices regarding all stages of implementing an incubation program for entrepreneurs, including how to evaluate results; (ii) ESO Sustainability & Programs efficiency. ESOs will be trained on the sales process and together with B4B will implement joint proposals to clients; and (iii) Central America ecosystem building. There will be a strong focus on community building among ESOs, working to build trust and a mindset that fosters collaboration through workshops and monthly meetings.

2.27 The main expected results of this component are: (i) At least 25 committed ESOs in the third year; (ii) 25 ESOs complete the 2-weeks accelerated training where they will start networking and B4B will share best practices about how to conduct incubation programs and topics such as Diversity and Inclusion; (iii) Sustain an average of 70% assistance rate of ESOs in monthly workshops that will allow sustained capacity building and networking; and (iv) An increment on amount of B4B funds jointly raised with ESOs , which will add up to US\$600,000 by the end of the project.

Component II: Run Incubation programs for entrepreneurs via ESOs (IDB Lab Contribution US\$504,268, Counterpart US\$247,892). The objective of this component is to offer, together with the selected ESOs, a high touch incubation program customized to suit the local context and sector needs of incubated entrepreneurs and small businesses from diverse sectors and demographics. This will make access to business incubation more readily accessible for a wide diversity of early-stage entrepreneurs in the region. Entrepreneurs receive disciplined entrepreneurship training through the interactive online platform that replicates the step-by-step process of an incubation program. The program

helps them simplify the process of starting a business by guiding each entrepreneur and their mentors through a unique and validated entrepreneurship pathway.

- 2.28 The main activities to be financed will include: (i) Access to Incubation platform: Entrepreneurs will access B4B online incubation platform and methodology. This will allow ESOs to incubate more entrepreneurs and track their progress; (ii) Program Management. Scouting, filtering and selecting entrepreneurs and mentors, and guiding them throughout the program; and (iii) Cohort Cohesion. Offer monthly meetings to entrepreneurs and mentors to allow networking.
- 2.29 The main expected results of this component are: (i) 2,518 entrepreneurs supported; (ii) 70% of entrepreneurs complete the program; (iii) 109 incubation programs run by ESOs; (iv) 43% of small businesses that complete an incubation program are run by women; (v) 35% of small business that complete an incubation program are from outside capital city

B. Project Results, Measurement, Monitoring and Evaluation

- 2.30 The implementation of the project is expected to achieve the following results by the end of year 3: (i) 57% business survival rate, measured as share of small businesses ran by entrepreneurs who completed the incubation program which are generating sales 1 year after completing the program; (ii) 1,983 jobs created by entrepreneurs and small businesses supported.
- 2.31 **Monitoring and evaluation.** Bridge for Billions as the executing agency will be responsible for the supervision and monitoring in compliance with contractual clauses. Bridge will submit reports in accordance with IDB Lab's standard reporting requirements and hold a closing meeting at the end of each fiscal year to report on, evaluate outcomes and determine the actions needed to enhance the project's impact. Financial information and information on project indicators will be compiled and tracked, primarily through: (i) IDB Lab's system of standard six-monthly project status reports (PSRs); (ii) the annual institutional financial statements and the financial statements of the CCE; and (iii) periodic supervision visits. In addition, Bridge will make available on its website and through events, the lessons learned from the project to improve the growth of the ecosystem.
- 2.32 In measuring the projects' results, Bridge will incorporate a continuous monitoring and evaluation process, integrated into the various components and activities of the project, and create data visualizations where stakeholders with access will continuously see live metrics:
- 2.33 **Component 1:** includes ESOs initial audit and evaluation to establish a baseline of their financial and program health before joining the network, quarterly surveys of ESOs to evaluate the impact of the training and monthly group sessions; the analysis of feedback from the surveys & documentation of lessons; closing meeting with ESOs & stakeholders to share learnings and design the subsequent year's activities. Intermediate Outcome indicators for ESOs will be monitored through impact surveys sent once in the first year and bi-annually in the 2nd and 3rd year. These surveys measure intermediate outcomes such as ESOs that complete accelerated 2-week training, average assistance rate of ESOs in monthly

workshops, Satisfaction Score of ESO Sponsors (NPS), decrease in \$ invested per entrepreneur per day by ESO, \$ increase in ESO funding budget.

- 2.34 **Component 2:** Bridge's digital platform enables the tracking of many indicators about entrepreneurs' journey and impact that are traditionally not easy to monitor and evaluate. Output Monitoring: To apply to the program, entrepreneurs submit a project application through which we gather demographic data such as gender, age, country of origin, phase of maturity of the business, sector of innovation and in-depth socio-economic data that includes (highest level of education completed, employment status, estimated yearly income, type of community they currently live in- urban, peri-urban, rural). Automated end of Incubation surveys provide data on other output indicators such as the completion rate of the programs, number of entrepreneurs who completed, rating of the usefulness of the program to the growth of their businesses and the satisfaction with program learning. These surveys are completed by entrepreneurs, mentors and program admins (ESO managers). Outcome Monitoring: Intermediate Outcome indicators are monitored up to 2 years after program completion by entrepreneurs. This is done through impact surveys sent every 6 months during the 2 years. Surveys measure intermediate outcome indicators such as Business survival rate, number of new employees hired (and therefore jobs created), funding received (investment & grants), new clients and beneficiaries impacted in the past year and income increase.

III. ALIGNMENT WITH IDB GROUP, SCALABILITY, AND RISKS

A. Alignment with IDB Group

- 3.1 This project exemplifies how IDB Lab is leading the efforts of the IDB Group in developing the innovation and impact ecosystem in Central America and in terms of creating the conditions for broad economic growth, particularly by supporting innovation vehicles that are aligned with the IDB country strategy in Panama 2021-2024 (GN-3055), Guatemala 2021-2024, Costa Rica 2019-2022 (GN-2977), El Salvador 2021-2024 y Honduras 2019-2022 (GN-2944). A crosscutting pillar of these strategies is that the private sector will support business opportunities that promote innovation, technological development, and the competitiveness of SMEs for improving, reigniting, and diversifying productive activity. On the other hand, the IDB Group is supporting projects capable of mobilizing the region to address development challenges by leveraging the power of innovation. The project will contribute to address the fundamental challenges identified in the country strategies of the target countries, including the need to improve ecosystem conditions to promote entrepreneurship and innovation, and foster the productivity of startups. Therefore, the project is consistent with the Corporate Results Framework 2020-2023 (document GN-2727-12) by directly aligning with the challenge of supporting employment support initiatives and supporting companies provided with technical assistance.
- 3.2 Additionally, the Project is aligned with the CTI strategy (document GN-2791-8), especially with the priorities related to the promotion of technology and innovation financing for SMEs

and startups, as well as the strengthening of private sector entities such as SMEs and the construction of an environment conducive to business and innovation.

- 3.3 The project is consistent with the IDB Lab Business Plan 2022-2023, especially in terms of promoting innovations that accelerate social inclusion and helps activate new and more sustainable growth engines, prioritizing to poor and vulnerable populations, improves their living conditions, facilitates their access to essential products and services, and enhancing their skills and economic opportunities.
- 3.4 The project also contributes to the Bank's Vision 2025 "Reinvest in the Americas: A Decade of Opportunities," under the pillars of digital economy and inclusive and sustainable recovery through training for human capital and support for SMEs. The project is also aligned with the crosscutting theme of gender equality and diversity.
- 3.5 The project is also aligned with the following Sustainable Development Goals (SDGs) articulated by the United Nations General Assembly:
 - i) SDG 5: Support gender equality
 - ii) SDG 8: Promoting decent work and economic growth
 - iii) SDG 9: Support for industry, innovation and infrastructure.
- 3.7 The project will also generate synergies with operations financed by IDB Lab to strengthen the Central American ecosystem by accelerating the development of the network of innovative-based entrepreneurs in the region, managing to generate more investment opportunities for the rest of the agents of the ecosystem. Some projects are financed by the IDB Lab, as is the case of "Startup Ignition Bootcamp by IDB Lab & Mass Challenge Mexico" RG-3526; "Development of an Ecosystem for Digital Ventures by CAPATEC in Panama" PN-T1192; Sandbox Digital Ecosystem 503-SNBX by SEED S.A. DE C.V. in El Salvador" ES-T1328; and "Acceleration with seed capital for disruptive ventures by Alterna Impact in Guatemala" GU-T1273; among others.

B. Scalability

- 3.6 The primary pathway to scale will be replication via ESOs and directly by Bridge for Billions following 3 main strategies:
 - i) **Replicability of the incubation methodology:** After the project, the 25 ESOs benefited will be able to support more entrepreneurs per program and carry out more programs per year. It is estimated that by Year 5, the benefited ESOs will support 2,000 entrepreneurs per year - about 4 times the number supported in year 1.
 - ii) **Economies of scale of the incubation platform:** Bridge for Billions as the project implementation agency will continue to lead the regional scale up of the project. The funding for such growth will come from the potential margin generated by B4B from the ESOs fees and from fundraising Bridge for Billions will do in the region and internationally from corporate and development actors. The advantage of starting with 25 ESOs at a time is to achieve economies of scale. Increasing the number of cohorts and the size of each

cohort will not increase the total budget proportionally. This is what facilitates Bridge's ability to add new ESOs to the model. By year 5, Bridge for Billions will have added 25 more ESOs from other countries in Latin America.

iv) **Joint fundraising efforts as a network:** With entrepreneurship now recognized as one of the most effective vehicles to create jobs and spur economic development in the region, funding and investment for the sector is becoming more readily available. Through the project, ESOs will professionalize their offerings and become better equipped as a network to create larger funding partnerships impacting more entrepreneurs. In addition, through business development efforts, Bridge will, in collaboration with participating ESOs, form partnerships with development agencies, foundations, corporates and other relevant ecosystems to receive funding. This will help to broaden the project's scope of impact and reach a larger number of beneficiaries.

C. Project and Institutional Risks

- 3.7 **Risk:** If ESOs have no willingness to collaborate with other ESOs (Ecosystem resistance), this would affect the performance of joint business development efforts and the ability to strengthen the ecosystem, thus negatively impacting the overall project objective. (Risk Level: High, Risk Impact: Low) **Mitigation:** ESOs will be selected through a careful selection and audit process with their commitment to collaboration being a key criterion. ESO incentives will also be given based on their commitment to collaboration. Through training and monthly workshops B4B will work to generate spaces of trust and develop a collaborative mindset.
- 3.8 **Risk:** If by the period when the ESOs need to pay and engage during the program there is a management change that entails a change in the strategy and the vision of the organization, then less ESOs remain part of the program, thus affecting the objective of the program of # of ESOs and entrepreneurs supported. (Risk Level: High, Risk Impact: High) **Mitigation:** Results reporting will ensure an appreciation of the value of the project for ESOs and create an efficient transfer of the project when there's management change. The creation of a collaborative network of regional ESOs will help maintain commitment.
- 3.9 **Risk:** If by the period when the ESOs need to pay and engage during the program there is a lack of capacity to pay, then less ESOs will be part of the program, thus affecting the objective of the program of # of ESOs and entrepreneurs supported. (Risk Level: High, Risk Impact: High) **Mitigation:** B4B will develop a loyalty plan among ESOs including joint fundraising as well as sales training and reporting improvements, which will support the joint funding strategy.
- 3.10 **Risk:** If the proposed entrepreneurs support model is not sufficiently attractive to donors and clients, the project will not be able to secure the required funding for the sustainability of the model, thus delaying timeline, results and CRIG repayment schedule. (Risk Level: Low Risk Impact: High). **Mitigation:** Show B4B track record in the region as well as worldwide. Making sure ESOs have impact reporting systems put in place to facilitate communication with donors and being able to show results, thus, making the model more attractive.

- 3.11 **Risk:** If access to the program is limited for outside capital cities/women entrepreneurs due to connectivity challenges, there will be low participation in the program from these groups thus affecting the project's inclusion objectives and indicators of component 2. **Risk Level:** Moderate **Risk Impact:** Low. **Mitigation:** Selection of ESOs that have the budget and track record of overcoming this challenge. Partnerships/perks with connectivity providers. For example, in Guatemala and Honduras, IDB Lab has an existing project with Wayfree to provide free internet access and connectivity in all municipalities in the country.

IV. INSTRUMENT AND BUDGET PROPOSAL

- 4.1 The project has a total cost of US\$1,668,555.00, of which US\$810,000 (49%) will be provided by BID Lab, and US\$858,555.00 (51%) by the counterpart (at least 50% in cash). Approximately US\$ 125,000.00 will flow for direct program execution in each of the five (5) project countries and an additional US\$50,000.00 for indirect shared costs.
- 4.2 The IDB Lab financing will be contributed with two financial instruments:
- i) **Non-reimbursable technical cooperation funding of US\$295,000**, to be used to finance the consultancies in monitoring and evaluation, knowledge dissemination, topic experts and master classes for entrepreneurs and administration under IDB Lab policies.
 - ii) **Contingent recovery investment grant (CRIG) of US\$515,000**, to be used to partly finance the working capital associated with the human resources to run the incubation programs for early-stage entrepreneurs and SMEs in five countries as well as guarantee the secure operation and successful user experience in the digital platform for incubation and program management.
- 4.3 Retroactive Recognition of Counterpart Funds. As of November 15, 2021, a US\$14,583.00 counterpart contribution in kind from the Executing Agency will be recognized for the compensation of the project manager.

Cost Category	IDB Lab		Counterpart	Total
	Non-reimbursable TC	Contingent Recovery IG		
Component 1: Professionalize & Connect ESOs	\$99,131	\$18,750	\$580,317	\$698,197
Component 2: Run Incubation Programs for Entrepreneurs via ESOs	\$25,000	\$479,268	\$247,892	\$752,161
Administrative costs	\$114,338	\$0	\$30,346	\$144,684
Evaluations, Audits and Contingencies	\$56,532	\$16,982	\$0	\$73,514
Grand Total	\$295,000	\$515,000	\$858,555	\$1,668,555
% of Financing	18%	31%	51%	100%

- 4.4 The principal terms and conditions for the IDB Lab contingent recovery investment grant are as follows (described Annex VII):
- 4.5 The **execution period** (disbursement and repayment) will be 84 months, running from the contract signature date (“effective date”).
- 4.6 **Disbursements.** The resources will be released in up to three disbursements in a 30-month period, running from the effective date, with the maximum amount of the first disbursement being US\$170,000. The conditions precedent for each disbursement are described in Annex VIII, and each disbursement will include delivery of a promissory note issued by Bridge for Billions in an amount equal to each requested disbursement.
- 4.7 **Repayment.** Bridge for Billions will repay IDB Lab the funds disbursed under the contingent recovery investment grant (“reimbursement amount”) when gross income (gross sales minus direct sales costs) accumulated by Bridge for Billions global consolidated operation (USA, Spain and Panamá) in the third full fiscal year beginning from month 36 of execution is equal to or greater than US\$4.4 million (the “Minimum Commercial Viability Level”) (as verified by the audited annual global consolidated financial statements). The payment mechanism will be bi-annual payments equivalent to 3% of gross sales (revenue) of services in the corresponding year, and the payments will be made on March 15th and September 15th after the close of the fiscal year. The payment mechanism will continue until the total reimbursement amount has been paid, or four years have elapsed after the effective date.
- 4.8 **Sustainability and Financial Analysis.** The project’s financial viability has been evaluated on the basis of the following factors: (i) Bridge for Billions six years of experience supporting entrepreneurs from 89 countries and the positive results in Latin America since June 2020; (ii) Bridge for Billions’ global solid financial position, which will allow it to back up the CRIG and meet the associated financial obligations; and (iii) the organization’s institutional financial projections, which demonstrate that, based on a scenario built upon conservative assumptions and that take into account the cost of entering a new market in Central America, Bridge for Billions will be able to cover all its operating and financial expenses, repay the Bank’s CRIG, and generate increasing surpluses during and after the CRIG’s execution period. The historical global consolidated financial statements of Bridge for Billions indicate that its financial position has been relatively solid in terms of its solvency and closing gap towards profitability (EBIDTA positive in 2021) over the past four years and point to positive trends in these regards with a projection to achieve positive net income in 2023.

V. EXECUTING AGENCY (EA) AND IMPLEMENTATION STRUCTURE

A. Executing Agency(s) Description

- 5.1 Bridge for Billions, S.A., incorporated in Panama, will be the Executing Agency of this project and will sign the agreement with the IDB Lab. Bridge for Billions, S.A. is part of the global Bridge for Billions group (Bridge or B4B) of entities registered and existing under the laws of USA as a Public Benefit Company (PBC), Spain as a Sociedad Limitada (S.L.) and Panamá as a Sociedad Anónima (S.A), with a mission to create innovation-based SMEs globally. In 6

years of operations, Bridge has supported 2,800+ entrepreneurs from 89 countries with nearly 2,900 volunteer mentors where 2,000¹⁶ of these entrepreneurs completed the program after March 2020 when the COVID-19 pandemic started¹⁷. These results have been achieved in partnership with organizations like Argidius Foundation, Swiss Development Cooperation (SDC), UNIDO, United Nations Environment Program, EU, VISA, BMW. Both his CEO and the organization have received international recognitions including Forbes 30 Under 30 listed, Ashoka Fellow 2017, EY Foundation, Acumen Fellows 2020, World Bank Solutions for Women Winner. Bridge for Billions has a remarkable track record (70% of graduates still run their businesses after 2 years with 96% claiming Bridge for Billions as helpful for their success) and a high focus on supporting minority entrepreneurs (47% of entrepreneurs supported are female founders and over 50% are impact focused entrepreneurs). Its business model is based on the annual sale of incubation programs (design, implementation, and monitoring) to governments, corporations, universities and ESOs. The sales price in current markets is between US\$ 20,000- US\$100,000 per program that is customized according to needs.

- 5.2 Together with the Argidius Foundation and SDC, Bridge launched operations in Latin America in June 2020 with the goal of supporting 2,000+ early-stage SMEs to develop funding ready businesses within 3 years. So far, Bridge has done extensive ecosystem mapping to understand the challenges of entrepreneurs and ESO's in the region and gained credibility through partnerships with organizations like Cenpromype, CAPCA Investment Network, Fundación Ciudad del Saber, VISA and Fundación Monge. In 2021 Bridge also launched 2 initiatives relevant to this project in Central America: (1) Reactivamos Centroamérica, to help professionalize 5 local incubation services and (2) Impulsa, directly incubating 200+ entrepreneurs while connecting them with local mentors and an investment network.
- 5.3 Bridge's current team of 30 professionals based both in Madrid & Guatemala includes the program & project managers, technical experts, business development, marketing and financial personnel needed to manage the project. Budget projections include resources for hiring additional team members to manage country programs (1 manager per country) and shared procurement, accounting needs and support the business development work for sustaining the program. Bridge will also recruit and work with short term sector and subject matter experts based on ESO training needs.

B. Implementation Structure and Mechanism

- 5.4 B4B will establish an Executing Unit and the necessary structure to implement project activities and manage project resources effectively and efficiently. B4B will also be responsible for delivering status reports on project implementation through IDB Lab's project management platforms on a six-monthly basis. The details of the structure of the Executing

¹⁶ <https://data.bridgeforbillions.org/public/question/6e3ba9ed-61c8-4fb4-ae8-c646652e9ad6>

¹⁷ Participation numbers increased after the start of the pandemic for 3 reasons: increase and professionalization of the marketing and sales force, greater understanding (less resistance) of the market for online/hybrid solutions, larger programs, and greater depth in the service. Likewise, during the first months of COVID, the Ecosystem Generators model (training the trainers) helped increase the size of programs and impact without increasing the operational team.

Unit will be defined in accordance with the Project Operating Regulations, which will be submitted to the IDB Lab for approval as a condition for the first disbursement.

- 5.5 B4B as Executing Agency and project leader, will be responsible for promoting and proposing the strategy and execution of each stage of the project. This execution strategy will be addressed by the leading B4B team, its strategic allies and the IDB Lab supervisory unit led from Panama with the objective that this strategy is aligned with the results matrix and use of funds. B4B will hire a project manager who will supervise the activities and results and the specific details of the context and progress of the project.
- 5.6 Bridge for billions will create a Regional Project Committee together with IDB Lab specialists from each country to: (i) ensure connection with active projects in country avoiding duplication of efforts, (ii) achieve a deeper understanding of local contexts, and (iii) generate synergies with stakeholders of the ecosystems of each country. Some of the activities of this committee will include introducing Bridge for Billions to local actors (ESOs, corporations, government, Investors), providing local experts and helping articulate with local initiatives. The committee will hold an annual design and planning session and B4B will provide progress reports on project implementation to the committee through quarterly meetings (year 1) and then every semester (after year 2), depending on project maturity. B4B will also share live dashboard metrics with IDB Lab Specialists, including project execution progress with indicators by country. Finally, B4B will designate a person to manage the relationship with the committee.

VI. COMPLIANCE WITH MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 6.1 **Disbursement by Results, Fiduciary Arrangements.** B4B, as the Executing Agency, will commit to IDB Lab's standard arrangements regarding disbursements by results, procurement, and financial management specified in the Technical File. Project disbursements will be conditional upon verification compliance with the milestones, in accordance with the means of verification agreed between the Executing Agency and the IDB Lab. Compliance with the milestones does not exempt the Executing Agency from the responsibility of complying with the indicators of the logical framework and the project objectives.
- 6.2 Under the project management modality based on risk and performance, the amounts of project disbursements will be determined in accordance with the liquidity needs of the project estimated for a maximum period of 6 months. These needs will be agreed between the IDB Lab and the Executing Agency, reflecting the activities and costs programmed in the annual planning exercise. The first disbursement will be conditional on the fulfillment of conditions precedent and successive disbursements will be made if the following two conditions are met: (i) verification by IDB Lab that the milestones have been met, as agreed in the annual planning; and ii) that the Executing Agency has justified at least 80% of the accumulated advanced funds advances.
- 6.3 **Acquisitions and Contracts.** For the procurement of goods and contracting of consulting services, the executing agency will abide by the Bank's procurement and financial management policies. Bridge for Billions is a private entity, established by law with its own

procurement procedures that are compatible with the processes of the sector therefore, Appendix 4 of the Consultant Selection Policies applies.

- 6.4 **Method and frequency of ex-post supervision.** Annual review of disbursements and acquisitions where the audited institutional Financial Statements must include: a paragraph describing (i) the income received from the IDB Lab, the counterpart, and the sources of the Project partners; (ii) all disbursements made with funds from the IDB Lab contribution, as well as those from the counterpart, through the Cash Flow Statement; and (iii) Statement of Accumulated Expenses or Investments in which the amounts spent are shown by Project component.

VII. INFORMATION DISCLOSURE AND INTELLECTUAL PROPERTY

- 7.1 **Information Disclosure.** The information contained herein is classified as public upon approval under the Bank's Access to Information Policy¹⁸.
- 7.2 **Intellectual Property.** The Executing Agency shall own the intellectual property rights to all works produced or results obtained under the Project. The Executing Agency will grant the Bank an irrevocable, world-wide, perpetual, royalty-free, and non-exclusive license to use, copy, distribute, reproduce, publicly display and perform any and all Executing Agency intellectual property derived from execution of the Project, as well as to create derivative works, under the terms of the Privacy Policy and Terms and Conditions of the Executing Agency. The Bank may grant sub-licenses to third parties without the need for new authorizations or licenses from the Executing Agency.
- 7.3 The Executing Agency shall represent and warrant to the Bank that execution of the Project does not and will not infringe the rights of third parties, and it must do everything necessary to ensure that the Bank is able to exercise the rights set forth herein, without limitation. The Executing Agency shall release and indemnify the Bank, its staff, sub-licensees, and/or consultants from any actions which could be initiated against them in the exercise of the rights licensed to the Bank.
- 7.4 The Bank may disseminate, reproduce, and publish any Project-related information and include with such information the name and logo of the Executing Agency.

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Link to the Bank's [Access to Information Policy](#)