

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

**JAMAICA**

**REVUP CARIBBEAN INCUBATOR**

**(JA-T1200)**

**DONORS MEMORANDUM**

This document was prepared by the project team comprised of: Vashtie Dookiesingh (DIS/CTT), Sudaney Blair (CCB/CJA), Stefano Pereira (DSP/DVP), Margarita Garcia de Paredes (DSP/SEG), Patricia Guevara (LAB/DIS), and Daisy Ramirez (FML/LAB)

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## **PROJECT SUMMARY**

### **JAMAICA**

#### **REVUP CARIBBEAN INCUBATOR**

##### **(JA-T1200)**

The RevUp Caribbean Incubator seeks to improve the preparedness of Micro and Small Enterprises (MSEs) in the Caribbean to access financing required for growth. Entrepreneurship is an imperative for Caribbean countries to achieve their economic growth objectives. However, entrepreneurs face significant challenges and risks in the process of transforming innovative ideas into successful ventures, and then scale them to become sustainable, high growth companies that can deliver returns to investors and in turn, encourage investors to finance other fledgling firms. The project seeks to address persistent challenges and barriers to MSEs accessing finance required for startup and growth, and is based on international and regional research findings, as well as the experience of First Angels Jamaica, as the region's dominant angel investment network over the past 7 years.

The solution presented is innovative in that it seeks to provide real time delivery of services for companies that are actively pursuing start up and early-stage investment and growth. It is therefore an investment in the future generation of Jamaican and Caribbean businesses that will shape the economic future of the region. Another innovative feature of the model is the blend of local and international mentors with the experience that can help founders attain world class standards of readiness for financing and growth. While many incubators or accelerator programs are focused on the business fundamentals of startups, this programme focuses on skills and competencies to access and to leverage financing for growth.

RevUp Caribbean Ltd, the Executing Agency for this project, will implement a pilot incubation program that will be delivered online, but which will also feature sufficient one on one and smaller group touchpoints to engage targeted beneficiary groups. The incubation program will have a duration of 5 months, with a dual track of cohorts in each intake (MSEs seeking equity investment and those seeking to scale). Incubation services will include psychometric testing for founders, strategic planning support, a specific program on investment readiness, assignment of international and local mentors, access to software tools and programs and participation in a retreat led by McKinsey and Company. Another key element of this pilot will be development of a sustainability and scaling strategy to enable an extension of reach and impact beyond the period of IDB Lab investment. By the end of the program, participating MSE founders will have developed skills required to secure investment and position their companies for growth, which they will have applied in practical terms during and after the incubator experience. Additionally, the Executing Agency, in recognition of the gender gap in accessing financing for growth, will ensure that outreach and incubator content and experience are attractive to and resonate with women business owners, and that there are enough women who are experts across industries supporting these founders, as mentors and role models.

In terms of results, the project is targeted to deliver the following (i) 450 MSEs enrolled in the incubation program of which 50% are owned or led by women, (ii) 30% of MSE's completing the incubation program access initial or additional financing for growth via equity or debt, (iii) 30% of women led or owned MSEs completing the incubation program access initial or additional financing for growth via equity or debt and (iv) MSEs participating in the incubation program create at least 600 new livelihood opportunities (employment, contract/gig work etc.).

At the country level, the project is aligned with the IDBG Country Strategy with Jamaica 2016-2021, specifically with the strategic objective (ii) increasing private sector productivity and growth. The project is also aligned with the Country Strategy's cross cutting area of gender, which highlights barriers to women entrepreneurs as a lost opportunity in improving the country's competitiveness. The project is aligned with the IDBG Vision 2025, specifically in working towards sustainable and inclusive economic growth, and in identifying a pathway to accelerate recovery via facilitating access to digital technologies and supporting small enterprises, as well as the IDB Lab's Knowledge Economy thematic area of focus. The project is budgeted at US \$ 1,925,000 which will be funded by an IDB Lab non reimbursable technical cooperation of US \$950,000 and US \$975,000 in counterpart financing.

## **ANNEXES**

ANNEX I	Results Matrix
ANNEX II	Budget Summary
ANNEX III	iDELTA

## **APPENDICES**

Draft Resolution
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**AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF IDB LAB PROJECT INFORMATION SYSTEM**

ANNEX IV	DICI
ANNEX V	Reporting Requirements and Compliance with Milestones and Fiduciary Arrangements
ANNEX VI	Procurement and Contracting Plan

## **ACRONYMS AND ABBREVIATIONS**

<b>CCB</b>	Caribbean Countries Department
<b>CJA</b>	Country Office Jamaica
<b>DBJ</b>	Development Bank of Jamaica
<b>DICI</b>	Assessment of Integrity and Institutional Capacity
<b>FAJ</b>	First Angels Jamaica
<b>IDB</b>	Inter-American Development Bank
<b>IDB Lab</b>	Multilateral Investment Fund
<b>IDB</b>	Inter-American Development Bank
<b>IDBG</b>	Inter-American Development Bank Group
<b>IP</b>	Initial Public Offering
<b>IPO</b>	
<b>MSE</b>	Micro and Small Enterprise
<b>MSMEs</b>	Micro, Small and Medium Enterprises
<b>NCBJ</b>	National Commercial Bank of Jamaica
<b>RevUp</b>	RevUp Caribbean Ltd
<b>WBAF</b>	World Business Angels Investment Forum

**PROJECT INFORMATION**  
**JAMAICA**  
**REVUP CARIBBEAN INCUBATOR**  
**(JA-T1200)**

<b>Country and Geographic Location:</b>	Jamaica with scaling to Trinidad and Tobago, Guyana, Barbados, and the Organization of Eastern Caribbean States		
<b>Executing Agency:</b>	RevUp Caribbean Ltd		
<b>Focus Area:</b>	Knowledge Economy		
<b>Coordination with Other Donors/Bank Operations:</b>	The Development Bank of Jamaica is providing cash counterpart resources from the IDB Loan operation JA-L1085 Boosting Innovation, Growth and Entrepreneurship Ecosystems		
<b>Project Beneficiaries:</b>	450 Micro and Small Enterprises (MSEs) of which approximately 225 will be led/owned by women		
<b>Financing:</b>	Technical Cooperation:	US\$ 950,000	49%
	<b>TOTAL IDB Lab FUNDING:</b>	US\$ 950,000	
	Counterpart:	US\$ 975,000	51%
	<b>TOTAL PROJECT BUDGET:</b>	US\$ 1,925,000	100%
<b>Execution and Disbursement Period:</b>	36 months of execution and 42 months of disbursement.		
<b>Special Contractual Conditions:</b>	Special conditions precedent to first disbursement will be: (i) submission of a detailed operating plan for year 1 of operations and (ii) criteria for selection of Micro and Small Enterprises for enrollment in the incubator		
<b>Environmental and Social Impact Review</b>	This operation was screened and classified as required by the IDB's safeguard policy (OP-703) September 8, 2021. Given the limited impacts and risks, the proposed category for the project is C.		
<b>Unit responsible for disbursements</b>	CCB/CJA		



## I. The Problem

### A. Problem Description

- 1.1 Entrepreneurship is an imperative for Caribbean countries to achieve their economic growth objectives. However, entrepreneurs face significant challenges and risks in the process of transforming innovative ideas into successful ventures, and then scale them to become sustainable, high growth companies that can deliver returns to investors and in turn, encourage investment in other fledgling firms. Firm level research conducted by Compete Caribbean identified access to finance and skills as two key factors constraining innovation and growth of Caribbean enterprises<sup>1</sup>.
- 1.2 In Jamaica, First Angels Jamaica (FAJ) was established to support growth of startup and early-stage companies, and over the past 7 years FAJ has funded 12 start-up and early-stage companies through 19 deals (including follow-on financing) and invested over US\$2.6M as equity in the companies. Angel investors provide “smart capital”, meaning that they invest not only money, but their time, through mentoring and coaching, serving on the companies’ boards of directors and generally “holding the hand of founders through the 5-7 years of their investment, helping to chart the companies to a successful exit of the investors”.
- 1.3 The FAJ’s experience has been that many founders are good at developing a technology, product, or service, but lack the broad range of skills and abilities required to successfully run and scale a business, including understanding the market, customer acquisition and retention, achieving product-market fit, optimizing pricing, understanding finance and financial statements, building, and motivating teams, and adhering to good corporate governance practices. Having a solid understanding of these areas and applying them in business development is a basic requirement to turn a start-up, into a scale-up.
- 1.4 Angel investors recognize that a successfully scaled, entrepreneurial journey means not just having access to financing - raising equity and debt – but also pivoting, maintaining differentiation, protecting IP and knowhow, always trying to avoid failure and hopefully, achieving an exit through a trade sale, private equity deal or IPO. Juggling all these balls, and at the same time complying with taxation, health, safety, and environmental regulations, maintaining communications with stakeholders, and remaining open to continual learning, welcoming advice, and preserving one’s wellbeing, are all part of the difficult journey that founders are expected to navigate for success.
- 1.5 As a result of gaps in the business skills and knowledge of founders, the FAJ has had to go well beyond the boundaries of operating as a typical angel investor organization and has made significant investments in supporting founders via seminars and workshops at the pre-investment and post-investment stages, on a

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<sup>1</sup> <https://blogs.iadb.org/caribbean-dev-trends/en/5-obstacles-to-overcome-for-a-more-productive-caribbean/>

range of topics, including investment readiness, leadership, marketing, sales, team building, systems, strategic planning, and market acceleration. These interventions are helpful but are ad hoc, expensive and time consuming.

- 1.6 Issues on MSE capacity and investment readiness are not only faced by FAJ and other angel investors. Commercial banks seeking to serve Micro and Small Enterprises (MSEs) also encounter these gaps in knowledge and skills among applicants and are, for the most part, unwilling to take on the risks of lending to these firms. Banks cite weaknesses in the entrepreneur/management team, marketing, and market-related factors (notably flawed or incomplete marketing strategies), and financial considerations, (particularly, flawed financial projections), as some of the issues they encounter with their MSE clients. For existing businesses, even with a good track record, collateral requirements imposed by the banks to reduce their risks, are severely limiting access to credit for these firms, and can raise the cost of borrowing to unaffordable levels thereby constraining growth.
- 1.7 According to Compete Caribbean's research, companies in the Caribbean face greater difficulties in accessing credit than in other small countries, and 26% of firms believe that difficulties in accessing credit are a severe obstacle to growth<sup>2</sup>. These financing problems have an important negative impact on businesses' ability to innovate. In addition, women-led enterprises have additional difficulties accessing credit, which helps explain a productivity gap found between these companies and those managed by men<sup>3</sup>. This gender gap is also evidenced at FAJ. Since its inception, FAJ has recognized a stark imbalance in the number of women registering their website, those completing applications for capital, participating in investment readiness programmes, and going through the due diligence process to obtain investment<sup>4</sup>.
- 1.8 These phenomena are evident across the globe.<sup>5</sup> Access by SMEs to finance is generally constrained by demand-side weaknesses and most start up and early-stage businesses are not investment ready. These weaknesses, in turn, compromise the effectiveness of supply-side interventions, such as initiatives to stimulate business angels or to create public sector venture capital funds<sup>6</sup>.

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<sup>2</sup> <https://blogs.iadb.org/caribbean-dev-trends/en/5-obstacles-to-overcome-for-a-more-productive-caribbean/>

<sup>3</sup> Ibid

<sup>4</sup> As of September 2021, out of 575 founders registering on FAJ's website, only 24% of them were women; and they accounted for only 20% of the 220 founders who had fully completed their applications.

<sup>5</sup> Feeney, L, Haines, G H Jr and Riding, A R (1999) Private investors' investment criteria: insights from qualitative data, *Venture Capital: An International Journal of Entrepreneurial Finance*, 1, 121-145. Also Mason, C. M. and Harrison, R. T. (1994) The informal venture capital market in the UK. In A. Hughes and D.J. Storey (eds.) *Financing Small Firms* Routledge, London, pp 64-111.

<sup>6</sup> Mason, C. and Kwok, J., *Investment Readiness Programmes and Access to Finance: A critical Review of Design Issues* (2010) Hunter Centre for Entrepreneurship, University of Strathclyde

- 1.9 In terms of the gender gap, the World Bank estimates that the finance gap for women is valued at US\$1.7 trillion. Currently, only 2% of venture capital goes to women-led startups despite it being well established that gender diversity leads to higher financial returns<sup>7</sup>.
- 1.10 Rather than continuing to take an ad-hoc approach to supporting individual start-ups or early-stage companies seeking equity investments and portfolio companies working to attain the growth required for successful exits, FAJ is seeking pilot a dedicated program of support for startup, early stage and established MSEs that are pursuing growth. In this regard, FAJ has established a not-for-profit company, RevUp Caribbean Ltd, that will operate as a virtual incubator to help founders develop the skills, competencies and peer networks that will help them to create profitable, sustainable companies and to become successful entrepreneurs.
- 1.11 **Beneficiaries:** The beneficiaries of this project will be founders / owners of Micro and Small Enterprises (MSEs) that are seeking, or have obtained, angel investment or bank financing, and are seeking support to position their businesses for first stage or follow-on financing for growth. In the initial stage of the project, these enterprises will be operating from Jamaica, from year 2 onwards the program will be open to micro and small firms in the wider Caribbean, including Trinidad and Tobago, Guyana, Barbados and the OECS. Across the Caribbean and the wider region, micro businesses are commonly defined as having 1-5 employees, small businesses are defined as having between 6-25 employees. The beneficiary founders may be operating in any sector of the economy except for prohibited sectors as identified by the IDBG. Recognizing that an investment gap exists particularly for women founders, RevUp will, through its marketing and outreach, will actively recruit women entrepreneurs, aiming to have 50% of its participants being women-owned or women led- companies.

## II. The Innovation Proposal

### A. Project Description

- 2.1 The project objective is to improve the preparedness of Micro and Small Enterprises in the Caribbean to access financing required for growth.
- 2.2 The solution will support RevUp Caribbean Ltd. to provide a virtual incubation system that offers business development training, mentorship, access to networks and a collaborative environment that will help founders create profitable and sustainable enterprises, and for founders to become successful entrepreneurs. The virtual incubation system will include two tracks, one for MSEs seeking equity investment from organizations such as the FAJ, and the second that will provide early and growth stage MSEs with management tools required to scale. The COVID 19 pandemic has presented many challenges to businesses but has also accelerated acceptance and leverage of virtual and online tools, technologies, and

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<sup>7</sup> <https://www.reutersevents.com/sustainability/narrowing-funding-gap-female-entrepreneurs>

forums. Building on this development, the Executing Agency will implement a pilot incubation program that will be delivered online, but which will also feature sufficient one on one and smaller group touchpoints to engage targeted beneficiary groups. The incubation program will have a duration of 5 months, with a dual track of cohorts in each intake (MSEs seeking equity investment and those seeking to scale). Incubation services will include psychometric testing for founders, strategic planning support, a specific program on investment readiness, assignment of international and local mentors, access to software tools and programs and participation in a retreat led by McKinsey and Company. Another key element of this pilot will be development of a sustainability and scaling strategy to enable an extension of reach and impact beyond the period of IDB Lab investment. By the end of the program participating MSE founders will have developed skills required to secure investment and position their companies for growth, which they will have applied in practical terms during and after the incubator experience. Additionally, the Executing Agency, in recognition of the gender gap in accessing financing for growth, will ensure that outreach and incubator content and experience are attractive to and resonate with women business owners, and that there are enough women who are experts across industries, supporting these founders as mentors and role models.

- 2.3 **Innovation:** The project seeks to address persistent challenges and barriers to MSEs accessing finance required for startup and growth, and is based on international and regional research findings, as well as the experience of FAJ as the region's dominant angel investment network over the past 7 years. The solution presented is innovative in that it seeks to provide real time delivery of services for companies that are actively pursuing start up and early-stage investment and growth. It is therefore an investment in the future generation of Jamaican and Caribbean businesses that will shape the economic future of the region. Another innovative feature of the model is the blend of local and international mentors with the experience that can help founders attain world class standards of readiness for financing and growth. While many incubators or accelerator programs are focused on the business fundamentals of startups, this programme focuses on skills and competencies to access and to leverage financing for growth. In implementing this pilot program, RevUp Caribbean Ltd will contribute to strengthening of the regional ecosystem supporting growth and scaling of MSEs. Additionally the financing and technical partnerships offered by FAJ (for MSE equity financing and mentorship) World Business Angels Forum (for mentoring), the Development Bank of Jamaica (for pilot financing of the program) and National Commercial Bank Jamaica (for program financing, provision of support tools to MSEs, access to MSE loan financing and referrals of MSEs from their customer base), differentiate RevUp Caribbean Ltd.'s incubation solution as one that will connect participants directly with not just training and skills development, but with tools, services, mentors and direct channels for financing.
- 2.4 The model will be piloted via three components as outlined below.
- 2.5 **Component I: Engagement of Micro and Small Enterprises (Connecting) (US \$296,440: IDB Lab US \$176,213, Counterpart US \$120,227).** The objective of this component is to attract eligible MSEs to apply for the programme. Activities under this component to be implemented by the Executing Agency will focus on development of an outreach strategy and campaign that will attract the targeted

beneficiary groups, specifically MSEs that are seeking to access equity / scale their businesses. Core elements of outreach will include considerations of how to reach and engage women-led businesses, key channels that will reach MSEs, adjustment of outreach strategy and channels in different countries and the definition and communication of clear criteria for shortlisting and selection, as candidates will be chosen via a competitive process. The voices and experience of Caribbean MSEs can be utilized to capture and engage founders' imagination and the aspiration to invest their time beyond day-to-day operations. The international and regional context of the incubator services and actors will also be an important aspect of outreach and connection with targeted MSEs.

- 2.6 The key outputs of this component will include: (i) at least 645 applications from MSEs, and (ii) enrollment of at least 450 MSEs of which 225 are led or owned by women.
- 2.7 **Component II: Delivery of Incubation Services (Catalyzing) (US \$1,118,680: IDB Lab US \$507,129, Counterpart US \$611,551)** The objective of this component is to pilot incubation services that can support MSEs in accessing finance and achieving growth. Under this component, selected MSEs enrolled in the program will take a psychometric test on entry that can help them to better understand their strengths as well as challenges, in building an investment ready and growth-oriented business. This assessment will also be useful in focusing mentorship and peer coaching sessions. Each MSE will receive support in development of a strategic business plan that will be the focus and platform for application of skills acquired in the incubator. Formal training will be delivered in investment readiness as well as management skills and tools and given the Caribbean's particular exposure and vulnerability as small island development states to natural and other disasters, a specific workshop on development of relevant environmental, social and climate risk mitigation plans will also be offered to participating MSEs. Training will be complemented by assignment of mentors including international mentors from the World Business Angels Investment Forum, as well as local mentors from FAJ's network in Jamaica and the region. One highlight of the incubation experience will be the MSEs participation in a weekend retreat facilitated by the global leader in business strategy and growth McKinsey and Company, which will be held annually. In addition, recognizing the importance and high value of peer-to-peer mentoring and collaborative problem solving, a network of participating MSEs will be formed, and the incubation programme will include multiple opportunities for peer-to-peer engagement and collaborative solving of problems that may be common to a cohort, or to a specific group of enterprises. Participants will also access ICT and other services that can assist them on their journey from participating partners, including back-office services, MasterCard services and software tools.
- 2.8 The key outputs of this component will be: (i) 90% of participant report a positive evaluation of the program as well as a positive impact on their businesses, (ii) 80% of participants report that they have developed new skills, (iii) 90% of participants, report that their networking experience has delivered personal and business value, (iv) at least 50% of participating MSEs engage in environmental, social and climate risk analysis of their businesses, and (v) at least 30% of participating MSEs that are seeking equity complete the due diligence stage for accessing investment.

- 2.9 **Component III: RevUp Caribbean Business Development (Continuing) (US \$112,218: IDB Lab US \$85,659, Counterpart US \$26,559)** The objective of this component is to support the sustainability and scaling of the RevUp Caribbean Incubator model. In this regard, activities in this component are focused on securing of additional technical and financial partners to augment and support the program, conducting knowledge sharing events to showcase the pilot, strengthening the relevance of content for the incubator program based on ongoing feedback from MSE participants and other stakeholders, and expansion of angel investment as a vehicle for MSE growth throughout the Caribbean region.
- 2.10 The expected outputs of this component include: (i) 7 knowledge sharing events, (ii) engagement of 10 additional strategic and funding partners supporting the incubator and (iii) 75% of funding required to cover the incubation program's operational costs in year 4 is committed before month 36 from project start.

## **B. Project Results, Measurement, Monitoring and Evaluation**

- 2.11 In terms of results, the project is targeted to deliver the following (i) 450 MSEs enroll the incubation program of which 50% are owned or led by women, (ii) 30% of MSE's completing the incubation program access initial or additional financing for growth via equity or debt, (iii) 30% of women led or owned MSEs completing the incubation program access initial or additional financing for growth via equity or debt and (iv) MSEs participating in the incubation program create at least 600 livelihood opportunities (employment, contract/gig work etc.).
- 2.12 The project's key indicators directly contribute to the IDBG's Corporate Results Framework 202-2023 as follows: (i) Under Social Inclusion and Equality, the project is an intervention in fostering economic development of low income segments of the population, specifically in enabling access to finance for Caribbean MSEs; (ii) Under Productivity and Innovation, the project intervention improves efficiency of access to finance, and supports the strengthening of the region's innovation ecosystem, through the delivery of incubation services to catalyze growth of MSEs and (iii) Under Gender Equality the project seeks to address the gender gap in financing for women entrepreneurs.
- 2.13 In terms of the IDB Lab's aspirational targets in the Knowledge Economy Thematic Focus Area, the project results contribute to the following targets (i) number of early-stage enterprises financed or accelerated, (ii) the percentage of early-stage enterprises that improve business performance.
- 2.14 In accordance with IDB Lab requirements, the Executing Agency will periodically track and collate data on progress against the specific results as outlined in the project's results matrix and will report on project results every six months via the IDB Lab's Project Status Reporting (PSR) system. Sources of information/ data required to carry out these monitoring activities are defined in the project's result matrix. Monitoring will be carried out in timely manner and will be used to determine if the project is on track to meet its development objectives, or whether

corrective action is needed at any point during execution. The Executing Agency will also complete a final Project Status Report on conclusion of the project. Costs associated with monitoring the project are covered within the project budget.

- 2.15 The project will be subject to a final evaluation which will be conducted upon completion of the project execution period. The objectives of this evaluation will be to (i) assess the results of the intervention and whether its development objectives have been met, (ii) identify areas for strengthening, and (iii) provide value added input for the plan to strengthen, sustain and scale this model across the Caribbean. This evaluation will rely on, but not be limited to, information and data collected in the PSRs. Any additional data needed to complete the evaluation will be defined ex-ante. The evaluation will also contribute to IDB Lab's knowledge on approaches to capacity building that connect start up and early-stage companies to human, financial and technical resources required for growth.

### **III. Alignment with IDB Group, Scalability, and Risks**

#### **A. Alignment with IDB Group**

- 3.1 At the country level, the project is aligned with the IDBG Country Strategy with Jamaica 2016-2021, specifically with the strategic objective (ii) increasing private sector productivity and growth, which highlights the challenges experienced by private companies in accessing financing, and specifically identifies support for increasing SME access to finance as an area of intervention. The project is also aligned with the Country Strategy's cross cutting area of gender which highlights barriers to women entrepreneurs as a lost opportunity in improving the country's competitiveness.
- 3.2 Also at the country level, the project is highly complementary to the loan operation JA-L1085 Boosting Innovation, Growth and Entrepreneurship Ecosystems which is a US \$25 million-dollar facility with the general objective of promoting sustainable and robust growth among startups and Micro, Small and Medium Enterprises (MSMEs) in Jamaica. The specific objectives are to: (i) promote innovation and productivity among established MSMEs with high growth potential; (ii) promote sustainable growth in scalable startups; and (iii) create a sustainable pipeline of high-growth potential startups. In this regard, the Development Bank of Jamaica is providing an initial US \$100,000 in counterpart financing from this loan operation to support the piloting of the RevUp Caribbean incubator services as a mechanism to catalyze growth and scaling of startups in Jamaica.
- 3.3 The project is aligned with the IDBG Vision 2025, specifically in working towards sustainable and inclusive economic growth and in identifying a pathway to accelerate recovery via facilitating access to digital technologies and supporting small enterprises.
- 3.4 The project also aligns with the Second Update to the Institutional Strategy 2020-2024, specifically with the strategic priority of Productivity and Innovation, by strengthening access to financing, growth and scaling of MSEs in the Caribbean. Additionally, the project is aligned with the cross-cutting issue of Gender Equality

and Diversity, as it includes specific activities and indicators to attract and include women led and owned MSEs in the incubation program and in accessing finance.

- 3.5 The project is also aligned with the economic and social pillars of CCB's sub regional strategy, Build Forward. Build Forward is a delivery-oriented initiative aimed at helping Caribbean countries define Sustainable Development Pathways for their transformation in a smart and resilient manner.
- 3.6 In terms of key target areas set in the IDB Lab's Knowledge Economy thematic focus area, the project contributes to the target of building innovation ecosystems, and which highlights the IDB Lab's support for accelerators and company builders, that help entrepreneurs turn ideas into market ready business models and business models into investment ready companies.
- 3.7 The project is also aligned with UN Sustainable Development Goals: SDG 5 Gender Equality in that the project will promote the use of enabling technology via the incubator, in particular information and communications technology, to promote the empowerment of women; and SDG 9 Industry, Innovation, and Infrastructure, in that the project will increase the access of small-scale enterprises, in developing countries, to financial services, including affordable credit.

## **B. Scalability**

- 3.8 The project can scale through a range of mechanisms. Firstly, the IDB loan JA-L1085 Boosting Innovation, Growth and Entrepreneurship Ecosystems is being used to support the RevUp Caribbean pilot of incubation for MSEs seeking financing and growth. Should the model deliver positive and promising results that support the objectives of the loan operation, RevUp Caribbean Ltd can approach the Development Bank of Jamaica to access additional funding for scaling from the loan operation. Secondly, as outlined in Component III of the project, RevUp Caribbean Ltd will engage additional financial and technical partners through knowledge sharing, to secure technical and financial resources required to sustain and scale up operations during project implementation. A third path to scale is to deliver services financed by fees from MSEs and/or through scholarships awarded for MSEs through financial and development institutions in the Caribbean. By expanding reach and access to incubation services beyond Jamaica, RevUp Caribbean can identify and engage ecosystem partners, investors, and financial institutions in a wider range of countries in supporting scaling of the model. Potential territories that have been identified for scaling are Barbados, Guyana, the OECS and Trinidad & Tobago.

## **C. Project and Institutional Risks**

- 3.9 The project risk level is Medium. Key risks and associated treatments are as follows: (i) Technical Risk: Competing programs targeting MSEs in Jamaica and the wider Caribbean may crowd out strong demand for the RevUp Caribbean



model, which will negatively impact the achievement of the project objective and associated results. To mitigate this risk, funding has been allocated under Component I of the project to develop and implement a strategic and targeted outreach program, with specific targeting strategies for the engagement of women led and owned enterprises. In addition, the international partners such as the World Business Angels Investment Forum and McKinsey and Company, the direct linkages to financing partners, specifically FAJ and the NCBJ and the provision of additional support services for participating MSEs, may assist in differentiating and promoting the RevUp Caribbean model as a preferred option for MSEs seeking financing and growth. The extension of the program to other countries in the Caribbean, which is facilitated by the virtual format, will also help RevUp Caribbean in reaching a wider target population of MSEs. (ii) Financial Risk: The costs of operating the program may not be covered by donor and corporate support beyond the period of IDB financing, placing project sustainability and scaling at risk. To partially mitigate this risk factor, resources have been budgeted under Component III to support continuity of the RevUp Caribbean model, and the efficacy of this programmed activity will be closely monitored from early stages of project execution. This risk cannot be fully mitigated and will be monitored closely.

- 3.10 The Institutional Risk, according to the Assessment of Integrity and Institutional Capacity (DICI), is rated as Low.

#### **IV. Instrument and Budget Proposal**

- 4.1 The project has a total cost of US \$1,925,000, of which US\$ 950,000 (49%) will be provided by the IDB Lab, and US\$975,000 (51%) by the counterpart.
- 4.2 The instrument to be used is a non-reimbursable technical co-operation given that the funding will be used to finance an eco-system project, led by a non-profit organization specifically to establish, and implement an incubation program that will strengthen preparedness of Micro and Small Enterprises to access and manage financing for growth.
- 4.3 Retroactive Recognition of Counterpart Funds Up to USD \$150,000 in counterpart financing invested after September 1, 2021, but prior to approval date will be retroactively recognized as counterpart financing.
- 4.4 The project budget is summarized in the following table:

	<b>IDB Lab</b>	<b>Counterpart</b>	<b>Total</b>
<b>Project Components</b>	\$176,213	\$120,227	\$296,440
Component 1: Engagement of MSEs - Connecting			
Component 2: Delivery of Incubation Services - Catalyzing	\$507,129	\$611,551	\$1,118,680
Component 3: RevUp Caribbean Business Development - Continuing	\$85,659	\$26,559	\$112,218
Project Administration (Executing Unit costs)	\$161,320	\$190,050	\$351,370
Final Evaluation	\$10,000	\$12,000	\$22,000
Contingencies	\$9,679	\$14,613	\$24,292
<b>Grand Total</b>	<b>\$950,000</b>	<b>\$975,000</b>	<b>\$1,925,000</b>
<b>% of Financing</b>	<b>49%</b>	<b>51%</b>	<b>100%</b>

## V. Executing Agency (EA) and Implementation Structure

### A. Executing Agency Description

- 5.1 RevUp Caribbean Ltd will be the Executing Agency of this project and will sign the agreement with the IDB. RevUp Caribbean Limited is a newly incorporated private organization organized in Jamaica, which was formed to support the capacity building of MSEs and specifically to develop and implement an incubation model that will assist MSEs to access financing. The decision to found RevUp Caribbean Ltd was based on the founders' experience with First Angels Jamaica, as well as lessons of experience and research on barriers to MSE financing and growth across the world. The Executing Agency is governed by a Board of Directors and both the Chairman and Managing Director of the Company have had extensive experience developing and managing IDB-funded projects. Notable among these was the IDB Lab financed Project *"Improving the Competitiveness of Family Businesses Through Corporate Governance"*, JA-M1012 executed by The Private Sector Organization of Jamaica (PSOJ) when the RevUp Caribbean Ltd.'s Chairman was the then President, and the Managing Director was the Chief Executive Officer of the PSOJ, and First Angels Jamaica's participation in the IDB Lab Xcala Project.
- 5.2 In delivery of this project, the Development Bank of Jamaica (DBJ) will utilize resources from the IDB loan operation JA-L1085 Boosting Innovation, Growth and Entrepreneurship Ecosystems as counterpart financing. The DBJ is a government institution that supports large projects in Jamaica but is also focused on the delivery of assistance to Micro, Small and Medium Enterprises (MSMEs), which are recognized as important engines of economic growth and employment, particularly in small countries. DBJ's financial and technical support to the MSME sector in Jamaica is provided through financial intermediaries and business support organizations such as RevUp Caribbean Ltd.
- 5.3 The National Commercial Bank of Jamaica Ltd (NCBJ) will also partner with the Executing Agency via the provision of counterpart financing and referral of MSE

clients to the program. The NCBJ is the largest financial group in Jamaica, delivering a range of financial products and services for retail, business, and government clients.

- 5.4 Key Technical Partners: RevUp Caribbean Ltd has established partnerships with local and international groups to deliver industry-leading training, mentorship and supporting services for its MSE clients. One such international partners is the World Business Angels Investment Forum (WBAF), which will provide RevUp Caribbean with trained and certified international mentors specializing in verticals critical for MSE success and access to financing. Local partners include: First Angels Jamaica, for equity funding, Infoserv Learning Management Systems, for provision Extended Disc™ Self-assessment tool, Future Skills Consultants, for support in strategic planning and HR consultations, Supreme Ventures Business Hub, for back-office services in accounting and HR, Makeyla Solutions, for cloud accounting packages and preparation of financial statements, Cube Corporate Support, for corporate secretarial and corporate governance services, and Intcomex Limited, for technology products and services.

## **B. Implementation Structure and Mechanism**

- 5.5 The Executing Agency will establish an executing unit and the necessary structure to execute project activities and manage project resources effectively and efficiently. The Executing Agency will also be responsible for providing progress reports on project implementation. Details on the structure of the execution unit and reporting requirements are in Annex V in the project technical files.
- 5.6 The Executing Agency is governed by a Board of Directors comprised of a chairman and six other directors, with four of the seven members being women. Six of the directors are Angel investors, members of First Angels Jamaica, and the seventh is the founder and CEO of the first company to receive an angel investment from the FAJ. The Board will meet quarterly to review the progress of project activities and financial statements prepared by the project accountant. The Company Secretary, a seasoned corporate governance professional, will schedule and manage meetings, take minutes, and ensure adherence to the company's Governance Charter and all relevant laws and regulations.
- 5.6 The Board will have four main committees that will support Executing Agency's successful delivery of the project as follows: (i) An Executive Committee, comprising three members, responsible for ongoing oversight of the incubator, its projects and programmes; (ii) A Finance and Audit Committee, comprising 3 members, responsible for, inter alia, fund-raising, monitoring the financial affairs of the company, and recommending to the Board of Directors, the engagement of external auditors; (iii) A Programme Advisory Committee comprising overseas-based Angel Investors, Business Incubation and MSE Experts from Europe, Africa, Latin America and the Americas, as well as a representative of NCBJ, and (iv) A Selection Committee, comprising 3 – 5 members of the Programme Advisory Committee which will be responsible for selecting participants for each cohort of the incubator and recommending them to the RevUp Caribbean's Board of Directors for approval. The Selection Committee will meet twice per year.

## VI. Compliance with Milestones and Special Fiduciary Arrangements

- 6.1 **Disbursement by Results, Fiduciary Arrangements.** The Executing Agency will adhere to the standard IDB Lab disbursement by results, Bank procurement policy<sup>8</sup> and financial management<sup>9</sup> arrangements as specified in Annex V and VI
- 6.2 **Results Based Disbursement:** The project will be monitored by the IDB's Country Office in Jamaica. Monitoring will be undertaken in accordance with the performance and risk management policies (fulfilment of milestones), as established by the IDB Lab. Project disbursements will be contingent upon verification of the achievement of milestones (pre-determined outputs critical to achievement of the development objectives). Achievement of milestones does not exempt the Executing Agency from the responsibility of reaching the results matrix indicators and project's objectives
- 6.3 **Financial Management and Supervision:** The Executing Agency will establish and be responsible for maintaining adequate accounts of its finances, internal controls, and project files according to the financial management policy of the IDB Lab. For the procurement of goods and contracting of consulting services, the Executing Agency will adopt the principles of IDB Policies (GN-2349-15 and GN-2350-15).

## VII. Information Disclosure and Intellectual Property\*\*

- 7.1 **Information Disclosure.** Project information is not considered confidential under the IDB Access to Information Policy. This document is therefore public in accordance with said policy<sup>10</sup>.
- 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 IDB Group an irrevocable, worldwide, 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

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<sup>8</sup> Link to the Policy: [Procurement of Works and Goods Policy](#)

<sup>9</sup> Link to the document [Operational Guidelines for Management of Milestones and Financial Supervision for IDB Lab and SEP Technical Cooperation Projects](#)

<sup>10</sup> [Link to the Access to Information Policy](#), and [Link to IDB Lab Document Classification](#).