

EXECUTIVE SUMMARY
Pago 46: REVOLUTIONIZING PAYMENTS FOR VULNERABLE POPULATIONS
(RG-L1144)

Despite the recent strides in digital financial innovations in Latin America and the Caribbean (LAC), exemplified by cases such as Brazil's NuBank, Argentina's Ualá, Mexico's Albo, inclusion in the *digital payments* market remains a continuing challenge – only 54% of the region's population has a bank account and only 21% has a credit card. As a result, most of LAC's unbanked and underbanked consumers remain heavily cash-dependent in their everyday transactions, which limits their ability to participate in the digital economy.

This is especially true amidst the COVID-19 context, as contactless and digitized transactions are gaining traction in the region. While the e-commerce market in LAC grew by double digits under COVID-19, most unbanked consumers in LAC still do not have access to adequate digital payments options, thereby having to rely on cash vouchers (trading cash for digital product/service at designated cash spots) or being unable to participate at all in the digital economy. Moreover, traditional cash networks require frequent physical interactions, which not only could be unhygienic during times of COVID-19, but also hard to be completed in times of quarantines and lockdowns.

The project objective is to improve the ability of the region's consumers to access products and services available through digital platforms, by supporting the consolidation of an innovative payments solution – advanced by Pago46– that brings together cash and digital transactions and also generates additional income opportunities in the gig economy. To achieve this, the project will provide crisis response financing to Pago46 under the *Emergency Financing Line for Startups and Scaleups* (LIFESS) Line of Activity, to help this startup cope with the effects of COVID-19 and carry on its business, while it completes its capital raising efforts.

Pago46 is a regional startup offering an innovative on-demand cash-to-digital payments solution that delivers payment services to last mile clients. Pago46's solution is innovative in two ways: (i) it allows unbanked or underbanked consumers to pay with cash for goods and services being offered digitally, right from the place where the consumers are located and with minimized contact with the payment collection agent or the merchant; (ii) it takes advantage of LAC's growing gig economy market to mobilize a massive network of Pago46 mobile "agents" to facilitate the transactions. This activity also creates additional income opportunities for the agents, who often come from lower socio-economic class themselves.

IDB Lab's contribution of up to US\$600,000 will consist of a bridge financing, structured as a senior loan with an option to convert into Pago46's equity stock, at a future capitalization round. IDB Lab's financing will be used by Pago46's as working capital to fund its operations and to generate improvements in the company software, applications and technology related to its payment products and services in its current countries of operation and to expand services to Ecuador. As a result, this project is expected to benefit about 615,000 consumers and users of Pago46 payment services in Argentina, Chile, Mexico and, potentially, Ecuador to gain access to the digital economy and some 85,000 small businesses and gig economy workers to benefit from additional income opportunities, as Pago46 agents.