

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

BARBADOS

**CATALYZING REGIONAL INNOVATION & DIASPORA INVESTMENT IN THE STARTUP
ECOSYSTEM**

(BA-T1047)

DONORS MEMORANDUM

This document was prepared by the project team comprised of: Maritza Vela (MIF/KE) and Ruth Houliston (MIF/CBA), Co-Team Leaders; Vashtie Dookiesingh (MIF/CTT), Matthew Talvacchia (MIF/KE); George Rogers (GCL/GCL)

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PROJECT SUMMARY
CATALYZING REGIONAL INNOVATION & DIASPORA INVESTMENT IN THE START-UP
ECOSYSTEM
(BA-T1047)

Barbados and many other Caribbean states are confronted with low levels of economic growth and growth prospects linked to undiversified exports, concentration of markets (e.g. tourism), low levels of value-added in manufacturing, agro-processing and services, and high energy costs. This has resulted in high levels of unemployment, particularly amongst youth¹, and slow overall job creation. Barbadian² and Caribbean³ regional policy makers recognize the need to address these issues by promoting a vibrant start-up ecosystem that will support job creation in technology driven-innovation and entrepreneurship. Support for startup formation in the Caribbean region is typically constrained by: (i) highly fragmented and ad hoc service offerings that are not commercially structured to attract private investment; (ii) isolation of startup firms which lack connections to professional networks, peers, industry leaders and other agents in the ecosystem; and (iii) underdeveloped early-stage capital markets that constrain the emergence and growth prospects of startups.

The objective of this project is to catalyze a vibrant Caribbean startup ecosystem, including early stage investment, which will support entrepreneurship and innovation that is capable of fostering long-term economic growth and job creation. The Entrepreneurship Network (TEN) Habitat recognizes that a stronger interconnected ecosystem is required where good ideas can readily translate into sustainable, revenue generating businesses. Under this project, TEN Habitat will provide a holistic continuous support structure for startups and early stage businesses that use technology to enhance innovative and scalable ideas - primarily in agro-processing, alternative energy, creative industries, education and tourism.

To achieve this, TEN Habitat will implement a highly connected Caribbean startup community that effectively links founders, mentors, investors and other stakeholders within a local and global network to deliver: (i) training, mentoring and advisory support; (ii) seed capital leveraged from the diaspora; and (iii) access to a Caribbean investor angel network and other financing modalities. This model will be piloted via a state of the art startup innovation hub located in Bridgetown and via TEN Habitat's online portal, as well as scaled regionally to include at least two additional Caribbean locations. The key innovative aspect of the proposed model is the attraction and leverage of financing from the Caribbean diaspora, starting with crowdfunding for seed capital. TEN Habitat's model directly responds to, and addresses, the key barriers to investment by Caribbean diaspora,⁴ and in so doing will link global capital to local startups.

This project is well aligned to the IDB Group Institutional Strategy and Barbados Country Strategy which supports private sector competitiveness, catalyzing of partnerships and innovation and financing for SMEs and startups. The MIF provides significant additionality to this project given its extensive experience with support for startup ecosystem, early stage financing and a wide network of resources in this space.

The primary beneficiaries are startups and small firms that use technology to enhance innovative and scalable ideas - primarily in agro-processing, alternative energy, creative industries, education and tourism. At the end of the 3 year project, it is expected that 72 startups will successfully complete TEN Habitat's investment-driven hybrid acceleration program⁵; 800 persons (including founders, diaspora investors and mentors) will receive training; TEN Habitat will crowdfund US\$250,000 from the diaspora, and 25 participating startups will access early-

¹ *Youth are the Future: The Imperative of Youth Employment for Sustainable Development in the Caribbean*: The Caribbean Development Bank (2015).

² *Barbados Growth and Development Strategy* (2013-2020)

³ *Strategic Plan for the Caribbean Community* (2015-2019): The Caribbean Community (CARICOM).

⁴ *Diaspora Investing – The Business and Investment Interests of the Caribbean Diaspora*: The World Bank, 2013

⁵ TEN Habitat's program is a hybrid in that it integrates both traditional acceleration approaches and longer term incubation - including training tailored to startups' needs, access to global partners and structured mentorship offered for up to two years post-acceleration.

stage financing. In addition, TEN Habitat will have a strategy in place to implement the model in two other Caribbean locations within 18 months after the initiation of the project.

ANNEXES

ANNEX I	Results Matrix
ANNEX II	Budget Summary

APPENDICES

Draft Resolution

INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF MIF PROJECT INFORMATION SYSTEM

ANNEX III	Detailed Budget (<i>IDBDOCS#40643020</i>)
ANNEX IV	Diagnostic of Needs of the Executing Agency (DNA) (<i>IDBDOCS#40640540</i>)
ANNEX V	Reporting Requirements and Compliance with Milestones, Fiduciary Arrangements and Integrity Due Diligence (<i>IDBDOCS#40643030</i>)

ACRONYMS AND ABBREVIATIONS

AC	Advisory Committee
BIDC	Barbados Investment and Development Corporation
CTI	Competitiveness, Technology and Innovation Division
DNA	Diagnostic of Executing Agency Needs
EPIC	The Entrepreneurship Program for Innovation in the Caribbean
HH	Hosted Habitats
IDB	Inter-American Development Bank
IIC	Inter-American Investment Corporation
IP	Intellectual Property
LAC	Latin America and the Caribbean
MIF	Multilateral Investment Fund
PEU	Project Executing Unit
REACH	Regional Entrepreneurial Asset Commercialization Hub
TEN	The Entrepreneurship Network
UWI	University of the West Indies
YEP	Youth Entrepreneurship Program

PROJECT INFORMATION

**CATALYZING REGIONAL INNOVATION & DIASPORA INVESTMENT IN THE START-UP
ECOSYSTEM
(BA-T1047)**

Country and Geographic Location:	Barbados		
Implementing Partner:	The Entrepreneurship Network (TEN) Habitat		
Focus Area:	Knowledge Economy: Strengthening the ecosystem for entrepreneurship & innovation		
Coordination with Other Donors/Bank Operations:	<u>Bank Operations:</u> The Enhanced Access to Credit for Productivity Project (BA-L1035); Strengthening the Entrepreneurial Spirit of Caribbean Youth (RG-M1284); Caribbean Regional Entrepreneurial Asset Commercialization Hub (RG-T2536); ConnectAmericas Partnership Program (RG-X1265); Platform to Catalyze Early Stage Investment (RG-M1228). <u>Other Donors:</u> Entrepreneurship Program for Innovation in the Caribbean (infoDev/World Bank Group and Government of Canada)		
Project Beneficiaries:	72 firms are expected to successfully complete the program; and 800 persons (including founders of startup firms, existing entrepreneurs, targeted diaspora investors and mentors/coaches) will receive training.		
Financing:	Technical Cooperation:	US\$ 576,750	34%
	Equity:	-	-
	Loan:	-	-
	Other (explain):	-	-
	TOTAL MIF FUNDING:	US\$ 576,750	34%
	Counterpart:	US\$ 1,115,000	66%
	Co-financing (if available; include a separate line for IDB Co-financing if applicable):	-	-
	TOTAL PROJECT BUDGET:	US\$ 1,691,750	100%
Execution and Disbursement Period:	36 months of execution and 42 months of disbursement.		
Special Contractual Conditions:	Special conditions precedent to first disbursement will be: (i) Selection of the Technical Coordinator; (ii) signature of lease agreement for TEN Habitat's innovation hub in Barbados; (iii) signature of partnership agreement with Communitech (Canada); and (iv) sponsorship agreement formalized with at least one corporate sponsor.		
Environmental and Social Impact Review:	This operation was screened and classified as required by the IDB's safeguard policy (OP-703) on 31 August, 2016. Given the limited impacts and risks, the proposed category for the project is C.		

1. THE PROBLEM

Problem Description

- 1.1 Barbados and many other Caribbean states are confronted with low levels of economic growth and growth prospects linked to undiversified exports, concentration of markets (e.g. tourism), low levels of value-added in manufacturing, agro-processing and services, and high energy costs. This has resulted in high levels of unemployment, particularly amongst youth⁶, and slow overall job creation. Barbadian⁷ and Caribbean⁸ regional policy makers recognize the need to address these issues by prioritizing economic drivers such as *technology driven-innovation and entrepreneurship*. The robust correlation between start-up formation and job creation⁹ is increasingly driving countries across the globe, to invest in creating strong startup ecosystems¹⁰. Promoting vibrant startup ecosystems nurtures innovation, attracts new talent and develops new market opportunities, thereby increasing competitiveness, growth and jobs¹¹.
- 1.2 However, in Barbados and the Caribbean region support for startup formation is typically constrained by three critical limiting factors. Firstly, existing support to startups tends to be highly fragmented and ad hoc service offerings that are not commercially structured to attract private investment. While there are a growing number of opportunities for founders to participate in startup bootcamps, access to these events remains largely intermittent. Essential follow-on support required to transition startups from ideation to investment readiness is largely non-existent. Secondly, founders of startup firms lack connections to professional networks, peers, industry leaders and other agents in the ecosystem. This stagnates creativity and dilutes the potential for innovation. Isolation not only hinders the development of startups, but also their resilience¹². Some of the most successful start-up ecosystems are those that have become more interconnected and focused on building an innovation community¹³. Thirdly, underdeveloped early-stage capital markets that lack the necessary sophistication to support startups, constrain their emergence and growth prospects. The ease of accessing seed/venture capital is a key determinant of growth in any startup ecosystem. This is evidenced by the 95% increase in total venture capital investments across the top 20 global startup ecosystems in just one year (2013-2014)¹⁴. The financial landscape in Barbados, as in most small Caribbean states, is exceedingly undiversified. Commercial banks, as the primary financial service providers in the region, are highly risk averse - despite enjoying significant liquidity. They have remained largely in the consumer and corporate lending space, and generally do not appreciate the potential of new startups, particularly those in knowledge intensive sectors. Meanwhile, the establishment of angel investor networks and crowdfunding as alternatives is still at a nascent stage.
- 1.3 The World Bank, in 2013, published a report demonstrating the significant untapped opportunity to leverage investment for Caribbean startups from the diaspora. However to unlock this potential, key barriers must be addressed, including: (i) low visibility/awareness of deal flow; (ii) difficulty in establishing due-diligence/relationships of trust with entrepreneurs; (iii) difficulty in maneuvering complex legal processes; and (iv) lack of understanding by both investors and founders of early stage financing modalities¹⁵.

⁶ *Youth are the Future: The Imperative of Youth Employment for Sustainable Development in the Caribbean*: The Caribbean Development Bank (2015).

⁷ *Barbados Growth and Development Strategy* (2013-2020)

⁸ *Strategic Plan for the Caribbean Community* (2015-2019): The Caribbean Community (CARICOM).

⁹ *The Importance of Startups in Job Creation and Job Destruction*, Kauffman Foundation (2010)

¹⁰ *Global Startup Ecosystem Report*, 2015

¹¹ *Global Innovation Index*, 2015

¹² *A Holistic Outcome Assessment of infoDev's Mobile Entrepreneurship Enablers*. The World Bank, 2014.

¹³ *Waterloo Startup Ecosystem Report – The David vs. Goliath of Startup Ecosystems* (Compass Blog, October 2015).

¹⁴ *The Global Startup Ecosystem Report*, 2015

¹⁵ *Diaspora Investing – The Business and Investment Interests of the Caribbean Diaspora*: The World Bank, 2013.

- 1.4 **Geographical focus:** The project will pilot TEN Habitat, the Caribbean Region's first startup community in Barbados, and scale the model to two additional Caribbean locations, to be determined within 18 months, according to the interest and ecosystem needs in other countries. It is expected that TEN Habitat will initially focus on scaling to Guyana and Trinidad and Tobago, given their strong business and social connections with Barbados.
- 1.5 **Beneficiaries:** The primary beneficiaries of the proposed project are (i) startups at ideation or startup phase, typically operated by one to two founders; and (ii) small firms at the early stage of operations. Project beneficiaries will include (i) unemployed/low-income youth¹⁶, with an interest in entrepreneurship who will access opportunities to gain new skills in entrepreneurship, with the potential to become startup founders or access employment with startups that scale upon exiting the hybrid-accelerator; and (ii) students who will benefit from exposure to entrepreneurship and gain academic credits through the student immersion offered by TEN Habitat (see section 2.5 for details).

2. THE SOLUTION

Project Description

- 2.1. The objective of this project is to catalyze a vibrant Caribbean startup ecosystem, including early stage investment, which will support entrepreneurship and innovation that is capable of fostering long-term economic growth and job creation.
- 2.2. The project is aligned with the new MIF Knowledge Economy strategy which is supporting countries to apply technology and innovation-driven solutions to address social challenges.. This program with TEN Habitat intends to test, invest and scale innovative and tech-driven solutions to social, economic, and environmental problems in three Caribbean countries.
- 2.3. **The proposed model/solution:** A stronger interconnected ecosystem is required where good ideas can readily translate into sustainable, revenue generating businesses. TEN Habitat will provide a holistic continuous support structure for startups and early stage businesses that use technology to enhance innovative and scalable ideas - primarily in agro-processing, alternative energy, creative industries, education and tourism. To achieve this TEN Habitat will implement a highly connected Caribbean startup community that effectively links founders, mentors, investors and other stakeholders within a local and global network to deliver: (i) training, mentoring and advisory support; (ii) seed capital leveraged from the diaspora; and (iii) access to a Caribbean investor angel network and other financing modalities. This model will be piloted via a state of the art startup innovation hub located in Bridgetown, through access to TEN Habitat's online portal, and will be scaled regionally to at least two additional Caribbean locations, to be determined during project implementation.
- 2.4. **Innovation:** Since 2009 the Caribbean professionals and entrepreneurs that constitute TEN Habitat's core team have been analyzing the inefficiencies of the startup ecosystem across the region. In developing a solution, they have built strategic partnerships with key global players in this space¹⁷ to integrate global expertise and best practices with the local needs of Caribbean startups. The key innovative aspect of the proposed model is the attraction and leverage of capital from the Caribbean diaspora, starting with

¹⁶ For example, in 2010 youth unemployment in Barbados was 28%¹⁶ surpassing both the national average of 11%¹⁶ and regional average of 25% (Youth are the Future: The Imperative of Youth Employment for Sustainable Development in the Caribbean (Caribbean Development Bank, 2015). There is evidence to suggest that youth unemployment has increased since 2010, given the impact of the global crisis on the Barbados economy. Moreover, 50% of unemployed youth in Barbados are categorized as poor or vulnerable, with 40% - double the national average - categorized as poor (Barbados Country Assessment of Living Conditions (2010).

¹⁷ Including Communitech, (Canada's leading innovation center); NewMe Accelerator (Silicon Valley); Yozma Group (Israel) and Passion Accelerator (Nigeria).

crowdfunding for seed financing. TEN Habitat's model directly responds to and addresses the key barriers to investment by Caribbean diaspora¹⁸ and in so doing TEN Habitat will link global capital to local startups.

Component I: Mainstreaming Hybrid Acceleration for the Caribbean.

- 2.5. Recognizing that current interventions to support startups tend to be ad hoc and focused on ideation and pitches, TEN Habitat will focus on the delivery of a more comprehensive 8 month hybrid acceleration model for the commercial development of startups. TEN Habitat's program is a hybrid in that it integrates both traditional acceleration approaches in the Caribbean region with longer term incubation. The model includes training that is specifically tailored to startup needs, access to global partners and structured mentorship offered for up to two years post-acceleration. High potential startups will compete for placement, and these firms will be selected based on their innovative value proposition and suitability for commercially driven acceleration. Selection will be via a competitive process facilitated through specific recruitment bootcamps. TEN Habitat will onboard 2 cohorts of between 10 to 20 startups per year. Their program will include online and face-to-face training, interactive workshops and assignment of mentors/coaches for the 8 month period. A key feature of TEN Habitat's hybrid model is that startups will benefit from a well-structured needs-based program of up to 2 years of post-acceleration mentorship. TEN Habitat will leverage its existing extensive network, including partner accelerators and the diaspora, to match startups with continuous access to a pool of highly skilled local and global mentors. Participating Startups will also have the opportunity for global exposure via immersion placements with TEN Habitat strategic partners [Communitech](#) (Waterloo, Canada) and [NewMe](#) (Silicon Valley, USA). See Section 5. for details.
- 2.6. TEN Habitat will develop and maintain a virtual platform to connect participants to online resources which will facilitate global reach, scaling and flexibility while managing cost. In addition startups will access specialized financial and legal services as required. Leveraging student immersion programs, currently offered by TEN Habitat strategic partner, Communitech (and the University of Waterloo, Canada)¹⁹, startup enterprises will benefit from the embedding of graduate students within their teams to assist in strategic business development activities. Students will be matched to startups according to areas of expertise and specific needs of the startup they will support. Students are overseen by TEN Habitat coaches and academic supervisors from partner institutions. This win-win allows startups to acquire skills at no cost, students gain credits and exposure to real-startup culture and TEN Habitat builds a potential future pipeline for their hybrid accelerator.

Component II: Creating a Caribbean Innovation Community for Startups.

- 2.7. This component will address the issue of startup isolation by creating a Caribbean innovation community that actively connects key players in the ecosystem - linking startups, local private sector actors, government agencies, global brands, diaspora, investors and academic institutions. The community will focus on building a meaningful network to support ideation, innovation and business development, through a continuous program of events, trainings and online resources to stakeholders beyond startups directly admitted to the hybrid accelerator program. Participants will interact at TEN Habitat's innovation hub in Barbados, via its online platform and at two additional physical sites

¹⁸ Diaspora Investing – The Business and Investment Interests of the Caribbean Diaspora: The World Bank, 2013

¹⁹ Waterloo District boasts a global reputation for producing a disproportionately high number of innovative tech-startups and a startup density second only to Silicon Valley outperforming cities with populations 10x to 30x times their size. Communitech partnership with the University of Waterloo is at the core of this success (*Waterloo Startup Ecosystem Report* – The David vs. Goliath of Startup Ecosystems (Compass Blog, October 2015).

located outside of Barbados (TEN's "Hosted Habitats"). TEN Habitat will also organize two key annual events which will facilitate face-to-face interaction of members of the wider regional innovation community. These events are (i) Caribbean Startup Summits, their flagship networking and training event; and (ii) Female Founder Bootcamps, which are specifically structured to proactively target and support the preparation and enrollment of women in TEN Habitat's hybrid accelerator. These female entrepreneurs could also participate in programs such as Demand Solutions/WeXchange which are organized by the IDB/EXR and MIF to provide network opportunities and capacity building for female led businesses.

Component III: Catalyzing Diaspora Investment in early-stage financing.

- 2.8. This component will focus on a critical gap in the Caribbean startup ecosystem, specifically the lack of access to seed and early stage financing of new ventures. TEN Habitat's strategy to target Caribbean diaspora for seed and angel investment capital is supported by a 2013 World Bank report which surveyed business and investment interests of the diaspora vis-à-vis Caribbean startups. Respondents expressed a strong desire to have an impact on job creation and demonstrated interest in supporting startups with an overwhelmingly regional – rather than nationalistic - view²⁰.
- 2.9. Key aspects of TEN Habitat's strategy to leverage untapped diaspora financing include the following initiatives. To mobilize diaspora interest in investment, TEN Habitat will launch an initial "1000 Strong" crowdfunding campaign which aims to raise US\$ 100,000 from 1000 individual donors in the diaspora, and catalyze a total fund-raising target of US\$ 250,000 in three years. To galvanize support for the crowdfunding initiative, and to engage potential investors in an angel network, TEN Habitat will lead road shows to target large, well-organized diaspora communities in London, New York and Toronto.
- 2.10. TEN Habitat's investment in building a structured and interactive startup ecosystem is also intended to address: (i) information asymmetries; (ii) perceptions on lack of opportunities and investor readiness of Caribbean startups; and (iii) financial and legal complications of individual investment activities - all of which are identified as barriers to diaspora investment in the region. For example, TEN Habitat's online platform will facilitate introduction, interaction and matching of startups with potential investors and mentors from the diaspora. Participation of startups in the 8 month hybrid acceleration followed by a 2 year mentorship program will improve investor readiness. TEN Habitat will manage targeted sensitization and online training programs for potential diaspora investors, to mitigate their aversion to perceptions of risk and uncertainty, help navigate legal and financial implications of investing in the region and build their understanding of early stage capital market opportunities.

Results Measurement, Monitoring, and Evaluation

- 2.11. Over a three year period TEN Habitat is expected to onboard 110 firms into their 8-month hybrid acceleration program, and expects that 72 investor-ready enterprises will graduate from the program. In parallel, TEN Habitat will raise an initial US\$ 250,000 through crowdfunding from the Caribbean Diaspora to establish a seed fund. At least 25 enterprises will receive funding at early stages from the seed fund and/or from angel investors in TEN Habitat's investor network. Through the project a Caribbean innovation community will be established by TEN Habitat and its global partners, initially at the Barbados hub and within 18 months after the start of the project, in at least two other Caribbean locations. By project close, 800 persons - including founders, existing entrepreneurs, targeted diaspora investors and mentors, will complete training from

²⁰ The Report demonstrated that Caribbean diaspora are well-organized and easy to reach, with 70% belonging to affiliated organizations, and geographically concentrated in major cities. Diaspora tended to be well-educated and fairly affluent, with more than half having earned a bachelor's degree and almost one quarter having an investible wealth of more than US\$100,000. 85% of respondents already give back in some way – however 9 out of 10 would like to be even more engaged. (Diaspora Investing – The Business and Investment Interests of the Caribbean Diaspora: The World Bank, 2013).

TEN Habitat either face-to-face and/or virtually. At a systemic level it is expected that this project will contribute to MIF's Knowledge Economy aspirational indicator of job creation in the knowledge economy, as participating startup enterprises are each expected to create 4 new jobs, for a total of at least 320 net jobs over 5 years.

- 2.12. The Project will test a specific hypothesis that the creation of a sustainable startup ecosystem in the Caribbean region will have a positive effect on the success of startups and by extension will create jobs. Monitoring of the project results will entail the development of a structured database for the collation of information on participating startups from the point of onboarding to graduation, or other exit, from the hybrid accelerator. A toolkit/model to implement tracer studies to collect data on performance and status of startups up to 3 years post-graduation or other exit from the accelerator, will also be required. During the course of the project, all data collection and analysis required to populate these monitoring systems will be collected and analyzed by the project's Technical Coordinator and assessed periodically by TEN Habitat Board of Directors and Advisory Committee.
- 2.13. In addition, TEN Habitat's Technical Coordinator will be responsible for the development and population of a database of persons accessing training events and resources. These students will include startup founders, students involved in the immersion program, mentors/coaches, existing/potential investors and other direct stakeholders. The capture and collation of information from diverse users will require the enforcement of a registration for each training resource and/or opportunity. On conclusion of each training program/event, an automated survey on participant experience, satisfaction and recommendations will be sent for completion by each registered user.
- 2.14. TEN Habitat will manage and track three main data sources related to fundraising: (i) a database of targeted donors in the diaspora that can be used to plan and monitor fundraising efforts; (ii) an existing crowdfunding platform to raise and record donations for seed funding (starting with the initial 1000 Strong Campaign); (iii) a financial software system to monitor inflows and disbursements of capital for seed funding of startups. The Technical Coordinator will be responsible for the implementation of the systems and collection/analysis of related data.
- 2.15. Given the relatively short duration of the project, a final evaluation, to be conducted by an independent consultant will be commissioned on completion of the project's period of execution. The final evaluation will focus on the achievement of targeted results, key lessons learned and importantly recommendations for sustainability of TEN Habitat beyond the period of the MIF project. It is expected that TEN Habitat's project team, Board of Directors, Advisory Committee, strategic partners, startup founders, donors and investors from the diaspora/region and other key stakeholders will participate directly in the evaluation process and importantly in the formulation of a strategy for the sustainability and growth of TEN Habitat beyond the technical cooperation. The project closing workshop will be convened at least 3 months prior to the disbursement date of the project to discuss and adopt proposed measures to sustain activities of TEN Habitat.

3. ALIGNMENT WITH IDB GROUP, SCALABILITY, AND PROJECT RISKS

Alignment with IDB Group

- 3.1. This project is fully aligned with the overall IDBG Institutional Strategy (2010-2020) and represents a close fit with both the IDB's Operating Guiding Principles to perform a "catalytic role in leveraging partnerships, innovation and knowledge" and CTI's focus on technology and innovation financing for SMEs and startups. It fully supports the overall

objective of the IDB's Barbados Country Strategy (2014-18) to focus on “private sector competitiveness and improved efficiency of public sector services to address binding constraints to growth” and in particular the “commitment to promote greater access to credit.”

- 3.2. This project provides a strong complement to the Enhanced Access to Credit for Productivity Project (BA-L1035) established to assist existing SMEs in obtaining medium to long-term financing by providing security to eligible financial institutions for new loans. The Executing Agency for this project is the Central Bank of Barbados with whom TEN Habitat will engage to maximize joint impact of both projects.
- 3.3. This project is also well aligned to the MIF's Regional Youth Entrepreneurship Program (YEP): Strengthening the Entrepreneurial Spirit of Caribbean Youth (RG-M1284) which seeks to increase the number of sustainable businesses of low-income youth in the Caribbean. Participating Youth Business Trusts of Barbados, Jamaica and Trinidad and Tobago in the YEP and TEN Habitat are formalizing a partnership that will guide collaboration between both projects.
- 3.4. TEN Habitat will also explore linkages and synergies with the Regional Project RG-M1228, Platform to Catalyze Early Stage Investment. This regional project was designed to support the creation, growth and sustainability of angel investor networks in the region. TEN Habitat are already partnering with Trident Angels, a Barbados Angel Network of HNWI that has already received support from this regional project. The Caribbean Regional Entrepreneurial Asset Commercialization Hub (REACH), (RG-T2536) project is directly synergistic with the TEN Habitat model in that REACH focusses on the creation of a platform to facilitate leverage of Intellectual Property (IP) by enterprises and stakeholders in the region. As a specialized knowledge resource, the online REACH platform to be developed by this project can be linked to the TEN Habitat virtual platform to facilitate access to collated data and knowledge on IP asset management. Additionally the Executing Agency for REACH, the University of the West Indies, is a strategic partner of TEN Habitat.
- 3.5. TEN Habitat has partnered with the ConnectAmericas Partnership Program (RG-X1265) which is the first online social network for businesses in the LAC, dedicated to promoting international trade and investment. This partnership offers an additional modality for networking of Caribbean startups with businesses, investors and other stakeholders in the LAC. TEN Habitat will link Caribbean startups to ConnectAmericas via their online platform.
- 3.6. Additionally the project is well aligned with The Entrepreneurship Program for Innovation in the Caribbean (EPIC)²¹. EPIC seeks to build an enabling ecosystem to foster high-growth and sustainable enterprises throughout the Caribbean. TEN Habitat will actively engage with EPIC's national executing partners to explore synergies, identify opportunities for collaboration and strengthen the targeting and efficacy of support to startups in the Caribbean region.

Scalability

- 3.7. TEN Habitat will scale horizontally by expanding to the wider Caribbean, in two ways:
 - (i) TEN Habitat is actively seeking potential partners to host complementary sites, in addition to the Barbados innovation hub, in at least two other Caribbean locations to be determined during project execution. These partners, as TEN's Hosted Habitats (HHs) co-branded satellite locations, will offer a tailored range of services available through the TEN Habitat model. Each of the HH partners will work together, remain highly connected and operate in close coordination as part of the TEN Habitat community.

²¹ EPIC is funded by the Government of Canada and infoDev, a global program within the World Bank Group

- (ii) TEN will expand its resources and regional reach, in partnership with the Caribbean's leading academic institutions. TEN Habitat is initially targeting the University of the West Indies (UWI) and the University of Guyana, which represent a combined network of over 50,000 students, more than 9,000 annual graduates and an alumni of over 135,000 across the Caribbean²². TEN Habitat will leverage these partnerships to formalize student participation in the immersion programs, catalyze a pipeline of founders and mobilize alumni (many of whom are now diaspora) to coach, mentor and/or invest.

Project Risks

- 3.8. As an innovative model and first mover in this space, the project can be considered medium/high risk given that it is untested in the context of the Caribbean and TEN Habitat is a relatively new agency with limited institutional experience. However, these risks are mitigated through the following: (i) the model has been tailored to address the specific barriers faced by startups and investors within the Caribbean region; (ii) in building the model, TEN Habitat deliberately sought and leveraged a strategic partnership with Communitech²³ a leading global accelerator that bring extensive experience, networks and resources, relevant to the local context; (iii) while TEN Habitat has limited institutional experience, its Board, Executive and Advisors collectively contribute decades of global and regional professional and entrepreneurial experience to the program.
- 3.9. Additional risks associated with startup acceleration and early stage investment include fundraising and market risks:
 - (i) The risk specific to fundraising is that the Executing Agency may fail to attract sufficient donations to adequately capitalize seed financing support for participating startups. This risk is mitigated in part by the following: (i) TEN Habitat is an active organizer and participant in key diaspora communities which is the targeted source of funding; (ii) the 1000 Strong crowdfunding strategy seeks to attract nominal amounts (US\$ 100) from the large, well organized and accessible diaspora community; (iii) the project structure explicitly addresses stated barriers to diaspora investment in the Caribbean.
 - (ii) Market risks include insufficient demand for acceleration services and an inadequate pipeline of qualified startups. These will be mitigated by an aggressive push for pipeline development by: (i) hosting of bootcamps for intake, including specific targeting of female founders; (ii) regional scaling of the program in at least two locations; and (iii) forging partnerships with the University of the West Indies and University of Guyana to attract participants.

4. COST AND FINANCING

- 4.1. The project has a total cost of US\$ 1,691,750, of which US\$ 576,750 (34%) will be provided by the MIF via a non-reimbursable Technical Cooperation, and US\$ 1,115,000 (66%) by the counterpart.
- 4.2. Retroactive financing of up to US\$ 68,500 will be recognized as counterpart from January 1, 2016. These funds relate to expenses for convening TEN Habitat's inaugural Caribbean Startup Summit and development of program training materials.

²² Their joint reach covers four residential campuses in Barbados, Trinidad & Tobago, Jamaica and Guyana and an additional 16 Caribbean countries hosted via 42 site locations via the UWI Open Campus.

²³ <https://www.communitech.ca/>

	MIF	Counterpart	Total
Project Components			
Component 1: Hybrid Acceleration	\$198,500	\$308,500	\$507,000
Component 2: Creating an Innovation Community for Startups	\$181,250	\$531,500	\$712,750
Component 3: Catalyzing Diaspora Investment in early-stage financing	\$88,500	\$275,000	\$363,500
Scalability Strategy Activities (if needed)	-	-	-
Administrative	\$52,500	-	\$52,500
Monitoring & Evaluation	\$36,000	-	\$36,000
Ex Post Reviews	\$10,000	-	\$10,000
Contingencies	\$10,000	-	\$10,000
Grand Total	\$576,750	\$1,115,000	\$1,691,750
% of Financing	34%	66%	100%

5. PROJECT PARTNERS AND IMPLEMENTATION STRUCTURE

Project Partner(s) Description

- 5.1. The Entrepreneurship Network (TEN) Habitat will be the Implementing Partner of this project and will sign the agreement with the Bank. TEN Habitat is a Barbados based non-profit company founded in 2015. The Executive, Board and Advisory Committee of TEN Habitat collectively bring over 80 years of expertise in entrepreneurship development, finance, technology, marketing, strategic management and project implementation.
- 5.2. TEN Habitat will catalyze the Caribbean Region's first startup innovation community. They are dynamic first-movers in this space, since their foundation they have built an impressive global network, including partnerships with: (i) leading accelerators and startup hubs in Canada, the USA, Israel and Africa²⁴; (ii) Caribbean Diaspora²⁵; (iii) key commercial sponsors²⁶; (iv) leading academic institutions; (v) Angel Investor Networks²⁷ as well as Government Agencies, financial intermediaries, charitable trusts and business associations. TEN Habitat has demonstrated the ability to leverage corporate and public sponsorships for their two-day flagship event the Caribbean Startup Summit, hosted in April 2016, in Barbados.
- 5.3. A key partner in the implementation of this project will be Communitech. Based in Waterloo, [Communitech](#) is Canada's largest innovation hub and startup community, currently supporting approximately 1,000 tech-companies. Their mission is to help tech companies start, grow and succeed. They focus on actively connecting key players in the ecosystem linking start-ups, global brands, government agencies, academic institutions. Under a formalized partnership with TEN Habitat, local startup founders in Barbados and the wider Caribbean region, will have access to Communitech's training programs, online resources, residential programs, mentorship and wider network resources.

²⁴ [Communitech](#), (Canada's leading innovation center); [NewMe](#) (NewMe accelerator pioneered diversity in Silicon Valley, helping hundreds of entrepreneurs build better businesses by identifying strengths from their non-traditional backgrounds); [Yozma Group](#) (founders of the venture capital industry in Israel in 1993, earning worldwide acclaim, the Yozma Group continue as global leaders in early stage financing), [Passion Incubator](#) (Passion Incubator established the Lean Business Model for startups in Nigeria, providing innovative founder teams with the most critical resources needed to quickly gain traction);

²⁵ Including key leaders of the diaspora community on their Advisory Board, Board and Executive, which has allowed them to leverage their networks.

²⁶ Including [Cable & Wireless Business](#), the largest telecommunications provider in the English-speaking Caribbean.

²⁷ Including, Trident Angel Investors, a Barbados based accredited Angel Group which incorporates Barbados' top 10 High Net-Worth Individuals.

- 5.4. The Barbados Investment and Development Corporation (BIDC) is an agency of the Barbados Government mandated to contribute to the diversification and growth of the economy through investment, increased exports and employment creation by fostering the development of competitive business enterprises. The BIDC will play a key role in the project by extending concessionary rates to TEN Habitat for the lease of a prime 4,800 square-foot location in Bridgetown at which TEN Habitat's physical co-working and innovation hub/startup community will be housed.

Implementation Structure and Mechanism

- 5.5. TEN Habitat's Executive Director has overall responsibility for project execution and management of funds. He will be assisted by a dedicated Project Executing Unit (PEU) with the capacity to support day to day execution of project activities and manage project resources effectively and efficiently. The PEU will include a specialized full-time Technical Coordinator and financial and administrative support. Additional support will be provided by student interns drawn from TEN Habitat's pool of graduate students in their immersion program. The Executive Director will assume responsibility for managing the PEU, monitoring and providing strategic direction on implementation progress as well as providing bi-annual online Project Status Reports. Details on the reporting requirements are in Annex V in the project's technical files.
- 5.6. Additionally TEN Habitat will appoint an Advisory Committee (AC) for strategic guidance, coordination of partners and resource mobilization. Based on the project's risk profile, and to facilitate forging of additional partnerships and networking, the MIF will participate as an observer on the AC. Members will be drawn from global and regional partners, alumni of startup founders and advisors and will be expected to convene on a quarterly basis. Key challenges and risks arising in the course of implementation, that may negatively impact achievement of desired results, will be discussed by the AC to define relevant mitigating actions.

6. COMPLIANCE WITH MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 6.1. **Disbursement by Results and Fiduciary Arrangements.** The Implementing Partner will adhere to the standard MIF disbursement by results, procurement and financial management arrangements as specified in Annex V.