

CONFIDENTIAL  
INTERNAL USE  
PUBLIC UPON APPROVAL

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

**REGIONAL**

**NXTP PROGRAM TO ACCELERATE FINTECH AND AGTECH STARTUPS**

**(RG-T2996)**

**DONORS MEMORANDUM**

This document was prepared by the project team consisting of Ana Castillo (MIF/CUR) and Gyoung Joo Choe (MIF/KEC), Project Team Co-leaders; Susana García-Robles (MIF/MIF); Dora Moscoso (MIF/KEC); Sergio Navajas (MIF/KEC); Erika Molina (MIF/CAR); Juan Pedeflous (GCL/GCL); and Paola D. Zorrilla (MIF/KEC).

This document contains confidential information relating to one or more of the ten exceptions of the Access to Information Policy and will be initially treated as confidential and made available only to Bank employees. The document will be disclosed and made available to the public upon approval.

## CONTENTS

### PROJECT SUMMARY EXECUTIVE SUMMARY

I.	THE PROBLEM .....	1
II.	THE SOLUTION .....	3
III.	PROJECT ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND RISKS .....	8
IV.	COST AND FINANCING .....	9
V.	PROJECT PARTNER AND IMPLEMENTATION STRUCTURE .....	12
VI.	FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS .....	13
VII.	ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY .....	13

**PROJECT SUMMARY**  
**NXTP PROGRAM TO ACCELERATE FINTECH AND AGTECH STARTUPS**  
**(RG-T2996)**

In recent years, Latin America and the Caribbean have witnessed the emergence and growth of a group of technology-based companies that have undeniably been a vital force of transformation toward knowledge economies thanks to their capacities for creating value and jobs in knowledge-intensive sectors and their scale-up potential.

FinTech<sup>1</sup> and AgTech<sup>2</sup> are two sectors that currently show a significant potential for growth and impact in the region: While FinTech companies can accelerate the democratization of access to financial services for low-income individuals in the region, AgTech companies are promoting increased productivity through technology that helps to mitigate or adapt to the impacts of climate change. However, the region still has few startups in these sectors that have been able to scale up their innovations, especially because the entrepreneurial ecosystems in these areas, instrumental in facilitating access to capital, markets, and startup support services, are still only in the initial stages of development.

To promote the growth of FinTech and AgTech startups that are capable of developing and scaling up disruptive solutions, the MIF will support the Startup Acceleration Program (as described below) in those verticals. The program is being implemented by NXTP Labs, which the MIF has successfully worked with on other initiatives. It will help the entrepreneurs leading 210 startups operating in Argentina, Chile, Colombia, Uruguay, and potentially one more country in the region to complete a market test, verify the demand for and feasibility of the business model, build a team and organization, reach profitability, increase sales volumes, and expand to new markets through: (i) access to qualified mentors, (ii) coaching and training, (iii) connections with large companies, sales channels, and regional and international investors, (iv) participation in Demo Days/pitch competitions before investors; (v) training sessions for potential investors on the opportunities represented by an investment in this type of startup; and (vi) annual international FinTech and AgTech conferences that will feature the latest trends and discuss the latest opportunities and challenges.

The project is a pioneering acceleration initiative in the region with a focus on FinTech and AgTech. It is led by an entity with proven capacity to identify startups that are offering disruptive solutions and are close to their market test and connect them with key actors in the ecosystem that can play an instrumental role in helping them obtain smart capital and scale up their businesses to the regional and/or global level. Also, in addition to having a positive impact on the growth and development of the 210 startups it accelerates, the project also expects to have a positive spillover effect on the entrepreneurial ecosystems and economies of the countries where it is implemented, and beyond them as well.

The MIF's contribution will be US\$1 million. Of that total, 50% will take the form of contingent recovery technical-cooperation funding, which will be structured so that discounts will be applied to the amount to be repaid to the MIF as NXTP Labs reaches certain predetermined milestones. The other 50% of the contribution will take the form of nonreimbursable technical-cooperation funding.

---

<sup>1</sup> Companies that provide or facilitate financial services through the use of technology, mainly over the Internet.

<sup>2</sup> Companies that provide or facilitate technology applied to the agriculture sector.

## **ANNEXES**

Annex I	Results Matrix
Annex II	Summary Budget

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

Annex III	Itemized budget
Annex IV	Diagnostic needs assessment (DNA) of the executing agency
Annex V	Project status reports (PSRs) and fulfillment of milestones, fiduciary arrangements, and institutional integrity
Annex VI	Financial projections of NXTP Labs

## **APPENDICES**

Proposed resolution

## **ABBREVIATIONS**

AgTech	Technology applied to the agriculture sector
AWP	Annual work plan
CMF	Connectivity, Markets, and Finance Division of the IDB
CRF	Corporate Results Framework
CTI	Competitiveness, Technology, and Innovation Division of the IDB
FinTech	Technology applied to the financial sector
IoT	Internet of things
MSMEs	Micro, small, and medium-sized enterprises
SMEs	Small and medium-sized enterprises
USAID	United States Agency for International Development

## EXECUTIVE SUMMARY

### NXTP PROGRAM TO ACCELERATE FINTECH AND AGTECH STARTUPS (RG-T2996)

<b>Country and geographic location:</b>	Argentina, Chile, Colombia, and Uruguay, and potentially one additional country in the region.		
<b>Executing agency:</b>	NXTP Labs S.R.L. ("NXTP Labs").		
<b>Focus area:</b>	Knowledge economy and climate-smart agriculture.		
<b>Coordination with other donors/ Bank Group operations:</b>	Competitiveness, Technology, and Innovation Division (IFD/CTI) Connectivity, Markets, and Finance Division (IFD/CMF); and the Inter-American Investment Corporation (IIC).		
<b>Project clients:</b>	The direct beneficiaries of the project (described below) will include at least 210 FinTech and AgTech startups operating in Argentina, Chile, Colombia, Uruguay, and potentially one additional country in the region that will participate in the acceleration programs.		
<b>Financing:</b>	Contingent recovery technical-cooperation funding:	US\$ 500,000	14%
	Nonreimbursable technical cooperation funding:	US\$ 500,000	14%
	Loan:	US\$ 000,000	
	Other (explain):	US\$ 000,000	
	<b>Total MIF contribution:</b>	US\$1,000,000	28%
	Counterpart:	US\$2,567,820	72%
	Cofinancing:		
	<b>Total project budget:</b>	US\$3,567,820	100%
<b>Execution and disbursement period:</b>	36 months for execution and disbursement and 36 months for monitoring and repayment.		
<b>Special contractual conditions:</b>	The following will be conditions precedent to the first disbursement: (i) have the staff structure necessary to execute the activities planned for the first six months of the project; (ii) annual work plan (AWP) for the first year of the project presented to the MIF; (iii) evidence provided that a pipeline of startups is available for attaining the first year's acceleration target; (iv) written procedures presented for the procurement and financial administration processes that NXTP Labs uses; and (v) project monitoring system presented and MIF approval of it obtained.		

**Environmental  
and social  
review:**

This operation was screened on 20 March 2017 and classified in accordance with the requirements of the IDB's Environment and Safeguards Compliance Policy (OP-703). Given that the impacts and risks are limited, it is proposed that this be classified as a Category "C" operation.

## I. THE PROBLEM

### A. Background and description of the problem

- 1.1 **Technology-based companies as knowledge- and innovation-based economic engines.** Technology development and innovation play a crucial role in countries' economic and social growth. In recent years, Latin America and the Caribbean have witnessed the emergence and growth of a group of technology-based companies, most of them led by entrepreneurs with ambitions to expand regionally and even globally in new spheres such as artificial intelligence, synthetic biology, virtual and augmented reality, the Internet of things (IoT), and renewable energy. These startups have unquestionably been a vital force as countries transition toward knowledge economies thanks to their capacities for value creation, potential to quickly grow and scale up, and creation of jobs in knowledge-intensive sectors.<sup>3</sup>
- 1.2 **FinTech and AgTech: Two sectors with significant potential for growth and impact in Latin America and the Caribbean.** In line with the global trend, Latin America and the Caribbean are seeing the emergence of a dynamic—although still incipient—FinTech sector. In a regional context where micro, small, and medium-sized enterprises (MSMEs) face a financing gap of approximately US\$250 billion,<sup>4</sup> over 40% of the population is unbanked, and the cellular telephone penetration rate is around 79%, potential collaboration between the traditional banking sector and FinTech companies—which provide or facilitate financial services using technology, mainly over the Internet—is inevitable: while traditional financial institutions need the entrepreneurial spirit, disruptive business models, and flexibility of FinTech companies to innovate and make the digital transition, FinTech companies need the consumer base, capital, liquidity, regulatory and risk management experience, and licenses that traditional banks can provide in order to scale up their businesses.<sup>5</sup> Due to their nature, FinTech companies can accelerate the democratization of access to financial services for low-income individuals in the region using technology and disruptive business models to improve the living conditions of vulnerable populations. Global investment in FinTech companies is estimated to have surpassed US\$30 billion in 2016, more than 30 times the amount invested in 2010.<sup>6</sup>
- 1.3 For their part, AgTech enterprises—startups that apply technology to the agriculture sector—have become increasingly relevant globally over the last five years. As an indication of this, in 2015 alone, US\$4.6 billion was channeled to the sector according to Crunchbase, although the majority went to AgTech companies in North

---

<sup>3</sup> “Technolatinas. Latin America riding the technology tsunami.” Surfing Tsunamis, NXTP Labs and MIF. January 2017. <http://tecnolatinas.com>.

<sup>4</sup> “La revolución FinTech. Cómo las innovaciones digitales están impulsando el financiamiento para las MiPyME en América Latina y el Caribe.” Inter-American Investment Corporation (IIC) and Oliver Wyman. September 2016. <http://cdn.iic.org/sites/default/files/documents/pub/es/cii - oliver wyman - la revolucion fintech.pdf>.

<sup>5</sup> “Innovación abierta y el futuro de la banca. Cómo los bancos tradicionales pueden relacionarse con las FinTech para reconfigurar su propio futuro.” Presentation to the MIF by Laura Rojas, CEO, Nodum International. September 2016.

<sup>6</sup> “La revolución FinTech.” Inter-American Investment Corporation (IIC) and Oliver Wyman. September 2016.



America and Europe.<sup>7</sup> One thing that is certain is that the technology innovations driven by the AgTech companies are revolutionizing the industry in multiple ways through more efficient and sustainable production: (i) through applications and high-speed Internet, producers can access information on inputs and commodities and the inventory of the agricultural ecosystem; (ii) new ways of collecting information, such as drones and autonomous vehicles, provide data on the weather, soil, and crops in real time; and (iii) progress in the use of big data can help producers plant the best crops at the ideal times.<sup>8</sup> Agriculture is an industry of highly strategic importance for the region, which is a net exporter of food and currently needs to make a qualitative leap to achieve greater productivity and sustainability compared to more advanced countries. In a context in which both small and large companies in the sector are seeking to improve efficiency and find tools that will enable them to boost productivity, generate greater value added, and reduce and mitigate the effects of climate change, AgTech startups can develop disruptive technological solutions that meet these challenges.

1.4 **Diagnosis of the problem.** Although in recent years, FinTech and AgTech startups have been emerging, growing, and gaining visibility with proposals of highly innovative products and services in their respective areas, there have been few startups able to scale up their innovations. This is because the entrepreneurial ecosystems in these areas, which are instrumental to facilitating access to capital and markets and support services for startups and their founders, are still only in the initial stages of development. Essentially:

1. Startups have a difficult time finding opportunities to validate the business models and innovations they have developed with relevant actors in the industry (e.g. with agricultural sector producers, financial institutions, etc.), which is key for later gaining traction in the market.
2. Links between startups (creators of innovative solutions) and large companies (seeking innovative solutions) tend to be weak or nonexistent. This translates into a loss of opportunities for large companies to adopt, invest in, and scale up the solutions developed by startups, which would be beneficial for both parties.
3. The startups do not have access to good-quality coaching, training, or connections with mentors and investors who specialize in FinTech and AgTech or other successful entrepreneurs to gain access to smart capital, which is highly important for growing and scaling them up.<sup>9</sup> Also, the investors, particularly in the agricultural sector, do not see startups as an investment option. They do not have access to more experienced investors who can encourage them to begin investing, nor to industry good practices.

---

<sup>7</sup> "Agriculture Technology Investment Storms to \$4.6bn in 2015 as Global Investors Take Note." Louisa Burwood-Taylor, AgFunderNews. February 2016. <https://agfundernews.com/agriculture-technology-investment-storms-to-4-6bn-in-2015-as-global-investors-take-note5380.html>.

<sup>8</sup> "Harvesting next-gen technologies for the farm." TechCrunch. December 2016. <https://techcrunch.com/2016/12/07/harvesting-next-gen-technologies-for-the-farm/>.

<sup>9</sup> In AgTech, we can look at the experiences of the accelerator program administered by Microsoft in collaboration with Qualcomm Ventures and financing from Monsanto, as well as Agrostart, supported by BASF. <https://techcrunch.com/2016/09/28/why-have-some-of-silicon-valleys-top-investors-started-investing-in-latin-america/>.

- 1.5 **Beneficiaries:** The project's direct beneficiaries will include at least 210 FinTech and AgTech startups operating in Argentina, Chile, Colombia, and Uruguay (and potentially one additional country in the region) that will participate in the acceleration programs. The basic criteria they must meet to be selected to participate in the programs will be: (i) **Entrepreneurial team:** the startup's founding team must have at least two members; (ii) **Dedication:** the founders must be dedicated full-time to their startup; and (iii) **Execution capacity:** the startups must have a beta or prototype of their products or services so the founders' capacity to execute can be evaluated (minimum viable product).
- 1.6 The following will also be taken into consideration: (i) **the professional capacities of the founding teams** (research and development, information technology, marketing, business development); (ii) **a business model** that is recognized in the target markets or has a strong hypothesis for its commercial model; (iii) **funding needs**, analyzing financial projections and its fundraising plan; and (iv) **the capacity to have a positive social, economic, and environmental impact** by providing quality products and services to low-income populations and promoting productivity gains through technologies that help to mitigate or adapt to the impacts of climate change.
- 1.7 For reference, some potential examples of beneficiary FinTech startups are: (i) startups that have built an online crowdfunding platform connecting social entrepreneurs searching for seed capital with investors interested in funding projects with a dual impact; and (ii) startups that have developed an online Bitcoin platform<sup>10</sup> that enables the exchange of regular currency for Bitcoin, as well as a point-of-sale system that can send Bitcoin for remittances and international payments.
- 1.8 Possible examples of beneficiary startups in the AgTech sector include: (i) startups that use artificial intelligence algorithms through an online platform to help rural producers make decisions and manage risk, enabling them to optimize cost structures and reap better harvests; and (ii) startups that develop tools for decision-making on irrigation that use big data and satellite, weather, and on-site information to use water efficiently, thereby increasing productivity and irrigation efficiency.
- 1.9 The project's indirect beneficiaries will include the firms and individuals who access and use products and services offered by the accelerated startups, as well as the various private and public actors in each beneficiary country's value chain and entrepreneurial ecosystem.

## II. THE SOLUTION

### A. Description of the project

- 2.1 The **project** consists of contributing to developing FinTech and AgTech startups in Uruguay, Argentina, Chile, and Colombia, and potentially one additional country in the region. The startups will receive direct support from the acceleration program, the focus of which will include promotion and scale-up of disruptive solutions focused

---

<sup>10</sup> Given potential qualities such as greater transparency, speed, and cost improvements of the transaction, Bitcoin could play a key role in improving financial inclusion rates among low-income individuals who do not have access to high-quality financial services and products. See: "Does bitcoin have a future in development?" <https://www.devex.com/news/does-bitcoin-have-a-future-in-development-87608>.

on closing the financial products and services access gap and making agricultural production more efficient and sustainable.

- 2.2 The project is aligned with the Knowledge Economy pillar, which focuses mainly on three areas: (i) ecosystems, (ii) enterprises, and (iii) workforce. In the enterprises area, the program will seek to test, invest in, and bring to scale technology-based innovative solutions intended to solve social, economic, and environmental problems. FinTech is one of the MIF's crosscutting areas of work. The program is also aligned with the Climate-smart Agriculture pillar, which supports innovations to explore new approaches, apply new technologies, or develop new markets to improve agricultural production, strengthen the links of the value chain, and manage natural resources, logistics, and new products, among other things.
- 2.3 **Model.** NXTP Labs will be the project executing agency and will implement the FinTech and AgTech Startup Acceleration Program ("the program"). The program does not seek to help entrepreneurial teams design business plans, but rather to support them as they complete a market test, verify demand and the feasibility of the business model, build a team and organization, develop the business, reach profitability, increase sales volumes, and expand into new markets. Through the program, each edition of which will last six months, the entrepreneurial teams selected will receive support in the following central areas, according to their phase and needs, with special emphasis on the specific needs of the FinTech and AgTech industries:
1. **Competitive process and selection.** Through public competitive processes in the region and using the criteria outlined in paragraphs 1.5 and 1.6, a group of startups will be selected to begin the acceleration processes under each program.
  2. **Access to mentors:** On the launch of each new edition of the program, a Mentors Day will be held in which the entrepreneurs introduce themselves to an audience of mentors with relevant experience in the corporate, entrepreneurial, and academic worlds. Each startup will be assigned mentors selected for their specific skills and experience in the sector who will help the teams to launch, strengthen, and expand the company, as well as to connect with other key mentors and investors in the entrepreneurial environment.
  3. **Coaching and training:** The entrepreneurs will receive technical and advisory assistance on strategic, legal, corporate, and tax issues to help them make decisions on important aspects of their companies. They will also participate in practical training sessions on testing the business model, sales, marketing strategies, capitalization strategies, and other relevant topics. The activities will be a mix of in-person and virtual meetings, including seminars, webinars, office hours (personalized interaction between the entrepreneurial team and the NXTP Labs team or corporations), and interactions between startups.
  4. **Connections to large companies, sales channels, and regional and international investors.** The entrepreneurial teams will have the chance to participate in Innovation Days, during which they can present their FinTech or AgTech solutions to large companies, sales channels, and regional and international investors seeking innovations and highlight opportunities for

partnerships and/or investment. Visits to established large companies will also be organized.

5. **Demo Days/Pitch Competition:** At the end of each edition of the program, a Demo Day or Pitch Competition will be held in each participating country during which the entrepreneurial teams will have the opportunity to pitch their companies to investors.
  6. **Training and networking with investors.** To raise awareness among potential investors and educate them on the opportunities provided by investing in FinTech and AgTech startups, training sessions will be held on the processes for investing in this type of startup, along with networking sessions with more established investors who can share their experiences and good practices.
  7. **International conferences:** Annual international FinTech and AgTech conferences will be held highlighting the latest trends and discussing the opportunities and challenges facing companies from both sectors in Latin America and the Caribbean.
- 2.4 This project is built based on the experience of having launched two acceleration pilot programs: The 2015 and 2016 FinTech Programs, carried out in Argentina, Chile, Mexico, and Colombia, together accelerated 57 startups, while in the 2016 AgTech Program in Argentina and Uruguay, 15 startups completed the acceleration process. For NXTP Labs, those pilots were a valuable source of lessons on the most effective strategies for, on one hand, helping startups identify and implement solutions that disrupt corporations, and on the other hand, helping the corporations and their distribution channels innovate together with the startups. The pilot programs have also made it possible to confirm that cross-fertilization between startups in the same vertical has a significant impact on the respective industries.
- 2.5 **Innovation.** The project offers innovations from two angles: (i) it is a pioneering FinTech and AgTech acceleration initiative in the region, led by an entity with proven capacity to connect startups offering disruptive solutions with key actors in the ecosystem that can play an instrumental role in helping them obtain smart capital (through connections to networks of angel investors and venture capital funds) and scale up their businesses to the regional and/or global level. For example, in the pilot edition of the FinTech acceleration program, IncluirTec, a startup that developed an application for evaluating the credit of small producers, was able to validate its model with Banco Agrario (responsible for 90% of agricultural loans in Colombia) during the program and is currently scaling up the model with the World Bank, USAID, and Banca de las Oportunidades (Colombia). (ii) Because of its regional presence and extensive network of strategic partners in the ecosystem, NXTP Labs has the potential to attract and select the most disruptive startups in the region with the potential for changing the dynamic of the industries in which they operate. In addition, not only does the project seek to have a positive impact on the growth and development of the 210 startups it accelerates, but it also expects to have a positive spillover effect on the entrepreneurial ecosystems and economies of the countries

where its editions are implemented and beyond, as evidence from completed accelerator experiences indicates.<sup>11</sup>

**2.6 Component I: *Program to Accelerate FinTech Startups* (MIF: US\$478,725, counterpart: US\$1,331,125).**

The objective of this component will be to implement three annual editions of the Acceleration Program, to take place simultaneously in Argentina, Chile, Colombia, and Uruguay. For each edition, between 35 and 50 startups with innovative solutions in the following FinTech areas will be selected after a competitive process: payments and remittances platforms (e.g., micro payments, integration with offline systems), payments and access to credit (e.g., P2P loans, microloans, financial inclusion), financial management and education (e.g., personal finance, gamification), insurance and risk management (personal insurance, IoT, reinsurers) FinTech enterprise technology (e.g. scoring methodologies, online fraud, online and mobile banking), Bitcoin and blockchain (e.g., smart contracts, transfers, and payments), crowdfunding (the credit rating, crowdlending), and others.

**2.7** Each edition of the program will include the following activities: (i) one regional competition; (ii) one Mentor's Day per country; (iii) personalized mentoring sessions; (iv) 50 coaching and training sessions per country; (v) 10 Innovation Days; (vi) one Demo Day/Pitch Competition per country; (vii) one regional conference;<sup>12</sup> and (viii) training and networking sessions for investors. The expected outcomes are: (a) number of FinTech startups that complete the acceleration program (target: 126, CRF 130100); (b) number of entrepreneurs of the FinTech startup founding teams trained after participating in the acceleration program (target: 252, CRF 110100, disaggregated by sex); and (c) number of people participating in the international FinTech conferences (CRF 110200).

**2.8** NXTP Labs is coordinating potential partnerships for implementing the program with entities such as Bancamia (Colombia), Banco BCI (Chile), Credibanco (Colombia), Gire (Argentina), Prisma Medios de Pago (Argentina), Transbank (Chile), and others.

**2.9 Component II: *Program to Accelerate AgTech Startups* (MIF: US\$264,275, counterpart: US\$971,851).**

The objective of this component will be to implement three annual editions of the Acceleration Program, to take place simultaneously in Argentina, Uruguay, and at least one other country in the region. Each edition will include a competitive process to select and then accelerate between 20 and 34 startups with innovative solutions in mechanization and automation (e.g., robotics, new materials, irrigation systems, livestock and dairy solutions), big data and precision agriculture (e.g., drones and satellites, remote sensors, smart equipment, analytics, integrated hardware), trading and financing (e.g., marketplaces, loans), value chain technology (e.g., food

---

<sup>11</sup> "What startup accelerators really do", Harvard Business Review. March 2016. <https://hbr.org/2016/03/what-startup-accelerators-really-do>.

<sup>12</sup> In addition to holding the regional conference, during the first year of the project (2017), NXTP Labs will join with the MIF to organize the FinTech activities in FOROMIC, to be held in Buenos Aires, Argentina, by presenting cases of successful integration of FinTech enterprises with financial institutions in the regions, provide international experts on FinTech enterprises, etc.

logistics, smart packaging, traceability), and innovative food products (e.g., food e-commerce, farm-to-consumer marketing).

- 2.10 Each edition of the program will include the following activities: (i) one regional competition; (ii) one Mentor's Day per country; (iii) personalized mentoring sessions; (iv) 50 coaching and training sessions per country; (v) 10 Innovation Days; (vi) one Demo Day/Pitch Competition per country; (vii) one regional conference; and (viii) training and networking sessions for investors. Roadshows are also planned, tentatively in Brazil and/or Paraguay. During these, between 10 and 15 startups participating in the acceleration processes or part of NXTP Labs' investment portfolio will participate in networking meetings with key actors in the local market, make presentations to local investors, and participate in Demo Day at enterprises and corporations interested in learning about the different platforms and services the entrepreneurs are developing. The expected outcomes are: (a) number of AgTech startups that complete the acceleration program (target: 84, CRF 130100); (b) number of entrepreneurs of the AgTech startup founding teams trained after participating in the acceleration program (target: 168, CRF 110100, disaggregated by sex); and (c) number of people participating in the international AgTech conferences (CRF 110200).
- 2.11 NXTP Labs is coordinating potential partnerships for implementing the program with entities such as Ab Inbev, Agrium, Bunge, Cargill, IBM, INIA, Louis Dreyfus Commodities, Microsoft, the Ministry of Agribusiness of Argentina, Monsanto, Nidera, and SAP, among others.

## **B. Project outcomes, impact, monitoring, and evaluation**

- 2.12 The key indicators for measuring the project's outcomes will be the following:
- a. Number of net jobs created (disaggregated by sex) by the accelerated FinTech and AgTech startups (target: 1,260, CRF 330301).
  - b. Number of accelerated FinTech and AgTech startups forming strategic partnerships with large companies or corporations (to validate the business model and for product sales, services, or obtaining investment) (target: 84, CRF 230200).
  - c. Number of accelerated FinTech and AgTech startups that raise funding (target: 62).
  - d. Percentage of accelerated FinTech and AgTech startups that have at least one woman co-founder (target: 20%).
  - e. Number of users of the products and services offered by the accelerated FinTech and AgTech startups (target: 126,000, CRF 210400).
- 2.13 **Monitoring and evaluation:** NXTP Labs will set up a system to monitor the progress of the metrics established in the results matrix. Midway through the project, if the MIF deems it appropriate, an evaluation will be conducted by an independent external expert focused on evaluating the intervention strategy and midterm outcomes. At the conclusion of the project, an evaluation of the outcomes will be conducted by an independent external expert to establish the discount on the amount to be reimbursed to the MIF. NXTP Labs will submit semiannual project

status reports (PSRs) during the life of the project through the MIF's project management system.

### **III. PROJECT ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND RISKS**

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

- 3.1 The project is aligned with the following country strategy objectives: (i) Argentina (document GN-2870-1): inclusive financial development and SME financing, and development of businesses and business clusters in export areas with high added value; (ii) Chile (document GN-2785): improved SME management and productivity and business innovation; (iii) Colombia (document GN-2832): promotion of innovation and business and agricultural development; and (iv) Uruguay (document GN-2836): promoting business innovation.
- 3.2 The project is aligned with the strategy of the Inter-American Investment Corporation (IIC), especially with the following strategic priorities: (i) partner with financial intermediaries to increase the impact of Priority Business Areas, especially those related to SMEs, innovation and technological development, and green growth; (ii) improve MSME access to financing, and (iii) develop the capacities of the corporate sector. The MIF is already working with the IIC to analyze opportunities in FinTech companies.
- 3.3 It is also aligned with the strategy of the Connectivity, Markets, and Finance Division (CMF) on innovative financing for SMEs that leverages new digital financial technologies, as well as fostering regulatory environments conducive to the adoption of new technologies. The MIF and CMF are already doing complementary work toward understanding the needs of governments in these areas, and they already share information and work together on initiatives.
- 3.4 Lastly, the project is aligned with the Competitiveness, Technology, and Innovation Division (CTI) especially its priorities related to promoting financing for technology and innovation for SMEs and startups, as well as building an enabling environment for business and innovation. Likewise, the IDB's new Digital Initiative could benefit from the key lessons of the program and the innovations developed by the startups accelerated.

#### **B. Scalability**

- 3.5 **Corporations in the financial and agricultural sectors:** Startups that are able to validate their innovation and business model, show evidence of traction and growth, and clearly meet the needs of large companies in their corresponding industries will have a high probability of being scaled up along with those corporations (e.g. Banco Patagonia, Banco BCI Chile, Nestlé, and Sygenta, to name a few). These corporations will also be able to learn from the acceleration experience of NXTP Labs and be able to replicate the program in the context of their businesses.
- 3.6 **Venture capital funds in the region:** The accelerated startups with the greatest potential to scale up will also have greater opportunities to access subsequent rounds of financing (series A, B) with the assistance of the NXTP Impact Investing

- for Technology-based Social Enterprises Fund<sup>13</sup> (currently in the fundraising phase), the Pacific Alliance Fund (currently in the fundraising phase), and networks of angel investors and other venture capital funds in the region and abroad to execute their expansion plans. Also, financing from public innovation investment funds and local public development banks that work with early-stage enterprises will be available.
- 3.7 **IDB Group:** In the medium and long term, the program can provide a source of FinTech and AgTech enterprises worthy of investment for the IIC.
- C. Project risks**
- 3.8 **Low level of participation of FinTech and AgTech startups with innovative solutions.** There is a risk that the annual competitive processes are not able to attract a minimum critical mass in each of the participating countries to enable the selection of startups offering disruptive innovations with the potential to scale up. NXTP Labs has conducted two pilot programs that confirmed the appetite of both the startups and the large companies and banks for this type of meeting platform.
- 3.9 **Lack of interest of potential corporate partners in the financial and agricultural sectors in participating in the project.** There is a risk of failing to attract a critical mass of large companies from both sectors interested in and open to learning about the solutions offered by the startups and partnering with them to test and incorporate their innovations within their own businesses. In the pilot editions, NXTP Labs was able to confirm that the private sector is interested in supporting these acceleration initiatives, as they give companies the opportunity to proactively and quickly access and incorporate innovation.
- 3.10 **Operational and sustainability risk.** Because this project has two programs to be implemented simultaneously in four different countries in the case of FinTech and in at least three countries in the case of AgTech, a multidisciplinary team is needed that is geographically spread out, with significant execution and coordination capacity. There is also a risk that once the MIF's financial support concludes, NXTP Labs will face difficulties in keeping the programs running. NXTP Labs has professionals with experience in the entrepreneurial ecosystem in the various countries where the programs will be implemented who have been able to ensure the processes flow smoothly and to implement ongoing improvements through the pilot editions. It also has a track record of having successfully conducted over 19 acceleration programs since 2011, proof of the team's execution capacity. To ensure program continuity and expansion, NXTP Labs will develop a sustainability plan from the outset of the project that identifies new lines of business, sources of income, strategic partners, and plans for expansion to other countries in the region.

#### IV. COST AND FINANCING

- 4.1 The total cost of the project is US\$3,567,820, of which US\$1 million (28%) will be contributed by the MIF and US\$2,567,820 (72%) will be contributed by the counterpart.

---

<sup>13</sup> The MIF recently approved an equity investment of US\$5 million in the Impact Investing Fund for Tech-driven Social Enterprises (RG-Q0040/RG-T3013).



	MIF			Counterpart	Total
	Nonreimbursable	Contingent recovery	Total		
<b>Project components</b>					
Component 1: FinTech acceleration	159,000	319,725	478,725	1,331,125	1,809,850
Component 2: AgTech acceleration	84,000	180,275	264,275	971,851	1,236,125
Project administration	214,315		214,315	264,845	479,160
Knowledge products/evaluations	20,000		20,000		20,000
Audit	15,000		15,000		15,000
Contingencies	7,685		7,685		7,685
<b>Grand Total</b>	500,000	500,000	1,000,000	2,567,820	3,567,820
<b>% of financing</b>	<b>14%</b>	<b>14%</b>	<b>28%</b>	<b>72%</b>	<b>100%</b>

- 4.2 **Instrument:** The MIF's contribution will take the form of technical cooperation funding, which will be aimed at implementing the activities described in Components I and II. Of that total, 50% will take the form of contingent recovery technical cooperation funding, which will be structured so that discounts will be applied to the amount to be repaid to the MIF as NXTP Labs reaches certain preestablished milestones. The other 50% of the technical cooperation funding will take the form of nonreimbursable technical cooperation funding.
- 4.3 **Duration:** The duration of the technical cooperation funding will be six years (72 months), including 36 months to disburse the contribution and 36 months for repayment.
- 4.4 **Disbursements:** The technical cooperation funds will be disbursed over a period of up to three years from the signing of the agreement and based on the planned expenditures to meet a series of outcome targets, as indicated in paragraph 4.6, which in exceptional cases can be adjusted annually as part of the annual work plan. The following table lists the targets, minimum performance indicators, and their means of verification:

Indicators	Means of verification	Year 2	Year 3
Number of startups that complete the acceleration process	List of startups accelerated; monitoring system	40	50
Mobilization of counterpart funds	Letters of commitment	1: 1	1.5:1
Number of participants in the international conferences	Event registration system	500	500

- 4.5 Fulfillment of the targets can be verified by an independent consultant to be contracted by the MIF. The same consultant will conduct the ex post review of the disbursements.
- 4.6 The amount of the funds released in each disbursement will be based on the expenses budgeted by the executing agency for reaching the assigned outcome targets. If the expenses actually incurred are lower than originally estimated, the MIF can transfer remaining funds to later disbursements. In order to achieve the targets set at the start of year 1, NXTP Labs can request an initial disbursement of up to 35% of the amount of the technical cooperation contribution, for which the following

conditions precedent must be met: (i) have the staff structure necessary to execute the activities planned for the first six months of the project; (ii) AWP for the first year of the project presented to the MIF; (iii) evidence provided that an adequate pipeline of startups is available for achieving the first year's acceleration target; (iv) written procedures presented for the procurement and financial administration processes that NXTP Labs uses; and (v) project monitoring system presented and MIF approval of it obtained.

- 4.7 **Repayment and discounts:** Repayment of the contingent recovery technical cooperation funding will begin as of the third anniversary of the signing of the agreement and will proceed for a period of three years in annual payments (subject to the discounts described below). As of the first year of the project, an independent consultant will annually verify the outcomes reported using the NXTP Labs monitoring system and deliver the corresponding reports to the MIF. The first repayment will be tied to the outcomes achieved in the program's first edition, spanning the year in which it was implemented plus the following two calendar years (if the first edition is implemented in 2017, it will cover the outcomes achieved through 31 December 2019). The arrangement for the discounts will be as follows: (i) the discount will trigger only and exclusively when NXTP Labs has reached a minimum of 80% of the established target; and (ii) the discount will be equal to the percentage of the targets attained. For example, if NXTP Labs makes 100% of the established targets, the discount applicable to the first repayment (corresponding to the amount of contingent recovery technical cooperation funding disbursed for implementing the first edition) will be 100%. If the targets are met by 90% or 80%, the discount applicable to the first payment will be 90% and 80%, respectively, in terms of the percentage. The second and third repayment will be tied to the outcomes achieved in the second and third edition of the program, following the same mechanism described for the first repayment.
- 4.8 The resources for making the repayments to the MIF will come from the contributions of corporate partners, to be held in a reserve account until they reach US\$500,000.<sup>14</sup> In the event these funds are not used to make repayments to the MIF, they will be released for implementing future editions of NXTP Labs' acceleration programs.
- 4.9 **Targets and discounts:** The targets that trigger the per-year discounts will be as follows:

	Year 4		Year 5		Year 6	
	Target	Discount	Target	Discount	Target	Discount
Number of FinTech and AgTech startups that complete the acceleration program	55	40%	70	40%	85	40%
Number of accelerated FinTech and AgTech startups establishing strategic partnerships (product sales, services, or finding investors among large companies or corporations)	15	20%	27	20%	42	20%
Number of startups that receive investment from third parties	7	10%	25	10%	30	10%
Number of people participating in the international FinTech and AgTech conferences	700	30%	700	30%	700	30%

<sup>14</sup> See Annex VI - Financial projections of NXTP Labs.

## **V. PROJECT PARTNER AND IMPLEMENTATION STRUCTURE**

### **A. Description of Project Partner**

- 5.1 NXTP Labs S.R.L. will be the executing agency for this project and will sign the agreement with the Bank. NXTP Labs was founded in 2011 following the model of Y Combinator in the U.S. as a seed investment fund with a program for accelerating technology startups by a team of entrepreneurs with recognized experience in the digital industry. With operations in Argentina, Brazil, Chile, Colombia, Mexico, and Uruguay, as of December 2016, it had accelerated more than 400 startups and invested in 183 (out of more than 5,000 applications received), led by more than 400 founders (26% women). Fund capitalization is US\$38.5 million, and 85 follow-on investments have been made jointly with more than 150 other investors, including venture capital funds, individual investors, and institutional investors from Latin America, the United States, and Europe, helping the companies in its portfolio raise more than US\$290 million. It has also consolidated a network of more than 300 mentors, many of whom have investments in the companies in its portfolio. To date, NXTP has successfully exited investments in 12 companies, with realization multiples that range between 1.3x and 60x. The fund has a total value to paid-in capital multiple of 1.8x, and to date, the companies in its portfolio have created more than 2,000 direct jobs (25% women).
- 5.2 After five years of growth and consolidation, NXTP Labs' model has been evolving to follow the trend of international and regional accelerators/funds such as Y Combinator in the United States and Velum Ventures in Colombia. NXTP Labs' original model was to accelerate technology startups in multiple sectors and invest seed capital in them simultaneously. However, NXTP Labs is now aiming to take a new approach based on two independent lines of action: (i) implementation of startup acceleration programs that focus on the FinTech and AgTech (and potentially EdTech) sector verticals which have the greatest potential for scaling up and having an impact, and (ii) establishment of an investment fund aimed at scaleups with a clear plan for regional and international expansion and the potential to have an impact in terms of job creation and socioenvironmental benefits. Both lines of action will be developed independently, with separate structures and teams. For the MIF, this project constitutes an intervention that is aligned with two of its priority areas, with a significant component of innovation and potential impact.
- 5.3 NXTP Labs is recognized as one of the most important accelerators regionally and globally due to its contribution to a fertile ecosystem for technological innovation, entrepreneurs, and investors. This is the conclusion of the impact evaluation<sup>15</sup> conducted by Professor Josh Lerner of Harvard Business School, which also recognizes the work that NXTP Labs has done supporting high-growth entrepreneurship led by women through its Mujer Emprendedora<sup>16</sup> initiative, the establishment of 12 December as woman entrepreneur day in Latin America and

---

<sup>15</sup> "Impact of Early Stage Equity Funds in Latin America" April 2016. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2778640](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2778640).

<sup>16</sup> <http://www.muieremprendedoralac.org>.

the Caribbean, and the cohosting of the WeXchange forum<sup>17</sup> together with the MIF since it began in 2013.

- 5.4 In addition to the potential strategic partners mentioned in paragraph 2.8 and 2.11, NXTP Labs is also in talks with entities from a wide number of different sectors, including Consolid (travel), Wework (co-working), Fenn Hoteles (hospitality), Microsoft (technology), Amazon Web Services (technology), IBM (technology), Clarín (media), El Observador (media), Capitaria (media), El Economista (media), Oster & Abogados (law), Pago Ranking (marketing), Ernst & Young (consulting) and Doppler (marketing) to add them as potential sponsors of both programs.

## **B. Structure and implementation mechanism**

- 5.5 NXTP Labs will establish the necessary structure to execute project activities and manage project resources effectively and efficiently. It will also be responsible for submitting progress reports on project implementation. The requirements for the progress reports are found in Annex V of this operation's technical files.
- 5.6 For project execution, NXTP Labs plans to hire a general coordinator, as well as operations and commercial coordinators in each of the countries where the acceleration programs are to take place.

## **VI. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS**

- 6.1 **Results-based disbursements and fiduciary arrangements.** Because disbursement of the proceeds of the technical cooperation contribution is contingent on the outcome targets, the MIF will not verify that procurement follows Bank policies. NXTP Labs will follow the Bank's basic principles in terms of transparency, competition, economy, equity, publicity, and due diligence.

## **VII. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY**

- 7.1 Any use of the name or logo of the Inter-American Development Bank or the Multilateral Investment Fund by the executing agency for any purpose requires prior written authorization from the Bank. The Bank can revoke that authorization at any time. All the work and results obtained under the project will be the intellectual property of the executing agency, with the exception of the project's knowledge products, which will belong to the Bank. The Bank can grant a nonexclusive, free, and noncommercial license to the executing agency for the products that it owns, including rights to dissemination, reproduction, and publication in any medium. Consequently, the executing agency must ensure that all contracts it signs with consultants under the project explicitly establish that all copyrights, patents, or any other intellectual property right to the products are assigned to the Bank.

---

<sup>17</sup> [www.wexchange.co](http://www.wexchange.co).