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MULTILATERAL INVESTMENT FUND

MEXICO

**FUNDING EDUCATION IN TECHNOLOGY WITH HIGH RATES OF EMPLOYMENT
FOR WOMEN AND VULNERABLE POPULATIONS**

(ME-G1025)

DONORS MEMORANDUM

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PROJECT SUMMARY
FUNDING EDUCATION IN TECHNOLOGY WITH HIGH RATES OF EMPLOYMENT FOR WOMEN AND
VULNERABLE POPULATIONS
(ME-G1025)

The problem addressed in this project is limited, unequal access to financing for postsecondary education in digital and technological skills for women and vulnerable, low-income people in Mexico. The causes of this problem include the following: (i) space limitations in public universities push many students toward private schools, some of which provide more flexible and intensive coursework lasting less than one year, but at tuition rates that require financing; (ii) access to educational loans is very limited, and requirements related to steady income and collateral are ill suited to the needs of vulnerable populations; (iii) scholarships are inadequate, are focused on funding for university degrees, and do not allow for renewal or replenishment; (iv) bootcamps and private schools have a hard time reaching more women and low-income people with their technology coursework and are unable to serve these students without receiving tuition in advance.

The objective of the project is to provide a financing product known as income share agreements (ISAs), particularly for women and low-income people to gain access to digital and technology-related coursework less than one year in duration, to help them increase their income, create job opportunities, and support the sustainability and scaling of this model. Under ISAs, students receive free education in exchange for their commitment to pay a percentage of their future salary over a specified period of time. This product is just beginning to be used in Latin America and the Caribbean. This project aims to develop an “inclusive” type of ISA to promote access to technology education for women and vulnerable populations, and students are provided a clear explanation of the agreement they are signing for their education and repayment commitment, including financial terms, maximum payable rate, and repayment period. At the same time, the aim is to have limited or no returns, in order to ensure the replenishment of funding from various private and institutional investors, and to continue reinvesting in access to technology education for many more women and low-income people.

Quotanda is a Mexican edtech that uses an innovative “ISA as a service” technology and provides a full service that includes ISA origination, administration, and repayment, as well as CareerScore, a tool to monitor students’ job placement. Quotanda aims to specialize in educational funding approaches with a social impact. Its business model is innovative, as it aligns the interests of student, bootcamp, financing entity, and Quotanda, which coordinates the entire process and makes payments against outcomes achieved by bootcamp students.

The beneficiaries will be 1,000 people who are underemployed, in low-quality jobs, or unemployed, or who are seeking to switch careers to the technology sector, with a priority placed on women and low-income people. Seventy percent of people with ISAs are expected to secure employment at above the minimum level, thus triggering the repayment provision, and at least 60% of these people will be women or low-income people.

The total cost of the project is US\$1,712,000, with US\$750,000 (43.81%) to be provided by IDB Lab in the form of contingent recovery funding for investment and US\$962,000 (56.19%) to be provided by the counterpart.

The project is aligned with the first pillar of the Bank's country strategy with Mexico, which focuses on social development specifically to facilitate access to the labor market, and it is also aligned with the pillars of Vision 2025 related to the digital economy and sustainable, inclusive recovery.

ABBREVIATIONS

CONEVAL	Consejo Nacional de Evaluación de la Política de Desarrollo Social [National Council for the Evaluation of Social Development Policy]
ISA	Income share agreement
OECD	Organisation for Economic Co-operation and Development
OII	Office of Institutional Integrity
PSR	Project status report

EXECUTIVE SUMMARY

FUNDING EDUCATION IN TECHNOLOGY WITH HIGH RATES OF EMPLOYMENT FOR WOMEN AND VULNERABLE POPULATIONS

(ME-G1025)

Country and geographic location:	Mexico		
Executing agency:	Quotanda México SAPI de CV (Quotanda)		
Focus areas:	Education, talent, and employment; and financial inclusion		
Coordination with other donors / Bank operations:	In Costa Rica (2852/OC-CR) and Peru (3700/OC-PE), CTI has carried out projects to fund scholarships for people completing programming bootcamp coursework. Relevant IDB Lab operations are Bootcamp Challenge: Educational Innovation for the Development of Digital Talent (RG-T3590), executed by DEV.F in Mexico, and Digital Transformation with Inclusion (RG-T3510) executed by Laboratoria in Peru, Mexico, Chile, and Brazil.		
Project beneficiaries:	The direct beneficiaries will be 1,000 people who are underemployed, in low-quality jobs, or unemployed, or who are seeking to switch careers to the technology sector, with a priority placed on women and low-income people.		
	Contingent recovery funding for investment:	US\$750,000	43.81%
	TOTAL IDB LAB CONTRIBUTION:	US\$750,000	
	Counterpart:	US\$962,000	56.19%
	TOTAL PROJECT BUDGET:	US\$1,712,000	100%
Execution and disbursement periods:	36 months for execution and 42 for disbursement.		
Special contractual conditions:	There are no special conditions precedent to the first disbursement.		
Environmental and social impact review:	This operation was pre-evaluated and classified in accordance with the Bank's Environmental and Social Policy Framework (document GN-2965-21) on 27 May 2022. Due to its limited impacts and risks, this is proposed as a category FI-3 operation.		
Unit responsible for disbursements:	The Bank's Country Office in Mexico (COF/CME).		

I. THE PROBLEM

A. Description of the problem

- 1.1 **Limited, unequal access to education financing for female and low-income students.** According to the Organisation for Economic Co-operation and Development (OECD), Mexico is one of the countries with the lowest spending on education per student. In 2019, only 24% of people ages 25 to 34 had a university degree, compared with an average of 45% in OECD countries in 2020. Educational access remains unequal, as evidenced by the fact that the poorer half of the population accounts for only 25% of higher-education students. Most young people who seek a college education but cannot secure a spot in public universities are forced to turn to private schools or universities, which have proliferated in recent decades in response to increased demand. Many families, particularly those that are vulnerable, need financing to be able to afford the cost of an education.
- 1.2 Short-cycle educational programs, such as those of coding bootcamps,¹ have achieved greater returns than traditional programs and have provided a shortcut to social mobility.² A recent World Bank study, which conducted an impact evaluation with control groups of a part-time bootcamp for women, found that the program enhanced participants' coding skills and their odds of landing a technology-related job.³ Bootcamps typically last three to six months and teach advanced digital skills for positions in high demand in the labor market, such as web programmers, full-stack programmers, and UX designers. The number of such schools has grown rapidly in Mexico and the rest of the world as a disruptive and innovative solution to the worldwide lack of digital talent. According to internal calculations and on the basis of HolonIQ's edtech platform, Mexico has about 14 coding bootcamps, some of which have received IDB Lab financing, such as Laboratoria (RG-T3590) and DEV.F (RG-T3510), both of which have been providing remote teaching amid the pandemic-related lockdown, thus enabling them to reach students in various parts of Mexico. However, people from vulnerable socioeconomic backgrounds have a difficult time gaining access to such schools due to their high tuition rates and the limited availability of financial support in the form of grants or scholarships, which tend to be directed toward students seeking university degrees.⁴ Women face persistent gaps in technology education and employment. As part of the IDB Lab project, a Laboratoria study on female representation in the technology sector titled "La representación de mujeres en el sector tecnológico de Latinoamérica" found that

¹ The terms "coding bootcamps" and "programming schools" are used interchangeably in this document and are defined as intensive educational programs in digital technologies, approximately three to six months in duration, either to provide professional development and retraining of workers, or as an educational alternative or complement for young people in technical schools or not enrolled in universities, who seek specialized technical training to make themselves more employable for quality jobs in industries with high added value. Adapted from Alison Cathles and Juan Carlos Navarro. *Disrupting Talent: The Emergence of Coding Bootcamps and the Future of Digital Skills*, 2019.

² María Marta Ferreyra et al., World Bank, 2021, *The Fast Track to New Skills: Short-cycle Higher Education Programs in Latin America and the Caribbean*.

³ [Coding Bootcamps for Female Digital Employment: Evidence from an RTC in Argentina and Colombia](#), Working paper, World Bank, 2021.

⁴ These are known as the Pronabes or "support" scholarships, which are targeted to low-income students to help them complete their bachelor's or advanced degrees. <https://www.becas-mexico.com.mx/becas-pronabes-ahora-becas-manutencion>.

the inclusion of women is hampered by limitations in traditional education systems, unconscious biases about their performance in the field, a lack of positive examples, workplace discrimination, and adherence to gender-neutral approaches. These barriers limit women's opportunities to enter and build a career in the technology sector. According to the World Economic Forum's Global Gender Gap Report, men outnumber women 5 to 1 among graduates in technology-related majors in Latin America.

- 1.3 Educational loans are one alternative for gaining access to this type of education, but such loans are highly rare⁵ and restrictive, as they are not suited to the repayment capacity of vulnerable people. In Mexico, only 2% of school-age people have gained access to educational loans⁶ because these loans require a cosigner, collateral, or a bond to mitigate the risk of loan default. This limits the access of students from low-income households, who often have no one in a financial position to support educational loans. A minimum income level is often required for students to be eligible to receive funding for their education. Thus, educational loans are often not an effective way to expand access to education, as they are ill adapted to the tenuous repayment capacity of many students.
- 1.4 The proposed project aims to expand financing options for technology-related education for low-income people with a special focus on women, by developing an alternative financial product that will encourage inclusion and promote a social impact.
- 1.5 The **direct beneficiaries** will be people who are underemployed, in low-quality jobs, or unemployed, or who are seeking to switch careers and are interested in the technology sector, with a priority placed on women and low-income people.⁷ Most beneficiaries are expected to be high school graduates ages 18 to 30 who have been unable to begin or complete higher education due to a lack of financing. The project will aim for 60% to 70% of the students to be low-income people or women (or both). Special care will be taken to promote the program using marketing strategies and promotional products, as well as digital and nondigital channels, aimed specifically at **encouraging women and low-income people to apply**. To this end, the program will be promoted in low-income municipios, as determined by the 2020 statistics of the National Council for the Evaluation of Social Development Policy (CONEVAL) and/or by proof of income at a level less than four times the minimum wage per capita.⁸

⁵ According to HolonIQ, Laudex, Accede, and Quotanda, the executing agency for this project, are the only entities offering educational loans in Mexico.

⁶ <https://www.worldbank.org/en/results/2013/07/04/mexico-increases-access-to-tertiary-education>.

⁷ "Low-income people" are defined as those living in municipios where at least 40% of the population is classified as living in "extreme poverty" or "moderate poverty" in accordance with CONEVAL's statistics for 2020.
(<https://www.coneval.org.mx/Medicion/Paginas/Pobreza-municipio-2010-2020.aspx?fbclid=IwAR1p1Z2jd8QMD8w1VqzRG2oNfW4K6vBP1c69HfSdFap6FGTV4Vh9nP5tdlQ>).

⁸ A similar requirement applies to the Mexican government's scholarships targeted to low-income people in Mexico.

- 1.6 The project's lower barrier to entry (no coding knowledge is required), flexibility, and financing options make this type of education ideal for narrowing the gender gap in technology education and reducing socioeconomic inequality in Latin America and the Caribbean.
- 1.7 The case of María, a 20-year-old woman in the state of Oaxaca, is a case in point. At the start of the pandemic, María's parents lost their jobs and she had to drop out of high school to help out financially. On some days, she would go out with her parents to sell merchandise; on others, she would stay home to help her two younger brothers with their online classes. This prompted María to look for online coursework that might help her increase her income. Through her research, she learned that developers are in high demand and have access to quality jobs.
- 1.8 María found two coding schools in Mexico that offered distance-learning classes lasting three to four months and then helped students find jobs. The website said that students could receive financing under income share agreements (ISAs) through a partnership with Quotanda. This option appealed to her, since at the time she was unable to afford the tuition. María contacted Quotanda to learn more about the deferred payment plans and decided to apply for the coding course. As the ISA application process was entirely online, it took her 48 hours to complete it. After taking a test on the conditions of the ISA, she signed the ISA contract. María successfully completed the bootcamp in three months. After completing the coursework, she received training and assistance from the bootcamp's job placement team. She spent six weeks looking for work. After multiple interviews, she landed a job as a remote developer for a Mexican company. She used her salary to begin making affordable monthly payments on the ISA, which was fully repaid within two years.

II. THE INNOVATION PROPOSAL

A. Description of the project

- 2.1 **The objective of the project** is to provide a financing product known as income share agreements (ISAs), particularly for women and low-income people to gain access to digital and technology coursework of less than one year in duration, in order to help them increase their income, create job opportunities, and support the sustainability and scaling of this model.
- 2.2 **Income share agreements (ISAs)** provide students with a free education in exchange for their commitment to pay a percentage of their future salary over a specified period of time. Such programs have garnered attention from the private sector in the United States due to coding bootcamps' successful use of this model,⁹ which has now spread to other schools and universities in the region. Quotanda currently has two bootcamps with ISAs in its Mexico portfolio.¹⁰
- 2.3 One of the objectives of this proposal is to promote ISAs in Latin America and the Caribbean—where this instrument is just beginning to be used—and, in particular, to develop a “philanthropic” or “inclusive” type of ISA to promote access to technology education for women and vulnerable populations. The ISA program will

⁹ Lambda School was one of the first bootcamps to do so.

¹⁰ The two schools are DEV.F and Skills for Industry, with a volume of US\$240,000 and 93 ISAs.

- clearly explain to students the arrangement whereby they will be provided an education in exchange for repayment, including financial terms, the maximum payable rate, and the repayment period. At the same time, the aim is to have limited or no returns, to ensure the replenishment of funding from various private and institutional investors, and to continue reinvesting in access to technology education for many more women and low-income people.
- 2.4 This novel, pay-for-success financing instrument aligns the interests of student, bootcamp, financing entity, and Quotanda, which coordinates the entire process. The aim is to reward the bootcamps' educational success, defined here in terms of employment success in actual technology-related jobs.
- 2.5 **Quotanda** is an edtech that uses an innovative "ISA as a service" technology and provides a full service that includes ISA origination, administration, and repayment, as well as CareerScore, a tool to monitor students' job placement efforts. This helps to align incentives between educational institutions and students, thereby increasing the likelihood that students will complete their coursework and land a job.
- 2.6 The model works as follows: First, Quotanda selects qualifying bootcamps (see paragraph 5.3) that are interested in trying out the inclusive ISA to reach more women and low-income people. Next, schools agree to select students who can complete their coursework and to help them find jobs related to their newly acquired knowledge, with priority given to women and low-income people. In exchange, students agree to pay a fixed percentage of their income after landing a job and over a specified period of time. Quotanda will only draw revenue for managing the active ISA portfolio, which means it has a vested interest in its students' ability to secure work at a minimum income level and to repay the ISA.¹¹ Quotanda will also make payments to the school to the extent that it is successful: one payment when students register, with a bonus for female and low-income students; another payment upon completion of coursework, with a bonus for each female or low-income student; and a third payment for those who land a job, again with a bonus for those who are women or low-income people. Subsequently, once the students are employed, they will repay Quotanda for the ISA.
- 2.7 Quotanda uses its technology to provide a high-value experience to educational institutions and students, thus helping to: (1) reduce costs and timetables associated with implementing and administering ISA programs; (2) monitor and track students' job searches; and (3) reduce dropout rates and the risk of default.
- 2.8 **Innovation: from degrees to results.** One of the most significant innovations ushered in by the advent of bootcamps and ISAs is the paradigm shift in the education sector, away from issuing degrees and toward providing education geared toward employment. This proposal leverages the growth of the digital economy and the talent on which this economy is built, to promote the social mobility of women and low-income people who have not had opportunities to grow in this dynamic economy that offers tremendous wage-earning and career opportunities. This will be the first ISA program in the region to offer economic incentives for bootcamps to

¹¹ Under the financial model's assumptions, 50% of these jobs are expected to have a high average salary of US\$1,400 per month, 30% are expected to pay an average of US\$800 per month, and 10% are expected to pay a low average salary of US\$400 per month. The repayment provision is triggered at or above a salary of US\$400 per month.

teach vulnerable people and women. The financial product is innovative per se. Although ISAs do exist and are just beginning to be used in Latin America and the Caribbean, this is the first time that they will be geared toward inclusion and social impact. Schools are also incentivized to report their graduates' success in landing jobs, thereby promoting transparency and accountability. The business model is also innovative insofar as Quotanda specializes in education financing with a social impact, coordinating efforts between schools and multiple private and philanthropic investors, companies, and governments, whose aim is to provide opportunities to people left behind by the digital economy.

- 2.9 **Component I: Funding through ISAs for women and low-income people.** The objective of this component is to test and implement social-impact ISAs as a flexible financial product suited to the needs of women and low-income people.
- 2.10 To this end, Quotanda will analyze the bootcamps in Mexico with the highest employment rates. Quotanda will seek partnerships with educational institutions in Mexico that have previously worked with this segment of the population or are interested in seeking their participation in exchange for the incentives provided by the program. The bootcamps will have selection processes to ensure that participants are committed to and interested in technology-related education and skills. The project will also seek out bootcamps that can provide online teaching and flexible schedule so that low-income people and women can balance their coursework with other job-related or caregiving duties while they are going to school. Employment rates and student assistance and job placement services will be evaluated, as ongoing monitoring and assistance is key to identifying and preventing potential dropouts. Quotanda will also negotiate a discounted tuition rate on technology courses.
- 2.11 The key is to select quality bootcamps in the region with which Quotanda has an existing relationship, such as Ironhack, Skills for Industry, and DEV.F, as it is critical to partner with schools that have proven experience and a clear focus on job placement. The quality of a school and its programs is measured by: (1) length of time in operation and number of graduates; (2) reputation in the industry; (3) quality of admissions process, as measured by number of applicants and dropout rates; (4) job placement rates after three and six months; and (5) market demand for technologies taught. Quotanda will negotiate selection criteria with each bootcamp on an ad hoc basis, with a special emphasis on women and vulnerable populations. This customized negotiation for each bootcamp will allow Quotanda to experiment with various arrangements and draw lessons, which will help to continuously fine-tune the inclusive ISA product. Each educational institution's agreement with Quotanda calls for partial disbursements to the school as success is achieved. The aim is to align interests between the school, Quotanda, and the student. Payments will be made: (1) when the student begins the course; (2) upon completion of the bootcamp; and (3) when the student gets a job; with (4) an additional disbursement for students who are women or low-income people. Each school will have annual objectives to be reviewed by Quotanda on a monthly basis. Quotanda will, on an ongoing basis, recruit additional schools that have high job placement rates and can compete for project funds. The bootcamp industry is growing, and new schools that teach emerging technologies (cybersecurity, process automation, etc.) continue to appear; these bootcamps are seeking ways to provide funding for students, and ISAs offer a major competitive advantage in this regard. Schools attaining the best

- job placement outcomes will receive the most funding through Quotanda's ISAs, and the poorest-performing schools will forfeit their arrangement with Quotanda.
- 2.12 Quotanda will process the ISA applications of bootcamp students through an intuitive web portal. Students will review the ISA contracts and, before signing, will be tested to ensure they understand the arrangement and the main financial terms, such as the maximum payable rate, the monthly payments, and the repayment period. Quotanda will be in constant contact with students, providing them with monthly statements, income verification requests, and payment reminders. After completing the course, students can conduct their job searches through CareerScore, which is Quotanda's tool for keeping a centralized record of contacts, viewing tasks, documenting job offers, receiving reminders, and connecting with the bootcamps' job placement advisers.
- 2.13 The following results are expected: (i) 10 bootcamps will be selected to participate in the program; (ii) 1,000 people will gain access to ISAs; (iii) 90% of those gaining access to ISAs will complete the bootcamp; (iv) 328 women will have ISAs; (v) 323 low-income people will have ISAs; and (vi) US\$2 million in ISAs will be disbursed in Mexico.
- 2.14 **Component II: Sustainability and scalability of Quotanda's ISA model.** The objective of this component is to demonstrate that social-impact ISAs generate a viable, scalable business model for Quotanda. Quotanda has partners in the region to scale this model, including government entities that have already committed funds to participate in this social-impact ISA program. Quotanda will allocate resources to promote this innovative program through social media platforms and traditional media outlets to make educational institutions in the region aware of the ISA model and to recruit potential partners to provide funding. Quotanda will participate in key events in the region to promote the project among potential financing entities (e.g., foundations, government entities, financial institutions, companies interested in participating as part of their talent recruitment strategy). As is already the case in other countries, many educational institutions providing educational programs geared toward job placement decide to offer their own ISAs; Quotanda will have the advantage of being the first entity in the region to assist educational entities in designing and scaling ISA programs. Lastly, Quotanda will carry out business-to-business campaigns through its insight sales team to reach high-impact investors and potential financing entities in the region that are focused on education (foundations, etc.).
- 2.15 Quotanda will attend events and workshops related to edtech, fintech, impact investing, etc., to promote outcomes and recruit new partners to the project. Quotanda will also prepare a study on the experience, which will summarize the knowledge gained and lessons learned.
- 2.16 The following results are expected: (i) students post a 70% repayment rate six months after graduating from bootcamp in Mexico; (ii) 80% of people report their job status on a monthly basis after graduation; (iii) US\$3.5 million in educational financing based on job placement success through ISAs is provided by Quotanda México; (iv) a total of US\$15.5 million in educational financing is provided by Quotanda in Mexico; (v) a white paper on results and lessons learned in implementing ISAs in Mexico is published; (vi) participation in five workshops and forums; and (vii) four financing partners join the project.

B. Results, measurement, monitoring, and evaluation of the project

- 2.17 **Results Matrix indicators.** The project is expected to achieve the following impacts within 36 months: 80% of those who complete the bootcamp (800 people) obtain jobs within six months of bootcamp completion, and at least 60% of these are expected to be women or low-income people (480 in all; 240 women and 240 low-income people); 70% of those receiving ISAs get a job that pays at least the minimum salary level to trigger repayment (700 people) six months after bootcamp completion, and at least 56% of these are expected to be women or low-income people (393 in all; 198 women and 195 low-income people); and a 20% increase in the average salaries of students completing the bootcamp in the first and second years of the program.
- 2.18 **Monitoring.** Quotanda will monitor results in accordance with the Results Matrix, using its analytical tools that allow it to view key performance indicators in real time. For example, these tools monitor the ISAs originated, administered, and repaid for each educational institution, automatically generating a portfolio status report and customized dashboards for each institution. Moreover, CareerScore provides real-time segmented data on job placement; this highly valuable information can help bootcamps improve their programs in terms of results and impacts. Quotanda will also submit project status reports (PSRs) within 30 days after the end of each six-month period, or more frequently as requested by IDB Lab with at least 60 days' advance notice to Quotanda. The PSR will include information on execution status, milestone fulfillment, and attainment of objectives set forth in the Results Matrix and other operational planning instruments. It will also report on problems arising in execution and possible solutions. Within 90 days after the end of the execution period, the executing agency will submit to IDB Lab a final PSR reporting on results attained, project sustainability, and lessons learned.
- 2.19 **Evaluation.** This project will include a study or white paper, to be prepared upon project completion, which will document Quotanda's experience in awarding philanthropic or impact ISAs, analyzing the main challenges and success factors for sustainability and scalability. It will also report the results attained by Quotanda in other countries of Latin America and the Caribbean, comparing the lessons learned and progress in the ISA portfolio in Mexico vis-à-vis other countries in the region. It will also report on fulfillment of the project's impact objective and the indicators in the Results Matrix.

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

A. Alignment with the IDB Group

- 3.1 By focusing on women, low-income people, and young people—the groups hardest hit by the economic crisis and pandemic—the project is aligned with the Bank document titled “**Vision 2025: Reinvest in the Americas: A Decade of Opportunity**,” in its pillars related to the digital economy and inclusive, sustainable recovery through the training of human capital and the development of talent.
- 3.2 The project is aligned with the **Second Update to the Institutional Strategy**, as it contributes to the priority area of technology with the challenges of social inclusion and equality and productivity and innovation, insofar as the project will provide training and job placement to vulnerable populations, thereby enhancing digital

- talent in high-demand sectors. The project is also aligned with the crosscutting theme of gender equality and diversity, as it includes special efforts to increase women's participation in the technology sector.
- 3.3 The project is aligned with the **Bank's country strategy with Mexico 2019-2024**, in its first pillar related to social development specifically to facilitate access to the labor market. The project will promote sustainable access to quality education, as it will work to improve the quality and relevance of job skills training. Moreover, with technology-related job training through programming schools, the project is aligned with the crosscutting areas of innovation and the digital agenda. The project will be implemented in view of the Principles for Digital Development, which have been endorsed by the Bank and other multilateral organizations.
- 3.4 **IDB Lab.** The project is related to IDB Lab's focus areas of education, talent, and employment and financial inclusion. This project draws on IDB Lab's experience and lessons learned in coding bootcamps with a focus on inclusion in the region, such as Laboratoria (RG-T3510), DEV.F (RG-T3590), Kódigo (ES-T1330), and Youth to Program (ATN/ME-16123-UR). Coding schools are becoming an effective alternative for narrowing talent gaps in the labor market in a short time. This pilot initiative is expected to further show that more women and low-income people with affordable financing mechanisms suited to their repayment capacity and based on the attainment of quality jobs.
- 3.5 **IDB Invest** has long been working on a solution to provide funding to students in general, especially in fields that are in high demand. However, in cases where this has been attempted (both with an edtech and with a university), not enough students participated, and an intermediary financial entity was required to manage the students' loans. As a result, IDB Invest is eagerly keeping an eye on this operation, as it might generate a scalable model that can be replicated widely in Mexico and the rest of Latin America and the Caribbean. Indeed, some of IDB Invest's clients and liaison organizations (Texas Tech, Universidad de las Américas, trade associations, etc.) are also interested in working with Quotanda.
- 3.6 **CTI and LMK.** In Costa Rica (2852/OC-CR) and Peru (3700/OC-PE), the Competitiveness, Technology, and Innovation Division (IFD/CTI) has carried out projects to fund scholarships for people completing programming bootcamps. The scholarships in Costa Rica were tied to completion of coursework rather than job placement, although tentative outcomes suggest that improvements were nonetheless achieved in wage levels and job placement. The Peru project is still being implemented. These programs have been met with high demand among young people. The project is also aligned with the IDB Group's Employment Action Framework with Gender Perspective (document GN-3057), as it supports the development of human talent with a gender perspective and with a view toward emerging sectors.
- 3.7 **Alignment with Sustainable Development Goals (SDGs).** The project is expected to contribute to the following SDGs: SDG 4, Quality Education: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university (target 4.3); SDG 5, Gender Equality: Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women (target 5.b); SDG 8, Decent Work and Economic Growth: By 2030, achieve full and productive

employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value (target 8.5).

- 3.8 **Integrity analysis.** The project team, assisted by the Office of Institutional Integrity (OII), conducted integrity due diligence in accordance with the applicable guidelines (document OP-474-1) in relation to project ME-G1025. The project team and OII found that certain aspects of the project have not yet been fleshed out—specifically, providers of education services—which may pose an integrity and/or reputational risk for IDB Lab when such entities are identified. The project team and OII feel that this risk is adequately mitigated because an integrity analysis of such entities will be conducted in accordance with the integrity due diligence guidelines to the satisfaction of IDB Lab.

B. Scalability

- 3.9 As for scaling, demand for digital talent is extremely high in both Mexico and the rest of the world, and the bootcamp industry continues to boom—a young industry that began to take off only 10 years ago. According to Business Wire, the bootcamp market will grow by US\$772 million between 2021 and 2025, equating to a 17% annual growth rate over that period. With this projected growth, the number of bootcamps in Mexico and the rest of Latin America is expected to grow, and bootcamps are expected to serve more people interested in technology coursework through various mechanisms, including ISAs. It has been projected that Quotanda could originate 2,300 ISAs in Latin America for some US\$10 million in three years, 5,300 ISAs for US\$23 million in five years, and 40,300 ISAs for US\$181 million in 10 years. Quotanda currently has clients in Mexico, Peru, and Chile, and it expects to expand into Colombia and Costa Rica, as well as other countries in the region.
- 3.10 The outcomes of this pilot initiative will provide key parameters (employment rates for each school, job placement rates over time, types of employment in each discipline, arrears rate per region and population) to prove that the business model is viable for Quotanda and to seek additional partners for scaling.
- 3.11 Bootcamps will play a key role in the path toward scaling. As more schools offer ISAs, other institutions will have to join in to compete and will have to take on some of the ISA's risk, consolidating more affordable educational models (tuition rates are expected to drop as a result of increased competition) that ensure employment. Impact investors (development banks, foundations, and government entities supporting education through scholarships) will also be key partners, and their role will be to demonstrate good practices in the use of social-impact ISAs, which will be a highly impactful educational mechanism in the region. In other words, social mobility can be promoted not only by university degrees but also by programming bootcamp certifications. Returns are expected to be stable, and more investors may join under social-impact bond mechanisms or pay-for-success contracts.

C. Project and institutional risks

- 3.12 The project has been assessed as having a medium risk level. The main risks analyzed for this evaluation are as follows:
- 3.13 **The risk that students may decide not to repay Quotanda.** To mitigate this risk, the following types of actions have been identified: (i) deterrents; (ii) early detection of credit risk; (iii) monitoring and proactivity; and (iv) measures related to the benefits

of bootcamps. Deterrents could include having students, as part of the ISA contract, sign a promissory note and a cosigner for the promissory note; informing students that they will be reported to the credit bureau if they fail to make repayment; or authorization may be sought to contact the employer, and this may be included as part of the student's professional references. Early detection actions could include a small payment to the student upon registration and a separate monthly payment to detect future risks of nonpayment; requiring students to open a bank account in order to apply for an ISA; offering open banking to automatically calculate revenues and expenditures, in the even that students are unbanked with free cards or accounts; and effectively selecting students to ensure their willingness to pay. For monitoring and proactivity, options include remaining in constant communication with students, lest they think they have been forgotten; engaging the school; and requesting salary information from the companies hiring the students. Activities related to the benefits of bootcamps could include contractually removing the student from the alumni group providing networking and information on job openings, removing the educational credential, or revoking the digital certification.

3.14 The risk that women and low-income people are not interested or drop out.

The main mitigating factor is effective selection of the bootcamps that will work with Quotanda. Schools with proven experience working with this segment will be sought through efficient, inclusive processes for selecting participants, with close assistance during instruction to detect and prevent dropouts, and/or partnerships with entities that work with vulnerable populations and can serve as an initial filter for the school. Meanwhile, the project will provide the school an economic incentive in the form of a payment upon registration, upon completion, and upon employment of this segment, plus an additional bonus, thus encouraging the school to devote more resources to recruiting students and achieving solid outcomes. The project will also seek out schools that offer online courses and flexible schedules that allow students to balance their coursework with other responsibilities or job duties, as well as to seek low-cost childcare during class times. Another measure could be to inform schools of the tax benefits associated with hiring people with disabilities. Lastly, Quotanda will work with bootcamps that agree to measure student employment rates and provide accountability reporting through the [Council on Integrity in Results Reporting](#).

3.15 The risk that the employment rate may be low and the product may not be financially sustainable.

Mitigation actions have been identified in relation to the following: (i) selection and renewal of bootcamps; (ii) monitoring of students; and (iii) financing partners. For the selection and renewal of bootcamps, the selection criteria will include a requirement of proven high employment rates and a dedicated job placement unit. The bootcamp's relationship with employers, and whether it meets employers' needs, will be evaluated. The contract may not be renewed if employment rates are not at required levels. Measures to monitor students will include: (1) having students make an up-front payment (this reduces dropout risk); and (2) having students make small monthly payments to foster a culture of payment. Select students with high potential for post-bootcamp employment. Analyze the labor market to understand which courses teach the skills in greatest demand among employers in Mexico. Identify students who are working as independent contractors (not as employees). Make Quotanda's CareerScore tool available to schools and students in order to monitor job placement activity in a

centralized place with all information at hand (job openings, interview schedule, reminders, etc.). Financing partners: Identify strategic partners that will recruit recently graduated women and vulnerable people. Other partners that do not require a sustainable product, and which require low levels of replenishment (foundations, governments, etc.), will also be recruited.

IV. INSTRUMENT AND PROPOSED BUDGET

- 4.1 The total cost of the project is US\$1,712,000, with US\$750,000 (43.81%) to be provided by IDB Lab and US\$962,000 (56.19%) to be provided by the counterpart.
- 4.2 The instrument to be used will be contingent recovery funding for investment, since Quotanda's business model could generate repayment capacity if the targets identified in the financial projections are fulfilled (see Annex 5). In 2025, the third year of the project, Quotanda's revenues in Mexico are projected to be US\$335,060. Once Quotanda México's revenues total half this projected amount, Quotanda will begin making equal semiannual payments to IDB Lab over the remainder of the repayment period. The amount repaid to IDB Lab will equal the disbursed amount minus US\$15,000 for the knowledge product. In addition to the amount owed, IDB Lab may deduce a US\$140 incentive per low-income or female student, up to a maximum of US\$100,000.

	IDB Lab (US\$)	Counterpart (US\$)	Total
Project components			
Component I: Funding through ISAs for women and low-income people	735,000	737,000	1,472,000
Component II: Sustainability and scalability of Quotanda's ISA model	15,000	37,500	52,500
Project administration	-	187,500	187,500
Total	750,000	962,000	1,712,000
% of financing	43.81%	56.19%	100%

V. EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE

A. Description of executing agency

- 5.1 **Quotanda México SAPI de CV** will be the executing agency for the project and will sign the agreement with the Bank. Quotanda, established in Mexico in 2015 and cofounded by Grant Taylor and Lino Pujol, seeks to be the world's leading administrator of reimbursable financial aid for education, supporting programs for foundations, financial entities, governments, and educational institutions. Quotanda has six years of experience in Latin America, having worked in Mexico, Peru, and Chile. Quotanda also has an international 11-person team with a presence in Latin America and Europe, with advisory support from experts in the sector.

Quotanda was named one of the region's 100 most innovative edtech companies in the region in 2020 and 2021, according to HolonIQ.¹²

- 5.2 Quotanda designs and operates educational loan and ISA programs for various entities. It has experience in designing ISAs with financial entities, educational institutions, foundations, and public and private investors, such as Grupo Santander through Fundación Universia, ESADE, and Codeable. As of March 2022, Quotanda has issued US\$2.6 million in ISAs with 15 educational institutions, of which US\$1.4 million and three educational institutions are in its Latin American portfolio. Quotanda's Mexico portfolio includes two clients with a volume of US\$240,000 and 93 ISAs. Its active portfolio has a repayment rate ranging from 40% to 90%;¹³ this percentage increases as bootcamp graduates find jobs and, as a result, varies with the age of the portfolio. However, the indicators show that Quotanda's business model has performed well. The repayment rate is close to 100% among students who found jobs.
- 5.3 **The main partners** are the **coding bootcamps** (educational institutions providing short-cycle coursework) that will have to meet certain criteria, such as providing training in skills that are in high demand in the labor market, offering educational programs of less than one year in duration, having experience with students at different socioeconomic levels, and providing 35 to 70 ISAs per year to vulnerable people and women. Quotanda will negotiate with each bootcamp to determine the terms of the collaboration agreement, including provisions for disbursements to schools, discounts, and caps on ISAs.

B. Implementation structure and mechanism

- 5.4 **Quotanda México SAPI de CV**, the executing agency, is responsible for project implementation and execution. Quotanda will form an execution unit and create the structure to execute project activities and manage project resources effectively and efficiently. The execution unit will consist of Quotanda personnel, including part-time service of Quotanda's CEO, a project coordinator, a client manager, and an administrative assistant, as well as accounting and finance consultants responsible for carrying out activities for the various components and supporting monitoring and evaluation efforts. These positions will be covered by the counterpart's budget and will be paid in kind, as they were previously hired by Quotanda and are also responsible for activities that fall outside the scope of this project.
- 5.5 The execution unit will be housed in the offices of Quotanda in Mexico and will carry out the day-to-day work to fulfill the project's objectives. It should be noted that Quotanda uses a hybrid work arrangement (time split between office and home). The execution unit will also meet periodically to review project status in accordance with the timetable and make any necessary adjustments. It will also be responsible for gathering and maintaining all project-related information and for following all administrative procedures of IDB Lab and Quotanda. The execution unit will also make all plans for project-related meetings, events, and communication materials.

¹² [Education Technology in Latin America and the Caribbean](#), Lustosa et al., IDB, 2021.

¹³ This percentage varies depending on the school and the timing of the portfolio. It is lower at the start of the ISAs while students are job-hunting in the first few months after completing their coursework.

- 5.6 The executing agency will provide physical, operational, and logistical support for effective and efficient execution of the project. It will also be responsible for the counterpart funding to complement the resources for project execution. In addition, the executing agency will submit status reports on project implementation through IDB Lab's project management platforms on a semiannual basis.
- 5.7 Quotanda's CEO will supervise project execution and designate the team that will carry out all activities for fulfillment of project targets. For example, Quotanda will select and negotiate with bootcamps, secure investors for counterpart funding, establish criteria for ISA origination, decide on the ISA product to be used for each bootcamp, administer the ISAs, incorporate lessons learned into the ISA product, monitor and report on the main lessons learned and outcomes, adjust financial projections to issue ISAs and ensure repayment, hold monitoring meetings with key actors, submit semiannual and annual financial statements, conduct annual audits, among other activities.
- 5.8 **Financial analysis.** Quotanda is a corporation at an early stage of development that, with the project's support, may achieve financial sustainability in 2023 and profitability in 2024 (see historic and projected financial statements in Annex V). Its business model combines three main sources of revenue: ISA origination fees, ISA servicing fees, and fees for setting up the agreement for each new ISA.¹⁴ At year-end 2021, Quota had originated US\$3.7 million in ISAs and was managing service of US\$1.7 million in debt. Financial projections show that Quotanda can substantially increase the volume of originated ISAs and the service on its debt. This will allow for sustained revenue growth, from US\$203,149 in 2021 to a projected US\$302,000 in 2022 and US\$444,000 in 2023.
- 5.9 The key to Quotanda's business model is that it is achieving efficiencies in ISA origination and servicing, which will help it achieve profitability by increasing its revenues at a reasonable pace. By the end of 2022, it will have a projected 87 clients with which it will originate ISAs, including bootcamps, banks, and financing entities. It will grow approximately 50% per year between 2022 and 2025. As for its repayment capacity, it is projected to be able to make repayments to IDB Lab on the order of 12% to 18% of its gross revenue.

VI. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 6.1 **Results-based disbursements and fiduciary arrangements.** The executing agency agrees to follow IDB Lab's standard arrangements for results-based disbursements as well as procurement and financial management policies applicable to the private sector, in accordance with the Financial Management Guidelines for IDB-financed Projects (document OP-273-12, version dated 12 June 2019) and the guidelines for milestone-based management and financial supervision for technical cooperation operations of IDB Lab and the Social Entrepreneurship Program.¹⁵

¹⁴ In financial statements these are termed "origination fees," "servicing fees," and "set-up fees," respectively.

¹⁵ Link to the [Financial Management Guidelines for IDB-financed Projects](#).

- 6.2 The integrity and institutional capacity assessment identified a low level of risk, as the executing agency has a financial management system that is acceptable to IDB Lab, as well as a monitoring and reporting structure for submittal of its financial statements to the Bank.
- 6.3 **Contingent recovery.** This project includes a component for US\$750,000 in contingent recovery funding for investment, since Quotanda's business model generates revenue for repayment. The project's technical files include the statement of terms agreed upon with the executing agency. The executing agency will repay the reimbursable amount of up to US\$750,000 in equal semiannual payments over a four-year period. The first semiannual payment will be made 36 months into the disbursement period, on the first payment date, and when Quotanda first fulfills the trigger milestone identified in the statement of terms.¹⁶
- 6.4 The project may have up to three disbursements for up to US\$375,000 each and a cumulative maximum of up to US\$750,000. Disbursements will be subject to verification of the fulfillment of the following conditions:
- 6.5 For all disbursements, Quotanda will submit: (i) a report on fulfillment of financial conditions precedent to disbursement (see statement of terms); (ii) its no objection to the updated procurement plan specifically for the use of requested resources; (iii) agreements in effect with bootcamps to provide ISAs in an amount at least equal to the amount requested from IDB Lab; (iv) a promissory note contingent upon fulfillment of trigger milestones in the requested amount; and (v) financial statements as of the end of the immediately preceding month.
- 6.6 In addition to the conditions for all disbursements, for the second and third disbursements Quotanda will show that it has provided ISAs in Mexico (using its own resources or those of third parties) in an amount equal to or greater than the amount disbursed by IDB Lab as of the date of the disbursement request.
- 6.7 The fulfillment of conditions does not relieve the executing agency of its responsibility to achieve the agreed upon results.
- 6.8 Under the modality of risk- and performance-based project management, the project's disbursement amounts will be determined on the basis of the project's estimated liquidity needs for up to six months. These needs will be agreed upon between IDB Lab and the executing agency, in view of the activities and costs programmed in the annual planning exercise. The first disbursement will be contingent upon fulfillment of conditions precedent, and subsequent disbursements will be contingent on fulfillment of the following two conditions: (i) verification by IDB Lab of milestone fulfillment, as agreed upon in the annual planning exercise; and (ii) substantiation by the executing agency of at least 80% of cumulative advances of funds. These conditions will be detailed in the statement of terms for the contingent recovery funding.
- 6.9 Unless otherwise determined by the Bank during project execution, the executing agency's policies will be used to conduct **procurement** processes. An annual procurement plan for project execution and milestone fulfillment will be submitted along with the annual work plan. IDB Lab will conduct ex ante reviews of the

¹⁶ Gross revenue equal to or greater than US\$167,530, which is 50% of projected revenue for Mexico in 2024.

technical aspects of procurement processes as it deems necessary, particularly for procurement items deemed critical.

- 6.10 The executing agency will prepare its **annual financial statements** and make them always available to the Bank. The Bank may use resources from the contribution to review the financial statements and the use of resources allocated to the project, while verifying financial practices and procurement processes.

VII. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 7.1 **Access to information.** Project information is considered confidential in accordance with the Bank's Access to Information Policy.
- 7.2 **Intellectual property.** Quotanda will own the intellectual property for products and studies developed in the course of the project. Quotanda will grant the Bank nonexclusive, free, and perpetual access to studies and outcomes so that the Bank may: (i) disseminate project results; and (ii) apply lessons learned to other projects in the region. This will ensure that lessons learned from the project are disseminated as widely as possible among the target population and across the region. Lessons learned will also be used in analyzing similar future projects at the regional level.