

DOCUMENT OF THE INTER-AMERICAN BANK  
MULTILATERAL INVESTMENT FUND

**GUYANA**

**GROWING GUYANA'S MATURE MICROENTERPRISE TO SMEs  
THROUGH TECHNICAL SUPPORT, FINANCIAL LITERACY AND ACCESS  
TO CAPITAL**

**(GY-T1187, GY-G1008)**

**DONORS MEMORANDUM**

This document was prepared by the project team comprised of: Vashtie Dookiesingh DIS/LAB (Team Leader), Fermin Vivanco MIF/MSE, Kaimlall Chattergoon CCB/CGY, Christian Diaz Ordonez GCL/FML, Margarita Garcia de Paredes DSP/SEG and Denesh Baboolal DSP/DVF

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## CONTENTS

I.	THE PROBLEM .....	1
A.	Problem Description .....	1
II.	THE INNOVATION PROPOSAL .....	3
A.	Project Description.....	3
B.	Project Results, Measurement, Monitoring and Evaluation .....	6
III.	ALIGNMENT WITH IDB GROUP, SCALABILITY, AND RISKS .....	7
A.	Alignment with IDB Group .....	7
B.	Scalability.....	8
C.	Project and Institutional Risks.....	8
IV.	INSTRUMENT AND BUDGET PROPOSAL .....	9
V.	EXECUTING AGENCY (EA) AND IMPLEMENTATION STRUCTURE .....	10
A.	Executing Agency(s) Description .....	12
B.	Implementation Structure and Mechanism .....	13
VI.	COMPLIANCE WITH MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS .....	14
VII.	INFORMATION DISCLOSURE AND INTELLECTUAL PROPERTY.....	14

## **PROJECT SUMMARY**

### **GUYANA**

#### **GROWING GUYANA'S MATURE MICROENTERPRISE TO SMES THROUGH TECHNICAL SUPPORT, FINANCIAL LITERACY AND ACCESS TO CAPITAL**

**(GY-T1187, GY-G1008)**

The problem that is being addressed, is the financial exclusion of microenterprises in Guyana, a factor that is severely constraining growth of this sector and is impeding their contribution to social and economic development. The financial exclusion and associated stagnation of Guyana's microenterprise sector are attributable to a range of interrelated factors, but most significantly: (i) Interest rates charged by lenders are high due to operational costs and the absence of easily converted collateral/security in most microenterprise loan transactions, and (ii) microenterprise business owners demonstrate low levels of formal business skills, which in turn increase lenders' risk perceptions and pricing. The objective of the project, which will be executed by the Economic Development Fund Inc. in Guyana, is to pilot a model that will catalyse growth of high potential microenterprises in Guyana, focusing on those operating in sectors that can access export markets<sup>1</sup> as well as other high value-added sectors.

The project will support growth of up to 300 microenterprises across Guyana via the delivery of skills training and mentorship as well as the provision of reimbursable grant resources of up to USD \$5,000 for 145 of these businesses to catalyse and finance growth. The theory of change is that the combination of capacity building and financial support can provide an impetus for microenterprises that have been assessed as having growth potential to achieve enhanced performance in terms of market reach, increased sales and profitability, and higher levels of business resilience. The model is structured to include 3 key components: (i) piloting of a system of reimbursable grants for high growth potential microenterprises; (ii) training, coaching and mentorship of microentrepreneurs via a business acceleration program; and (iii) creation and dissemination of knowledge on the results and impact of the model as a platform for scaling.

At the outcome level the project is expected to deliver the following results: (i) f an innovative model for financing growth of microenterprises in Guyana is piloted in Guyana (ii) USD 725,000 is invested in reimbursable grant financing for microenterprises (iii) microenterprises within the reimbursable grant portfolio achieve an average growth rate of 10% and (iv) 90% of reimbursable grants awarded by EDF are repaid by recipient microenterprises.

The project has a total cost of US\$1,774,979 of which US\$700,000 (39% will be provided by IDB Lab, and US\$ 1,074,979 (61%) by the Economic Development Fund Inc. (EDF) as counterpart. IDB Lab funding includes a Non-Reimbursable Technical Co-operation (NRTC) of US\$200,000 and a Contingent Recovery Investment Grant (CRIG) of US\$500,000.

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<sup>1</sup> For example, food and agricultural products can be exported to US markets under the Caribbean Basin Initiative

## ACRONYMS AND ABBREVIATIONS

<b>CCB</b>	Caribbean Countries Department
<b>CGY</b>	Country Office Guyana
<b>COF</b>	Country Office
<b>CRIG</b>	Contingent Recovery Investment Grant
<b>DICI</b>	Assessment of Integrity and Institutional Capacity
<b>EDF</b>	Economic Development Fund Inc
<b>E&amp;S</b>	Environmental and Social
<b>GDP</b>	Gross Domestic Product
<b>GEN</b>	Global Entrepreneurship Network
<b>GTT</b>	Guyana Telephone and Telegraph Company Ltd
<b>IDB Lab</b>	Formerly the Multilateral Investment Fund (MIF)
<b>IDB/Bank</b>	Inter-American Development Bank
<b>IDBG</b>	Inter-American Development Bank Group
<b>IICA</b>	Inter American Institute for Cooperation in Agriculture
<b>IPED</b>	Institute of Private Enterprise Development
<b>MOU</b>	Memorandum of Understanding
<b>NRTC</b>	Non-Reimbursable Technical Cooperation
<b>PSR</b>	Project Status Report
<b>SBB</b>	Small Business Bureau
<b>SDG</b>	Sustainable Development Goals
<b>SMEs</b>	Small and Medium Enterprises
<b>USAID</b>	United States Agency for International Development

**GUYANA**  
**GROWING GUYANA'S MATURE MICROENTERPRISE TO SMES THROUGH TECHNICAL**  
**SUPPORT, FINANCIAL LITERACY AND ACCESS TO CAPITAL**

**(GY-T1187, GY-G1008)**

<b>Country and Geographic Location:</b>	Guyana		
<b>Executing Agency:</b>	The Economic Development Fund Inc. (EDF)		
<b>Focus Area:</b>	Financial Inclusion; Gender and Diversity		
<b>Project Beneficiaries:</b>	300 microenterprises in Guyana will receive training and technical support through a business accelerator program, of which 145 will receive reimbursable grants to finance growth.		
<b>Financing:</b>	IDB Lab Non- Reimbursable Technical Cooperation GY-T1187 (NRTC):	US\$200,000	11%
	IDB Lab Contingent Recovery Investment Grant GY-G1008 (CRIG):	US\$500,000	28%
	<b>Total IDB Lab Funding:</b>	<b>US\$700,000</b>	<b>39%</b>
	Counterpart:	US\$1,074,979	61%
	<b>TOTAL PROJECT BUDGET:</b>	<b>US\$1,774,979</b>	<b>100%</b>
<b>Execution and Disbursement Period:</b>	36 months for execution and disbursement for the CRIG, 36 months for execution and 42 months for disbursement of the NRTC.		
<b>Special Contractual Conditions:</b>	<p>Special Conditions prior to the first disbursement of the <b>NRTC</b> operation (GY-G1187) will be: (i) IDB non objection to criteria for enrollment of microenterprises in the EDF accelerator program and (ii) IDB non objection to selection criteria for award of non-reimbursable grant financing to microenterprises</p> <p>Special Conditions prior to the first disbursement of the <b>CRIG</b> operation GY-G1008, EDF will present to the Bank's satisfaction: (i) financial statements as of the date of the last closed month, (ii) evidence of compliance with applicable financial and operating conditions (covenants), (iii) investment plan for the use of the resources requested, (iv) a signed promissory note for the amount requested.</p> <p>Prior to the second and subsequent disbursements of the CRIG component: EDF will also have to present evidence of: (i) having used at least 90% of the resources previously disbursed by IDB Lab as defined in the investment plan, (ii) having contributed a counterpart at least equal to 25% of the amount disbursed by IDB Lab, (iii) microenterprises proposed for reimbursable grants have completed the EDF business accelerator program or other training approved by the EDF, and (iv) a signed promissory note for the amount requested.</p>		
<b>Environmental and Social Impact Review</b>	<p>The project has been reviewed and classified under category C on July 18, 2022, in accordance with the IDB's Environment and Safeguards Compliance Policy (OP-703).</p> <p>The NRTC operation (GY-T1187) has been categorized as C. The CRIG operation (GY-G1008) has been categorized as FI-3.</p>		

<b>Unit responsible for disbursements</b>	CCB/CGY
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## I. The Problem

### A. Problem Description

- 1.1. The problem that is being addressed, is the financial exclusion of microenterprises in Guyana, a factor that is severely constraining growth of this sector and is impeding their contribution to social and economic development. The predominant forms of financing currently utilized by microenterprises in Guyana earnings (90%), savings (24%), informal savings mechanisms (7%), or supplier credit (6%)<sup>2</sup>.
- 1.2. Access to credit in Guyana is weak compared to the region. While the number of loans per 1,000 adults in Guyana increased from 42 in 2005 to 89 in 2018, the regions' averages were 328 per 1,000 adults in 2005 and 540 in 2018. Private sector access to credit in Guyana was 37% of GDP in 2018, again below the region's average of 50%<sup>3</sup>. As most businesses lack the collateral to approach the commercial banking sector for finance, their options are limited. Currently, microenterprises can seek access to funding via: (i) Guyana's Small Business Bureau (SBB), which provides one time only non-reimbursable grants of up to USD 2,500 for business development, or (ii) the Institute for Private Enterprise Development (IPED), the country's largest microfinance institution, for loans of up to USD 3,750. However, data from 2020 reveals that **Guyana's largest microfinance institution IPED and SBB are reaching less than 1% of Guyana's MSES with micro loans and grants**<sup>4</sup>.
- 1.3. The financial exclusion and associated stagnation of Guyana's microenterprise sector are attributable to a range of interrelated factors, but most significantly: (i) Interest rates charged by lenders are high due to operational costs and the absence of easily converted collateral/security in most microenterprise loan transactions, and (ii) microenterprise business owners demonstrate low levels of formal business skills, which in turn increase lenders' risk perceptions and pricing.
- 1.4. **Cost of Borrowing:** Whereas most microfinance institutions in the region charge interest rates of between 20 and 45%<sup>5</sup> IPED as the largest microfinance institution in Guyana offers unsecured working capital financing (up to USD3,750) at interest rates that are as high as 52%, which is a barrier to many microenterprises seeking finance for business growth. High interest rates and the resulting low levels of lending in Guyana are tied to lenders' perceptions of the likelihood of micro and

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<sup>2</sup> Small Business Survival in Guyana: Insights and Implications, IDB Technical Note (IDB-TN-1428). April 2018

<sup>3</sup> Review of Financial Development and Inclusion for Guyana: Assessment and Options for Reform, IDB Policy Brief (IDB-PB-00336), June 2020

<sup>4</sup> Based on EDF's analysis of number of microenterprises receiving financing from these institutions in 2020 versus number of registered microenterprises in Guyana.

<sup>5</sup> Interest Rates and Implications for Microfinance in Latin American and the Caribbean IDB Working Paper Series #IDB-WP-177 March 2010

small business failure and microenterprises' lack of adequate collateral<sup>6</sup>. The high interest rates charged by microfinance and other lenders in Guyana are further driven by 1) high operating costs; 2) expected loan losses (credit and operational risks); 3) a desire for a determined level of profit; 4) borrowers' low levels of education and business-know how; and 5) lack of adequate collateral and substitutes. Internal challenges like operational inefficiency prevent reasonable caps on interest rates<sup>7</sup>.

- 1.5. **Low levels of business skills and acumen:** In terms of business acumen and skills, it is well established that the capacity of owners and operators is a critical resource and key factor in the survival and performance of small enterprises. Entrepreneurs are the heart of their organizations, and they often ultimately determine whether a business survives<sup>8</sup>. Unfortunately, Guyana's microenterprise owners often lack the business management knowledge and financial literacy required to make important business and financial decisions. Additionally, microenterprises often lack good record keeping, which does not enable lenders to conduct traditional due diligence and risk assessment<sup>9</sup>, while low levels of technology adoption drive up operating costs and contribute to a lack of growth.
- 1.6. **Beneficiaries:** While there is no official definition for microenterprises in Guyana, it is widely accepted that firms earning USD 50,000 or less annually are considered microenterprises. There are an estimated 40,000 registered businesses in Guyana, most of which are mature, operating for an average of 9 years, yet earnings remain low, averaging between USD 500 and USD1,000 in monthly (gross) sales, which suggests a prevalent level of subsistence or survival businesses, which are likely to be informal and are unable to achieve growth.
- 1.7. The project targets 300 owners/operators of microenterprises in Guyana that have been assessed to have growth potential in value added sectors. These microenterprise owners will participate in a business acceleration program to build skills and habits needed to enable growth of their businesses. It is expected that 50% of participants in the acceleration program will be women. Furthermore 145 microenterprise owners that have successfully completed the business acceleration program will be further screened to receive reimbursable grants of up to US \$5,000 to invest in growth of their businesses. It is expected that 20% of these enterprises receiving financing will be located in rural communities, and that 30% will have been founded by persons self-identifying as being of indigenous or afro descent.

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<sup>6</sup> Small Business Survival in Guyana: Insights and Implications, IDB Technical Note (IDB-TN-1428). April 2018

<sup>7</sup> Interest Rates and Implications for Microfinance in Latin American and the Caribbean IDB Working Paper Series #IDB-WP-177 March 2010

<sup>8</sup> Williams and Ramdani, Exploring the Characteristics of Prosperous SMSE in the Caribbean 2018

<sup>9</sup> Rizavi and Ganga, 2006



## II. The Innovation Proposal

### B. Project Description

- 2.1 The objective of the project is to pilot a model that will catalyse growth of high potential microenterprises in Guyana, focusing on those operating in sectors that can access export markets<sup>10</sup> as well as other high value-added sectors.
- 2.2 The project will support growth of up to 300 microenterprises across Guyana via the delivery of skills training and mentorship as well as the provision of reimbursable grant resources to catalyse and finance growth. The theory of change is that the combination of capacity building and financial support can provide an impetus for microenterprises that have been assessed as having growth potential to achieve enhanced performance in terms of market reach, increased sales and profitability, and higher levels of business resilience. Recognizing that microentrepreneurs allocate a significant portion of time to running of their business, the business acceleration program will be delivered in an online format to maximize participation and will also include structured mentorship for tailored business advisory support. Microenterprises successfully completing the acceleration program will be further screened and 145 will be selected to receive a reimbursable grant of up to USD 5,000 for investment in growth of their business. These grants will be repayable over a period of 18-24 months with instalments tied to monthly projected revenues of the business. To ensure that funds are invested for maximum impact, the Economic Development Fund will manage all procurement and payments for goods and services on behalf of grant recipients. In addition, grant awardees will be trained and required to utilize secure technology platforms for financial management, to enhance efficiency and transparency, and to allow EDF to track and monitor both progress and repayment capacity of these microenterprises. This model of financing is particular relevant to financial inclusion as it is more attractive to women and under-represented founders of microenterprises that do not fit credit requirements of traditional lenders, and has a lower likelihood of write offs as (i) grant recipients have completed a business acceleration program that builds capacity; (ii) the model facilitates greater insights into grant recipients financial performance as microenterprises are required to share regular access to financial data; and (iii) repayment is based on projected monthly revenues, allowing for repayments that mirror the recipient's business cycle.
- 2.3 **Innovation:** The solution is innovative in the context of Guyana as it targets high growth potential microenterprises with an integrated package of capacity building and non-debt financing structured to catalyse growth and break the cycle of stagnation that is constraining development of this sector. The introduction of microenterprise financing in the form of a reimbursable grant with repayment tied to revenues, is a highly innovative solution to increase the financial inclusion and

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<sup>10</sup> For example, food and agricultural products can be exported to US markets under the Caribbean Basin Initiative

growth of microenterprises in Guyana which has not been offered previously. The model draws on a revenue-based financing model introduced in the United States to facilitate financial inclusion and growth of minority businesses, it is this model that the Economic Development Fund is seeking to adapt and roll out as a differentiated vehicle to empower and support growth of microentrepreneurs in Guyana. The combination of practical skills and capacity building and access to finance has the potential to unlock the growth potential of microenterprises that have been stagnated over the years. The timing of this intervention is particularly relevant in the context of Guyana's GDP growth and has scaling potential as the country seeks new pathways for investing in the development of other sectors of the economy.

2.4 The project is structured to include the following key components:

2.5 **Component I: Reimbursable financing of high-growth Micro Enterprises (USD 965,777: IDB Lab NRTC USD 32,000, IDB Lab CRIG: USD 500,000, Counterpart: USD 433,777).** The objective of this component is to provide financing for the investment in growth of microenterprises in Guyana, via the extension of reimbursable grants. Microenterprises that have successfully completed the EDF's business acceleration program will be screened to select growing microenterprises that require working capital to fulfil contract-based orders, or to acquire products, technical services and/or equipment to expand revenues. Particular focus will be paid to agro processors that may have growth prospects through export. The rationale for this focus area is that in 2019, agricultural exports represented 30% of Guyana's GDP, and that Guyana, as a member of CARICOM, is eligible to participate in the United States Caribbean Basin Initiative (CBI), a program that provides duty-free access to the U.S. market, but which few Guyanese firms in the local agro sector are accessing.<sup>11</sup> Other targeted sectors include small scale manufacturing, skilled services and other businesses operating in value added sectors, whose access to affordable finance is constrained in the absence of adequate collateral. Microenterprises seeking financing under this component will receive training and support to adopt subscription-based enterprise software for financial record keeping as well as integrations with fin-tech solutions such as Wi Pay, Pay Pal and the Mobile Money Guyana solution offered by the local telecommunications provider GTT, as well as local bank or credit union relationships and online solutions for business account transactions. Microenterprises selected for financing will be required to demonstrate a track record of recurring monthly revenue generation over a period of 2-3 years at a level to support reimbursement, must use technology to manage their financials and the operations of the business, are required to be current with

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<sup>11</sup> As of the [September 2019 CBI report](#), 2018 saw the U.S. import \$1.7 billion of goods from the Caribbean, of which agricultural products represented 8%. And of that figure, prepared foods totalled \$18.4 million (a 23.5% increase from 2017). Unfortunately, under CBI, Guyana has not exported any measurable amount of prepared foods. This presents a significant opportunity.

Guyana Revenue Authority and National Insurance obligations; and possess third-party prepared financial statements. This screening process will ensure awardees can demonstrate a level of business formality and adoption of technology solutions that enhance both efficiency and transparency of financial performance.

- 2.6 Microenterprises that are selected for reimbursable grant financing will develop and agree with EDF a plan for investment of these resources targeting expenditures that are critical to catalyse business growth. Reimbursable grants of up to USD 5,000 per microenterprise will be awarded with procurement and disbursement of funds managed by EDF, to ensure that resources are utilized in accordance with the agreed investment plan. The term for repayment will be between 18-24 months via monthly instalments calculated as a percentage of projected monthly revenues, which will be tailored to the cyclical nature of each business so that repayment will not constrain business operations. Grant awardees will be required to sign an agreement with the EDF formalizing the repayment terms and will pay an upfront fee of 15% of the grant awarded, which EDF will allocate for financing direct costs of managing the grant portfolio. In addition, project resources will be utilized to implement software solutions for monitoring and management of the grant portfolio and receipt of repayments from microenterprises.
- 2.7 In addition, the EDF will implement and apply an Environmental and Social (E&S) screening criteria in selecting microenterprises for financing, as well as an E&S management system commensurate with the risk level of the financed portfolio. Furthermore, IDB Lab will monitor changes in the portfolio. In the event of material changes in business activities of the EDF, IDB Lab will assess the portfolio E&S risks affected by the change, and EDF's capacity to manage E&S risks and, if needed, require improved E&S risk management and enhanced reporting to IDB Lab
- 2.8 The key outputs targeted for this component are: (i) 145 microenterprises receive financing for business growth (ii) 30% of microenterprises awarded funding are founded / operated by persons self-identifying as being of indigenous or afro descent and (iii) 20% of microenterprises awarded funding operate in rural locations<sup>12</sup>
- 2.9 **Component II: Technical Support of Microenterprises (USD 535,800, IDB Lab NRTC USD 130,000, Counterpart USD 405,800).** The objective of this component is to build the skills and business capacity of high growth potential microenterprises, via participation in a business acceleration program. Under this component the business acceleration program will be promoted, and applicants screened to select participants that are operating microenterprises in the agro and

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<sup>12</sup> Rural locations defined as outside of the capital city Georgetown and immediate environs

food processing or other value-added sectors, such as small-scale manufacturing or delivery of skilled services, and which demonstrate an aspiration and business potential to grow. The acceleration program is structured to deliver online training, coaching and business mentorship support to address shared challenges such as financial record keeping and management, use of accessible technology solutions to improve efficiency and decision making, as well as specific challenges faced by participants that are impeding growth. Coaches and business mentors will be assigned via partnerships that EDF has established with US based institutions such as the New York University Stern School of Business. Microentrepreneurs participating in the program will receive individual and group coaching over the program duration.

- 2.10 **The key outputs of this component will include:** (i) enrolment of 300 microentrepreneurs in the EDF accelerator (ii) 50% of microentrepreneurs enrolled are expected to be female, and (iii) 180 (60%) of microentrepreneurs enrolled complete the program
- 2.11 **Component III Knowledge Sharing for Scale Up (USD 53,050, Counterpart USD 53,050)** The objective of this component is to collate results and lessons learned during implementation of the model piloted by EDF, and the development and dissemination/sharing of knowledge products including an evaluation I that can provide potential partners with an evidence-based assessment to inform and structure partnerships for scaling within Guyana and potentially other jurisdictions. Key public and private organizations operating in microenterprise development within Guyana, including microfinance institutions and business support organizations such as the Small Business Bureau, will be engaged in a series of formal and informal knowledge sharing events, at which EDF will present data and case studies of the performance of the model and its results in catalysing growth of microenterprises. This dialogue will serve as a critical platform to structure and secure financial and technical partnerships for strengthening and scaling the reach and impact of both EDF's model and broader microenterprise development programs in Guyana.
- 2.12 The key outputs of this component will include (i) an evaluation assessing the results of EDF's model (ii) 8 knowledge sharing forums with key stakeholders and (iii) development of a scaling plan

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

- 2.13 At the outcome level the project is expected to deliver the following results: (i) piloting of an innovative model for financing growth of microenterprises in Guyana (ii) USD 725,000 is invested in reimbursable grant financing for microenterprises (iii) microenterprises within the reimbursable grant portfolio achieve an average growth rate of 10% and (iv) 90% of reimbursable grants awarded by EDF are repaid by recipient microenterprises.

- 2.14 Project results contribute to achievement of the IDB Group's Corporate Results Framework 2020-2023 as follows: Productivity and Innovation (i) the project will finance 145 microenterprises via the provision of reimbursable grants, and (ii) will provide technical assistance to enterprises via the business support and training delivered via EDF's acceleration program. The project also contributes to targets for projects supporting social inclusion and equality, gender equality and diversity, as well as support to small and vulnerable countries.
- 2.15 In accordance with IDB Lab requirements, the Executing Agency will track and collate data on progress against the specific results as outlined in the project's results matrix and will report on project results every six months via the IDB Lab's Project Status Reporting (PSR) system. The results matrix has intermediate targets established and under the supervision of the Executing Agency, the project will be monitored to determine areas of early success as well as areas where intervention is needed to ensure development objectives are met. The Executing Agency will also complete a final Project Status Report on conclusion of the project.

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

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

- 3.1 The project is aligned with several IDB Group strategies, including the Update to the Institutional Strategy (AB-3190-2) and Corporate Results Framework 2020-2023 (GN-2727-12), in that it directly contributes to the challenges of (i) social inclusion and equality, where microenterprises in Guyana which are unable to access finance receive both business support and reimbursable grant financing to catalyse growth and overcome years of stagnation; and (ii) gender and diversity, where 50% of participants in the business acceleration program are expected to be women and 30% of microenterprises receiving reimbursable grant financing are expected to be founded/operated by persons self-identifying as being of indigenous or afro descent.
- 3.2 The project is aligned with IDB Lab's vertical on Financial Inclusion and supports key targets established for IDB Lab programming, specifically (i) projects for Small and Island Economies, (ii) projects supporting gender equality, and (iii) projects supporting diversity and inclusion. In addition, the project directly supports poor and vulnerable populations as the primary targeted beneficiaries are microenterprises who are unable to access financing to grow beyond a subsistence/survival state.

- 3.3 The project is aligned with the IDB Group Country Strategy with the Cooperative Republic of Guyana 2017–2021 which is the current country strategy in effect<sup>13</sup>, specifically the strategic objective of facilitating private sector development and addressing limited access to finance, especially for small enterprises.
- 3.4 This project contributes to SDG 9, Industry, Innovation, and Infrastructure, specifically target 9.3, Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

## B. Scalability

- 3.5 The Economic Development Fund with support from IDB Lab is piloting an innovative model to improve financial inclusion, and specifically improve access to capacity building and financing needed for growth of Guyana's microenterprises. The results of the model, and specifically the financial performance and impact on growth of microenterprises participating in the program will be collated, analyzed, and used as a basis to engage key public and private stakeholders in defining a plan to scale up the model beyond the period of IDB Lab investment, as outlined in Component III. The issue of access to microfinance is pervasive in the Caribbean region due to a high level of informality amongst microenterprises, high operating costs (in part due to the small scale of operations and limited use of technologies) and correspondingly high interest rates. In this regard, EDF sees the potential to further scale the model via partnerships within the wider Caribbean region.

## C. Project and Institutional Risks

- 3.6 The overall project risk level is assessed as Medium. Key risks that have been analyzed and which contribute to this assessment include the following:
- 3.7 **Project Execution Risks:** (i) Because of the requirements established for award of reimbursable grant financing, a lower number of microenterprises may qualify than envisaged, which may negatively affect the achievement of key project results and project impact. To mitigate this risk the executing agency uses an upfront application at the point of entry into the business acceleration program, to inform microentrepreneurs of the requirements and provide time to gather relevant information and comply with requirements, which may minimize the likelihood of

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<sup>13</sup> The IDB Group Country Strategy with the Co-operative Republic of Guyana (Country Strategy) covering the period from 2022 onwards has not yet been approved. The Country Strategy 2017-2021 The Country Strategy 2017-2021 is within the transition period until November 2022 (according to the guidelines) since it was approved in November 2017

clients not qualifying for reimbursable grant financing; (ii) Since many microenterprises in Guyana are part-time businesses where the founders work full-time elsewhere, the time spent managing the business, employees and operations is limited which can negatively impact business revenue and growth, which in turn which could have an negative impact on achievement of project results. To mitigate this risk, the executing agency as part of the business acceleration program will conduct extensive training and provide coaching to microentrepreneurs in business and project management as well as the use of technology to better manage microenterprises with limited time and resources; (iii) Since many microenterprises do not qualify for formal or bank debt, they may have secured informal "loans" from family or community members, hence the total debt of the business owners may not be reflected in their credit bureau scores and financial statements, so that EDF is unable to fully gauge repayment capacity. This in turn, may result in the grant awardees struggling with their repayments, which by extension, could negatively impact project results and financial performance of EDF. The executing agency may have to accept this risk, however prospective awardees of reimbursable grants will be advised that EDF will blacklist defaulting microenterprises for future funding, and that defaulting microentrepreneurs will be reported to the credit bureau with their names published as defaulters in the local press. In addition, the business acceleration program will include training in responsible borrowing which includes full disclosure of indebtedness and cash flow management.

- 3.8 The Institutional Risk, according to the Assessment of Integrity and Institutional Capacity (DICI), is rated as medium. In this regard budget resources have been allocated to support financial, administrative, and broader fiduciary management and reporting standards required by IDB Lab.

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

- 4.1 The project has a total cost of US\$1,774,979 of which US\$700,000 (39% will be provided by IDB Lab, and US\$ 1,074,979 (61%) by the Economic Development Fund Inc. (EDF) as counterpart. IDB Lab funding includes a Non-Reimbursable Technical Co-operation (NRTC) of US\$200,000 and a Contingent Recovery Investment Grant (CRIG) of US\$500,000.
- 4.2 Counterpart financing will include in-kind resources from the technical staff of the Executing Agency as well as administrative and management support. Partner agencies, including USAID and GTT will provide counterpart cash and some in-kind resources for project financing. Other partner agencies such as New York University Stern School of Business, the Global Entrepreneurship Network (GEN), and the Inter-American Institute for Cooperation on Agriculture (IICA) will provide

in-kind support services in provision of coaching and mentoring for microenterprises.

- 4.3 The project includes the use of both a Non-Recoverable Technical Cooperation (NRTC) of \$200,000 and a Contingent Recovery Investment Grant (CRIG) of US\$500,000. The use of the CRIG is justified given that the business model implemented by EDF is expected to generate a capacity to repay the resources, through repayment of grants extended to microenterprises and if the goals established in the term sheet (Annex VII) are met). The repayment period for the CRIG begins 6 months from the date of the last disbursement date and will have a total duration of 42 months.

- 4.4 The summary budget is presented in the following table:

	IDB Lab NRTC GY- G1187 USD	IDB Lab CRIG GY- G1008 USD	Counterpart USD		Total
<b>Project Components</b>			<b>In-Kind</b>	<b>In Cash</b>	
Component I: Reimbursable financing of high-growth Microenterprises	32,000	500,000	-	433,777	965,777
Component II: Technical Support of Microenterprises	130,000	-	288,000	117,800	535,800
Component III: Knowledge Sharing for Scaling	-	-	10,750	42,300	53,050
Project Administration	38,000	-	-	117,600	155,600
Contingencies	-	-	-	64,752	64,752
<b>Grand Total</b>	<b>200,000</b>	<b>500,000</b>	<b>298,750</b>	<b>776,229</b>	<b>1,774,979</b>
% Of Financing	11%	28%	17%	44%	100%

- 4.5 **Conditions for the Contingent Recovery Investment Grant are as follows:**

- 4.6 **Period of Execution and Disbursement.** The CRIG operation (GY-G1008) must be executed and disbursed within a period not exceeding 3 years, counted from the date of signature of the Agreement. During this period, the Executing Agency is required to report progress in the PSR.
- 4.7 **Disbursement Mechanism.** Resources will be disbursed in up to six disbursements, for a maximum of US\$150,000 for each disbursement, for a maximum cumulative total amount of US\$500,000 to be made during the



Disbursement Period, at EDF's request, against the signing of a promissory note conditioned to the triggering milestones, and subject to compliance with the conditions for disbursement, as well as others that may be requested by IDB Lab.

- 4.8 **Conditions for the disbursement of Contingent Recovery funds.** To receive disbursements, the Executing Agency must report to IDB Lab the fulfilment of the conditions agreed at the time of the disbursement request, as follows:
- 4.9 **For all disbursements**, a request accompanied by: (i) evidence of compliance with the general conditions for the disbursement of the contribution detailed in the Agreement signed between the IDB and EDF (the Agreement), (ii) a report of compliance with special financial and operational conditions prior to disbursement, (iii) no objection to the updated and specific investment plan for the use of the resources requested, and (v) a promissory note conditional upon compliance with the triggering milestones signed for the amount requested.
- 4.10 For the first disbursement, in addition to evidence of compliance with general conditions for the disbursement of the contribution, as detailed in the Agreement, EDF will present financial statements as of the last closed month.
- 4.11 For the second and subsequent disbursements, in addition, the EA will have to present evidence of: (i) having used at least 90% of the resources disbursed by IDB Lab in the items defined in the investment plan, and (ii) having contributed a counterpart at least equal to 25% of the amount disbursed by IDB Lab and (iii) proof that the proposed grant awardees have completed the EDF acceleration program or other training approved by EDF.
- 4.12 **Recovery of the Contingent Recovery Investment Grant.** EDF will be subject to repay the recovery amount, if it meets the Triggering Milestone measured during the Recovery Period, and in accordance with the stipulations of the Agreement.
- 4.13 The repayment period lasts 42 months and begins on the first repayment date immediately following the date of the last disbursement.
- 4.14 Repayment must be made regardless of whether there has been a partial cancellation or partial disbursement of the CRIG resources.
- 4.15 EDF is obligated to make up to 7 semi-annual repayments to IDB Lab during the Recovery Period, starting in the first repayment date, which occurs after EDF meets the Triggering Milestone. Repayment dates are June 15, and December 15.
- 4.16 For the first 3 instalments EDF will repay USD \$50,000 per each semi-annual, instalment for the next 2 instalments (4<sup>th</sup> and 5<sup>th</sup>) EDF will repay \$75,000 per instalment and for the next 2 instalments (6<sup>th</sup> and 7<sup>th</sup>) EDF will repay \$100,000

per instalment. The triggering milestone will be applied 60 days prior to the first semi-annual repayment date, and again 60 days prior to each of the following semi-annual repayment dates if not met, until compliance or the end of the contingency period, whichever comes first.

- 4.17 The maximum Contribution Recovery of Contingent Recovery resources is US\$500,000.

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

### A. Executing Agency(s) Description

- 5.1 **The Economic Development Fund Inc. (EDF)** will be the Executing Agency and will execute the agreements for both Non-Reimbursable Technical Cooperation and Contingent Recovery Investment Grant financing with the IDB
- 5.2 EDF is a Guyana-based business accelerator that, since 2019, has provided training, technical support and coaching from international experts, as well as capital, to support the scaling of high growth potential start-ups and microenterprises in Guyana. The EDF was established on the 29<sup>th</sup> of July 2019 in Guyana and its headquarters are located at Lot 2 Soesdyke East Bank Demerara, in Guyana. EDF, through its programming, has helped launch eight successful Guyanese agricultural-technology start-ups working in sectors addressing food loss, agricultural waste management, crop health, and natural medicinal skin treatments. Additionally, since 2021, EDF has supported the growth and development of 30 Guyanese agro processors. EDF's beneficiaries includes finalists and winners of the Guyana Innovation Prize, a pre-seed grant to commercialize breakthrough research in agro processing that is combined with technical support from faculty, students, and alumni of Guyana's tertiary educational institutions. EDF, is a Guyana-registered private corporation. The organization is an awardee of a USAID grant and also receives financing from GTT the country's largest telecommunications provider.
- 5.3 Other key partners that will provide financial (counterpart) and technical resources to support project implementation are as follows:
- 5.4 **USAID Eastern and Caribbean Mission | Guyana.** For almost 40 years, the United States Agency for International Development (USAID) has provided development assistance to the Caribbean region and sought to advance: "Safer more prosperous Caribbean Communities." In Guyana, USAID programs focus on health, economic growth, democracy, and governance Through a multi-year grant, along with strong technical support from USAID, EDF has built a comprehensive business and leadership acceleration program which microenterprises will complete in advance of receiving financing (Component II). In addition, USAID is providing resources that together with IDB Lab CRIG financing, will capitalize the EDF's reimbursable grant financing program (Component I).

- 5.5 **New York University Stern School of Business.** Through collaboration, NYU's graduate school of business provides access to advisors and coaches who work one-on-one with participants in EDF programs to train them on business best practices, including financial management, sales and marketing, people management, as well providing coaching to help participants address specific issues they are having in their businesses.
- 5.6 **The Global Entrepreneurship Network (GEN).** GEN operates a platform of projects and programs in 180 countries aimed at making it easier for entrepreneurs, anywhere to start and scale businesses. EDF is the Guyana franchise holder for the GEN platform, which includes Start-up Huddle and Global Entrepreneur Week. These and other GEN programs enable EDF to provide microenterprises in Guyana with community-based technical support, as well as exposure to international audiences, including customers and, where applicable, investors.
- 5.7 **Inter-American Institute for Cooperation on Agriculture (IICA).** The Inter-American Institute for Cooperation on Agriculture (IICA) is the specialized agency for agriculture of the Inter-American System that supports the efforts of Member States to achieve agricultural development and rural well-being. Through an MOU, EDF works with IICA (Guyana) to assist EDF program participants operating in agriculture and agro/food processing to obtain Government Food & Drug Department manufacturers licenses and to identify partners and customers in export markets.
- 5.8 **Guyana Telephone & Telegraph (GTT).** The Guyana Telephone and Telegraph Company (GTT) is a fixed local exchange carrier and is the largest provider of telecommunication services in Guyana. GTT is providing financial resources to EDF which form part of the counterpart contributions of the project.
- 5.9 **Integrity review.** The project team, with the assistance of the Office of Institutional Integrity, conducted integrity due diligence of the project, following the Guidelines on Integrity Due Diligence for Non-sovereign Guaranteed Operations (document OP-474-1), and found no heightened integrity and/or reputational risks for IDB Lab.

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

- 5.10 The EDF will establish an executing unit and the necessary structure to execute project activities and manage project resources effectively and efficiently. The project unit will be led by a Program Director, supported a Technical Director, and dedicated administrative and fiduciary officers, EDF will also be responsible for providing progress reports on project implementation. EDF's founder as Program Director, will provide technical direction and management of the program. EDF's Board of Directors will provide governance, oversight, and advisory support required for successful project implementation. Details on the structure of the execution unit and reporting requirements are in Annex V in the project technical files.

## VI. Compliance with Milestones and Special Fiduciary Arrangements

- 6.1 **Disbursement by Results, Fiduciary Arrangements.** The Executing Agency will adhere to the standard IDB Lab disbursement by results, IDB procurement policy<sup>14</sup> and financial management<sup>15</sup> arrangements as specified in Annexes V and VI.
- 6.2 **Results-based disbursements.** The project will be monitored by the IDB's Country Office in Guyana. Monitoring will be undertaken in accordance with the performance and risk management policies (fulfilment of milestones), as established by the IDB Lab. Project disbursements will be contingent upon verification of the achievement of milestones (pre-determined outputs critical to achievement of the development objectives). Achievement of milestones does not exempt the Executing Agency from the responsibility of reaching the results matrix indicators and project's objectives.
- 6.3 **Financial Management and Supervision:** The Executing Agency will establish and be responsible for maintaining adequate accounts of its finances, internal controls, and project files according to the financial management policy of the IDB Lab. For the procurement of goods and contracting of consulting services, the Executing Agency will adopt the principles of IDB Policies (GN-2349-15 and GN-2350-15).

## VII. Information Disclosure and Intellectual Property

- 7.1 **Information Disclosure.** This document contains confidential information related to one or more of the ten exceptions to Access to Information Policy and will be initially treated as confidential and made available only to Bank employees. This document will be disclosed and made available to the public upon approval.
- 7.2 **Intellectual Property.** The Executing Agency shall own the intellectual property rights to all works produced or results obtained under the project, and will grant the IDB Group an irrevocable, worldwide, perpetual, royalty-free, and non-exclusive license to use, copy, distribute, reproduce, publicly display, and perform any and all Executing Agency intellectual property derived from execution of the project, as well as to create derivative works.

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<sup>14</sup> Link to the Policy: [Procurement of Works and Goods Policy](#)

<sup>15</sup> Link to the document [Operational Guidelines for Management of Milestones and Financial Supervision for MIF and SEP Technical Cooperation Projects](#)