

DOCUMENT OF THE INTER-AMERICAN BANK  
MULTILATERAL INVESTMENT FUND

**REGIONAL**

**IMPACT HUB: PROMOTION OF RESILIENT ENTREPRENEURS  
IN EL SALVADOR, HONDURAS, AND NICARAGUA**

**(RG-T2903)**

**DONORS MEMORANDUM**

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## PROJECT SUMMARY

### REGIONAL

#### IMPACT HUB: PROMOTION OF RESILIENT ENTREPRENEURS IN EL SALVADOR, HONDURAS, AND NICARAGUA (RG-T2903)

SMEs have a fundamental role in addressing global income inequality as they constitute the bulk of the economic tissue of the economy. Creating conditions for entrepreneurship and SMEs to thrive will ultimately allow that entrepreneurial ideas are unlocked, and knowledge generated in research and scientific centers is taken to market. However, the sector is far from reaching its potential in Central American economies. El Salvador, Honduras, and Nicaragua rank among the weakest 35% of countries globally in terms of entrepreneurial ecosystem health<sup>1</sup>. These entrepreneurial ecosystems pose an array of complex social and economic challenges that inhibit entrepreneurial activity.

The hypothesis to be tested with this project is that in the absence of a well-functioning entrepreneurial ecosystem, there are four inter-related essential elements that predict **entrepreneurial resilience**: entrepreneurial skills, access to capital, pre-acceleration support, and social capital, in particular. So, despite the aforementioned challenges, local entrepreneurs act in resilient ways, by adapting to a constantly changing context, evolving, and emerging stronger to take hold of opportunities.

The project's objective is to increase the long-term economic growth of early-stage social entrepreneurs in Honduras, El Salvador and Nicaragua, through the adoption of Impact Hub's (IH) incubation and acceleration model in each country. Impact Hub, the executing agency, is a global network of entrepreneurial communities and innovative working spaces devoted to generating positive impact across the globe.

IH's bottom-up growth model implies that every local IH is typically initiated in a city with a pool of thriving entrepreneurs, developed, and run by a local team and, thus, is deeply rooted in its city's market and community. Each takes a unique shape to reflect the local urban context while preserving the core IH DNA. IH's communities will be created and co-working spaces will be established, allowing for early-stage social entrepreneurs to develop their ideas, contribute to long-term sector growth, and sustainably develop the local entrepreneurial ecosystem. The project also aims to strengthen cross-regional links by connecting entrepreneurs tackling similar issues across IH's global network, creating connections between ecosystem builders and entrepreneurs working to solve similar social and/or environmental problems.

This project will also contribute to the Competitiveness, Technology and Innovation Division's (CTI) Innovation Ecosystem Development Accelerator (IEDA) which aims to develop and strengthen the entrepreneurial ecosystem in Central America. Impact Hub has been identified by IEDA as one of the key players in the region, so this project will align its efforts with IEDA in order to formalize a network of private and public stakeholders, and contribute to the governments' efforts in each country.

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<sup>1</sup> Global Entrepreneurship and Development Index. 2015

## **ANNEXES**

ANNEX I	Results Matrix
ANNEX II	Budget Summary

## **APPENDICES**

Draft Resolution

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

ANNEX III	<a href="#">Detailed Budget</a>
ANNEX IV	<a href="#">Diagnostic of Needs of the Executing Agency</a> (DNA)
ANNEX V	<a href="#">Reporting Requirements and Compliance with Milestones and Fiduciary Arrangements</a>
ANNEX VI	<a href="#">Procurement and Contracting Plan</a>

## **ACRONYMS AND ABBREVIATIONS**

<b>CTI</b>	Competitiveness, Technology and Innovation Division
<b>DNA</b>	Diagnostic of Executing Agency Needs
<b>IDB</b>	Inter-American Development Bank
<b>IIC</b>	Inter-American Investment Corporation
<b>IH</b>	Impact Hub
<b>MIF</b>	Multilateral Investment Fund
<b>SME</b>	Small and Medium Enterprise

## PROJECT INFORMATION

### COUNTRY TITLE (PROJECT NUMBER)

<b>Country and Geographic Location:</b>	El Salvador (San Salvador), Honduras (Tegucigalpa) and Nicaragua (Managua)		
<b>Executing Agency:</b>	Impact Hub (IH) U.S.		
<b>Focus Area:</b>	The project falls under the Ecosystem area of the Knowledge Economy strategy because it supports intermediary organizations that foster the development of scalable innovations aimed at solving social and environmental problems, thereby making it possible to improve the lives of poor and low-income populations in the target countries		
<b>Coordination with Other Donors/Bank Operations:</b>	RG-T2662: Institutional strengthening through the creation of an Innovation Ecosystem Development Accelerator (IEDA) in Central America		
<b>Project Beneficiaries:</b>	160 early-stage entrepreneurs in El Salvador, Honduras and Nicaragua (50+ entrepreneurs in each country) 27 social entrepreneurs (Scholarship Program) 12 local IH team members <sup>2</sup> (4 members in each country)		
<b>Financing:</b>	Technical Cooperation:	US\$ 740,000	50.3%
	Equity:	US\$ 000,000	
	Loan:	US\$ 000,000	
	Other (explain):	US\$ 000,000	
	<b>TOTAL MIF FUNDING:</b>	US\$ 740,000	
	Counterpart:	US\$ 730,000	49.7%
	Co-financing (if available; include a separate line for IDB Co-financing if applicable):		00%
	<b>TOTAL PROJECT BUDGET:</b>	US\$ 1,470,000	100%
<b>Execution and Disbursement Period:</b>	36 months of execution and 42 months of disbursement.		
<b>Special Contractual Conditions:</b>	Special conditions precedent to first disbursement will be: (i) Approval of Operating Regulations; (ii) Hiring of local project Coordinator		
<b>Environmental and Social Impact Review</b>	This operation was screened and classified as required by the IDB's safeguard policy (OP-703) September 12, 2016. Given the limited impacts and risks, the proposed category for the project is C.		
<b>Unit responsible for disbursements</b>	MIF/HQ		

<sup>2</sup> Local team members are also referred as “local founding members” by Impact Hub

## I. The Problem

### A. Problem Description

- 1.1. The International Trade Centre (ITC), the joint agency of the United Nations and the World Trade Organization, highlights in its flagship report the fundamental role of SMEs in addressing global income inequality. SMEs are now regarded as the missing link to inclusive growth as they constitute the bulk of the economic tissue of the economy. In developing countries SMEs constitute the majority of employment, including female employment<sup>3</sup>. It is widely agreed that creating conditions for entrepreneurship and SMEs to thrive is critical to spurring a transition to the knowledge economy<sup>4</sup>. With its inherent dynamism and agility, entrepreneurship is labeled as “the key mechanism by which the ideas and knowledge generated in research and scientific centers is taken to market and more widely diffused across business”<sup>5</sup>.
- 1.2. Social enterprises are early-stage businesses that address social and environmental problems and work in communities to improve people’s lives. As part of their central activities, these enterprises offer vulnerable population groups access to goods, services, income, and job opportunities<sup>6</sup>. These enterprises have an even greater impact potential than traditional SMEs. Not only do they generate knowledge economy jobs and drive innovation like their traditional counterparts, they also have the potential to unlock and scale solutions to the world’s most pressing challenges. However, despite heightened interest in entrepreneurship at a policy level and a growing pool of enthusiastic early-stage entrepreneurs, entrepreneurial ecosystems are far from reaching their potential in many Latin American and Caribbean economies.
- 1.3. The growth of social enterprises requires the existence of coordinated ecosystems that facilitate access to capital, markets, and support services, along with a favorable public policy framework, in which entrepreneurs, investors, governments, and development agencies, among other organizations, develop an increasingly broad and more effective involvement. Various studies show that the main development challenges facing social enterprises involve identifying effective distribution channels, access to financing, and lack of knowledge of the specific needs and characteristics of poor and vulnerable populations<sup>7</sup>.
- 1.4. Though political and economic conditions are achieving increased stability in many countries across the globe, Central American economies remain small in

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<sup>3</sup> The International Trade Centre (ITC). SME Competitiveness Outlook. Connect, compete and change for inclusive growth. 2015

<sup>4</sup> The Knowledge Economy aims to cultivate the driving forces of the new economy: technology, innovation and entrepreneurship in order to promote inclusive growth and job creation, as well as address social issues.

<sup>5</sup> The Work Foundation. Knowledge Economy and Enterprise. 2012

<sup>6</sup> Social Impact Task Force of the G8

<sup>7</sup> Two examples of the social enterprises supported by Impact Hub in the LAC region include: “Dissability 0” that offers legal and general information about this social issue and promotes ways to integrate people with disabilities in society; and #YoApoyoLSV that fosters the importance of learning Sign Language

relation to their potential, and are slowly transitioning to knowledge-based economies that define the current outlook in developed nations around the world. In fact, El Salvador, Honduras, and Nicaragua rank among the weakest 35% of countries globally in terms of entrepreneurial ecosystem health<sup>8</sup>. Entrepreneurial ecosystems in El Salvador, Honduras and Nicaragua pose an array of complex social and economic challenges that inhibit entrepreneurial activity. They still rely on international aid, need to address economic and gender inequality, solve security and lack of trust issues, improve access to technology, and strengthen anti-corruption measures, to name a few.

- 1.5. Despite the above-mentioned challenges which inhibit prosperous entrepreneurial development in these markets, local communities are primed for innovation. Would-be entrepreneurs possess above average start-up skills and motivation, but they require structured support and capacity building to overcome challenging circumstances. **Local entrepreneurs act in resilient ways, they adapt to a constantly changing context and find creative ways to start and grow businesses with limited or no support from local or national governments and institutions.** This resilience is still latent, however, sustained community and infrastructure has yet to enable entrepreneurs to fully evolve, transform, and emerge stronger to take hold of opportunities and develop ideas and businesses.
- 1.6. **Beneficiaries:** The project will target 180 early-stage social entrepreneurs<sup>9</sup>, which will be selected through a competitive process, and divided in two cohorts of 30 entrepreneurs in each of the three target countries to receive pre-incubation, incubation, and acceleration services. A 10% attrition rate is expected after this initial process, resulting in 160 early-stage entrepreneurs who will become program participants (50+ per country). Those entrepreneurs not selected for this program, can become part of the Impact Hub community voluntarily, a practice that has proven to be successful in building the resilience structure that will later support the entrepreneurial ecosystem in each country.
- 1.7. A Scholarship Program (see paragraph 2.11) will be established in each IH to provide local entrepreneurs who do not have the economic resources to join IH, with access to this unique global community and the benefits of memberships or mentorship sessions, when appropriate. In collaboration with local grassroots organizations, IH teams will identify low-income entrepreneurs with high potential to join their communities at no cost. These entrepreneurs are chosen based on interviews, and the recommendation of trusted grassroots organizations.

## II. The Innovation Proposal

### A. Project Description

- 2.1. Project Objective: Contribute to increasing the long-term economic growth of early-stage social entrepreneurs in Honduras, El Salvador and Nicaragua,

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<sup>8</sup> Global Entrepreneurship and Development Index. 2015

<sup>9</sup> Through a marketing campaign the project will target entrepreneurs in the capital cities and the low-income areas around it. It will also include high-potential entrepreneurs that are applying knowledge and technology to increase productivity and impact in the rural areas.



through the adoption of the Impact Hub's incubation and acceleration model in each country. The project will enable early-stage social entrepreneurs to develop their ideas, contribute to long-term sector growth by developing more qualified applicant pools for accelerators and ultimately impact investors, and to sustainably develop the local entrepreneurial ecosystem in which they operate.

- 2.2. **Impact Hub** is a global network of entrepreneurial communities and innovative working spaces devoted to generating positive impact across the globe<sup>10</sup>. Impact Hub supports more than 15,000 members in their work each year, promotes 1,000+ new initiatives and start-ups in creation and scaling, and has established a physical space for sustainability, results-based management, and collaboration in more than 80 cities around the world<sup>11</sup>. Their bottom-up growth model implies that every local IH is initiated, developed, and run by a local founding team and, thus, is deeply rooted in its city's market and community. Each takes a unique shape to reflect the local urban context while preserving the core values of IH. See Section V.
- 2.3. In early 2016, IH engaged in a broad regional initiative to strengthen and better connect the entrepreneurial ecosystem across LAC. Based on previous work in Africa, in partnership with Argidius Foundation<sup>12</sup>, a "Seed Program" was launched to develop new IHS in LAC. This project will support the establishment of local IH offices. These are co-working spaces, that offer solid infrastructure support (Internet, telecommunications, business center equipment) to its members, as well as entrepreneurial education, business skills, access to policy information, and links to investors and other financing options. The IH model has been tested and proven in markets with adverse conditions such as Accra (Ghana), Bamako (Mali), Kigali (Rwanda), Belgrade (Serbia) and Caracas (Venezuela).
- 2.4. In partnership with Argidius, local high quality candidate teams (or "local founding teams") have been already identified, attracted, vetted, and validated in El Salvador, Honduras and Nicaragua. These teams are undergoing a rigorous on-boarding process and will conduct market research and establish a vision for the role they foresee their IH playing within their communities.
- 2.5. Generally, IHS move from inception to launch in 6-18 months. IH's business model is built on three main revenue streams: (i) co-working member fees; (ii) space rental for meetings and events; and, (iii) programming, which includes acceleration, educational and inspirational events on entrepreneurship, innovation and social impact. Besides this proven business model, local IHS are incentivized to prototype new products and services to address the local needs.

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<sup>10</sup> Jonathan Robinson co-founded Impact Hub in central London in 2005. Robinson is an entrepreneur, author and anthropologist who envisioned a place or physical space for entrepreneurs to connect. IH is the first workspace solely dedicated to social innovation and it is shifting its focus from space to enabler of impact (adapted from a Public Journal article, May 2016).

<sup>11</sup> Impact Hub has presence in 11 countries in the LAC region. IH Sao Paulo is the first Latin American IH launched in 2007. A scaling program in Brazil launched in 2014 with participation of IHS Belo Horizonte, Curitiba, and Recife accelerated more than 50 technology initiatives across the country by leveraging IH's network to make connections to relevant players in their local and target markets.

<sup>12</sup> Argidius Foundation has been working in the LAC region since 1956 and has played an important role as a strategic enabler for key institutions such as Root Capital and Technoserve who have supported hundreds of ventures in the region. MIF has also partnered with Argidius in several operations.

- 2.6. Participating entrepreneurs will engage in a peer to peer incubation process that includes office space, trainings, and opportunities to collaborate with the community. The IH local teams will actively identify opportunities for participating entrepreneurs and connect them to potential partners, clients and investors. Entrepreneurs will pay 10% of the cost of these services to show their commitment to their project and the IH will provide a 10% discount. Entrepreneurs benefiting from the Scholarship Program will also remain as active participants of the community.
- 2.7. **Innovation.** This initiative stands out for its long-term, exponential impact, and lays the foundation for lasting local entrepreneurial communities, generating jobs in some of the region's most challenging market contexts. The project is modeled after IH's experience and lessons from other challenging business environments around the globe. It will focus on how to nurture and utilize entrepreneurial "resilience" to jumpstart local innovation ecosystems. The countries selected were chosen for the relative lack of supportive infrastructure present but with the potential to generate high impact, and contribute to solidifying the innovation ecosystems.

The proposed project will achieve the aforementioned objectives through the following components:

- 2.8. **Component I: Structuring the Innovation Hubs (MIF US\$233,880, Counterpart US\$331,830).** The objective of this component is to set up the IH communities in each target city. To achieve this, two foundational elements will be put in place: (i) strategic locations will be identified and refurbished as highly functional physical spaces for entrepreneurs to work, meet, learn, and connect; and (ii) selected and inducted local founding teams will be trained in building entrepreneurial communities, developing and managing the IH business model, and establishing strategic networks in each country.
- 2.9. Capacity building will be provided to the IH local founding teams through a kick-off workshop<sup>13</sup> run by IH's accredited pool of consultants with a track-record in the region and in incubation programs. Training modules include: space selection and design, entrepreneurial incubation, the art of hosting and developing entrepreneurial communities, marketing, branding, and sales strategy, among others. Follow-on webinars and on-going coaching and in-person support will also be supported. In addition, two key training modules will be codified with detailed, concrete and tangible information from the training workshop, for future reference.
- 2.10. The expected results are: (i) 3 IH co-working spaces established and running according to requirements; (ii) 12 IH local founding members trained in IH methodology, including entrepreneurial support, local strategic planning and development of entrepreneurial communities, among others (CRF 110100); (iii) 12 IH local founding members receiving on-going coaching and in-person

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<sup>13</sup> The one-week workshop will take place in February, 2017 in Mexico. Date and location were selected to take advantage of the FLII "Foro Latinoamericano de Inversión de Impacto" a strategic gathering on social entrepreneurship and impact investment that brings together main actors from different ecosystems across the region. The FLII aims to strengthen the support and funding of social and environmental entrepreneurs, through exchange of experiences and knowledge among attendees as key factors to find collaboration points and joint actions.

support on IH methodology; and (iv) 2 manuals on “entrepreneurial support methodology/incubation program” and “community building/ how to build strong connections” developed.

- 2.11. **Component II: Entrepreneurial Development and Pre-Acceleration Program (MIF US\$211,000, Counterpart US\$160,680).** The objective of this component is to develop the skills and capabilities of selected entrepreneurs via an early-stage pre-acceleration service co-developed with IH founding teams. First, to attract early-stage entrepreneurs a 2-3-month targeted marketing campaign will be conducted, and an application platform developed. Selection criteria will include the entrepreneurs’ background, the degree to which their idea is innovative, and their potential for scale. A “Scholarship Program” will also be established to give social entrepreneurs with limited financial means and/or disabilities, the opportunity to participate in the program. Selection criteria will include their socio-economic profile, the social value of their ideas, and the impact potential. This will be a continuous activity that IH will offer in every location, and that will follow the best practices of other IHS around the world.
- 2.12. Pre-acceleration will begin with the administration of a preliminary diagnostic to assess the specific needs of participating entrepreneurs. Building from intellectual property developed in other Impact Hub programs, diagnostic interviews will enable founding teams to identify the precise needs of the entrepreneurs supported through this program.
- 2.13. Participating entrepreneurs will then take part in a series of educational workshops tailored to their needs, integrating distinct formats. Workshops will be led by expert local facilitators, and the mentoring sessions will be conducted by volunteer mentors, thematic experts, and other stakeholders directly linked to the issues addressed by participating ventures<sup>14</sup>. Focus areas include design thinking workshops (identifying the client’s problem), business modeling (designing the business), and lean canvas (hacking the start-up process). Other sessions include “speed-dating” for rapid feedback from potential clients and stakeholders, pitch training, and “Demo Day” for direct access to investors. The top 5 entrepreneurs in each country will receive on-going mentorship support. IH has engaged Pomona Impact<sup>15</sup>, an active impact investor of small growing social and environmental businesses in Central America and countries in LAC; and, Promotora Social, an investment firm specializing in investing in business solutions to poverty with a focus on healthcare, education and economic growth, to further connect and support these entrepreneurs.
- 2.14. Following the workshop series, participating entrepreneurs will engage in a six-month Peer to Peer Incubation Process at IH. This process serves as an initial boost to move entrepreneurs from idea to operations and to kick-start IH communities. They also become part of a collaborative Impact Hub community

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<sup>9</sup> Potential mentors have already been identified. For example, in Nicaragua, the founder of La Fabrica (experience in implementing workshops focused on innovation, business model canvas, and ideation for startups). In Honduras, a trainer in Business Model Canvas; and a local consultant in international cooperation, experienced mentor in the area of legal incorporation and processes. In El Salvador, the founder of Yawal (experience in delivering varied programs on entrepreneurship). Other Impact Hub founding team members, who are seasoned entrepreneurs, will also serve as mentors.

<sup>15</sup> A recently approved SEP project will help to solidify the capacity of Pomona Impact to directly invest in and provide business support to social enterprises.

where they will be able to exchange expertise, connections, and experience. They will also be exposed to targeted events and workshops.

- 2.15. The expected results are: (i) 160 entrepreneurs receiving six-month IH incubation support with associated benefits; (ii) 160 early-stage entrepreneurs trained in design thinking, business modelling, lean canvas and receiving on-going mentoring (CRF 130100); (iii) 60 entrepreneurs with direct access to a matching investor (after presenting in Demo Day); (iv) 27 social entrepreneurs participating in the Scholarships Program (9 per country, per year).
- 2.16. **Component III: Networking to Scale (MIF US\$63,530, Counterpart US\$175,940).** The objective of this component is to support scaling efforts and regional collaboration from two angles. First, by supporting the 15 winners of the pre-acceleration program to build the foundations to scale their businesses across borders. Second, by fostering key local private and public actors to collectively reflect on potential areas of collaboration. In terms of dissemination, this project will contribute to a broader strategic knowledge product that will be developed to compare social impact incubation and acceleration models in the LAC region recently supported by MIF.
- 2.17. The expected results are: (i) 15 entrepreneurs trained on the right strategies to scale their ventures (CRF 110100); (ii) 3 dissemination events with local ecosystem players in each country; (iii) 15 partnerships developed with key public and private ecosystem players; and (iv) 1 case study developed as part of a larger strategic study to compare social impact acceleration models in LAC recently supported by MIF.

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

- 2.18. The project key indicators, as outlined in the Results Matrix (Annex I), at the intermediate outcomes level, are: (i) 30 entrepreneurs (ventures) developed through pre-acceleration services and pitch sessions (CRF 230300); and (ii) 120 entrepreneurs linked to new strategic partners or investors (CRF 230200).
- 2.19. At the final outcomes level, the following indicators are expected to be achieved in year 5: (i) 30 ventures with 15% or higher average annual sales growth (CRF 330100); and, (ii) 210 net jobs created by new ventures (CRF 330301).
- 2.20. IH will collect and track data in order to measure project results through a monitoring and evaluation system that will be established for this purpose. A secure online system will be used to track program data against indicators. With oversight from the global IH impact measurement team, this data will be collected through a combination of various evaluation methods (interviews, online survey, desk research, etc.) to generate robust reporting. IH will also contribute to the mid-term and final evaluations.

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

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

- 3.1. The project aligns with the IDB Group's Institutional Strategy, which identifies productivity and innovation as one of its strategic policy objectives and, specifically, to "provide adequate knowledge and innovation ecosystems, while

establishing smart institutional frameworks (healthy business climate) and including all segments of the population”<sup>16</sup>. The project’s objective is also aligned to the country strategies of El Salvador, Honduras, and Nicaragua in creating the conditions for broad-based economic growth.

- 3.2. This project will also be aligned to CTI’s IEDA (Innovation Ecosystem Development Accelerator)<sup>17</sup> which aims to develop and strengthen the entrepreneurial ecosystem of the Central American region. IH has been identified by the IEDA as one of the key players in the region, and has participated in IEDA’s innovation and entrepreneurship workshops. This project will contribute to IEDA’s strategy and to the programs that the governments are already designing, thus, supporting the governments’ efforts in building their countries’ entrepreneurial ecosystems, and their ties to private sector actors. The added benefit of this alignment is that the project’s sustainability will be ensured by the governments, who will become key stakeholders in strengthening the ecosystem beyond project completion. Currently, IEDA is supporting the efforts of these governments in crafting their innovation agendas; therefore, IH’s contribution to the ecosystem through this project could be easily absorbed by local governments and taken to scale<sup>18</sup>.

## **B. Scalability**

- 3.3. The project will leverage IH’s unique “locally embedded, globally connected network” to pioneer regional collaboration among talented entrepreneurs working across borders to develop innovative solutions to shared challenges. This ensures that each IH is deeply rooted in the local market and community while practices and lessons learned from past successes and failures are being effectively transferred via the network; it will not only strengthen the entrepreneurial ecosystem in target countries, but it will develop a sustainable model—applicable across Central America and beyond—to keep supporting more ventures in the coming years. In Latin America, IH’s incubation and fellowship programs have supported over 300 ventures to scale since 2007 including Brazil, Colombia, Mexico, Venezuela, and Guatemala. The lessons taken from the MIF experiences in similar incubation projects point to the real scalability that can be achieved once ventures are connected with value chains—which is often facilitated by those mentors who are also active economic players. The project will ensure linkages between entrepreneurs and the local and national corporate sector in each country.

## **C. Project and Institutional Risks**

- 3.4. The main risk identified is the potential lack of interest from local entrepreneurs in maintaining the membership and the sustainability of the model itself. In cities

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<sup>16</sup> Update to the Institutional Strategy 2016-2019

<sup>17</sup> RG-T2662 “Institutional strengthening through the creation of an Innovation Ecosystem Development Accelerator (IEDA) in Central America”.

<sup>18</sup> In the case of Honduras, for example, the IH local team has initiated collaboration with the following public-sector entities: i) “Instituto Hondureño de Innovación (IHCIETI) and its “Honduras Startup” program. IH Honduras could eventually absorb entrepreneurs that IHCIETI has already identified; ii) “Centro de Desarrollo Empresarial 12” which includes Tegucigalpa; and, iii) Cámara de Comercio e Industria de Tegucigalpa, specifically, working with Honduras’ core sectors.

with small markets for social entrepreneurship and innovation, developing a strong engaged community from the start is essential to an IH's eventual sustainability. Engaging this initiative as a lever for activating meaningful communities ensures that opening IHs are well positioned to attract further members and expand their membership. While the project anticipates some retention for entrepreneurs granted memberships linked to their participation in this program, the most significant contribution of this investment will be in its spillover effect of attracting further engagement with new IHs.

#### IV. Instrument and Budget Proposal

- 4.1. The project has a total cost of 1,470,000, of which US\$740,000 will be provided by the MIF, and US\$730,000 by the counterpart (cash US\$414,570 and in-kind US\$315,430). The instrument to be used is a grant, which was chosen due to high level of risk of the target countries, and the highly experimental nature of the intervention. See detailed budget (Annex II).
- 4.2. Retroactive Recognition of Counterpart Funds. The project team considers appropriate to recognize expenses related to identifying local IH founding teams (see Component 1). The expenses were incurred as of May 2016 totaling US\$70,950 and were allocated to activities related to the selection and initiation of local teams, resulting in a current roster of 12 highly qualified individuals who have already initiated networking activities in each country, thus, contributing to the strong long-term impact of the business model.

	MIF	Counterpart	Total
<b>Project Components</b>			
<b>Component 1:</b> Structuring the Innovation Hubs	233,880	331,830	565,710
<b>Component 2:</b> Entrepreneurial Development and Pre-acceleration Program	211,000	160,680	371,680
<b>Component 3:</b> Networking to Scale	63,530	175,940	239,470
Project Administration (Executing Unit costs)	141,590	61,550	203,140
Mid Term and Final Evaluations	50,000		50,000
Ex Post Reviews	25,000		25,000
Contingencies	15,000		15,000
<b>Grand Total</b>	<b>740,000</b>	<b>730,000</b>	<b>1,470,00</b>
<b>% of Financing</b>	<b>50.3%</b>	<b>49.7%</b>	<b>100%</b>

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

##### A. Executing Agency(s) Description

- 5.1. Impact Hub US (IH US), a non-profit organization registered in Seattle, Washington, will be the Executing Agency of this project and will sign the agreement with the Bank. IH US will act as the financial vehicle of the project and will centralize the accounting, financial management, and technical implementation functions in alignment with the financial systems of the global Impact Hub network.
- 5.2. Impact Hub was founded in 2005 and is headquartered in Austria, and to-date it has become the leading network of entrepreneurial communities and innovative

working spaces devoted to generating positive impact across the globe. IH has established a physical space for sustainability, results-based management and collaboration in more than 80 cities around the world.

- 5.3. Impact Hub works with an “inverted franchise system” in which the collective of all local IHs (the “IH Association”) owns IH’s intellectual property and brand. The Association takes strategic decisions on equal terms, through a one-Hub-one-vote system of governance. The IH Association is the sole owner of Impact Hub and facilitates the development of the network as a whole. Impact Hub is run by a dispersed global team, several of which are local IH founders.
- 5.4. Other key stakeholders that will contribute with counterpart resources<sup>19</sup> include the Argidius Foundation, Pomona Impact, and the Doen Foundation, that provides financing to entrepreneurs to pioneer their ideas.

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

- 5.5. In line with the current best practice for IH’s operations, the respective IH in each target country will be the core of operations and have its own local team of implementers of planned activities. However, until the local IH spaces are established, registered, and have the structure to be able to assume project implementation through their local “incubation managers”, an interim local Project Coordinator will be selected and hired in El Salvador in agreement with the local MIF Specialist. The main responsibility of the local Coordinator will be to provide support for project implementation to the global team in IH US, and coordinate the project’s administration with the accompaniment of the respective local MIF Specialist. IH US will be responsible for completing the PSRs and will report on final results achieved through a Project Completion Report (PCR). The exchange rate risk will be minimized by utilizing IH US as the central point for disbursement, as opposed to another IH office in the region.

## **VI. Compliance with Milestones and Special Fiduciary Arrangements**

- 6.1. **Disbursement by Results, Fiduciary Arrangements.** The Executing Agency will adhere to the standard MIF disbursement by results, Bank procurement policy<sup>20</sup> and financial management<sup>21</sup> arrangements for the private sector, as specified in Annex V and VI. IH is a global entity which has established 80+ locations around the world, and has ample experience in managing financial resources from various sources.

## **VII. Information Disclosure and Intellectual Property\*\***

- 7.1. The entrepreneurs supported by this program will maintain the intellectual property of their ventures, if successful.

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<sup>19</sup> Impact Hub is responsible for securing counterpart funds

<sup>20</sup> Link to the Policy: [Procurement of Works and Goods Policy](#)

<sup>21</sup> Link to the document [Operational Guidelines for Management of Milestones and Financial Supervision for MIF and SEP Technical Cooperation Projects](#)