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MULTILATERAL INVESTMENT FUND

PANAMA

**“BANESCO ENTREPRENEURS”: PROMOTING ECONOMIC DEVELOPMENT
FOR THE MIGRANT POPULATION AND VULNERABLE HOST COMMUNITIES IN
PANAMA**

(PN-T1282)

DONORS MEMORANDUM

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PROJECT SUMMARY

“BANESCO ENTREPRENEURS”: PROMOTING ECONOMIC DEVELOPMENT FOR THE MIGRANT POPULATION AND VULNERABLE HOST COMMUNITIES IN PANAMA (PN-T1282)

Panama has become an important host country for migrants in recent years. In particular, a substantial rise in migration from Venezuela to Panama was observed between 2015 and 2017.¹ According to the United Nations Refugee Agency (UNHCR) and the International Organization for Migration (IOM), at the end of 2020, Panama had received over 121,000 Venezuelan migrants. The estimate for 2021 stands at around 128,000. Although compared with other countries of the region, the migrant protection environment is favorable, legal and financial obstacles mean migrants' income-generating options are limited. To remain in the country and participate in an economic activity, they need to obtain legal status (regularization) and hold a work permit issued by the Ministry of Labor and Workforce Development (MITRADEL). MITRADEL only issues work permits to asylum applicants whose application has been admitted or who have some form of legal status (regularization). This results in a challenging situation for many thousands of migrants who find themselves excluded from the job market and the banking system. Panamanian law also limits the economic activities that foreigners can engage in (there are 52 protected professions that can only be practiced by nationals). In the IOM-UNHCR report on the situation of the Venezuelan refugee and migrant population in Panama, almost 43% of respondents were self-employed or worked in the informal sector, a situation that has been exacerbated by the impacts of COVID-19.

Against this backdrop, one of the things migrants who are self-employed or working in the informal sector need most is access to financial services. Financial services in Panama are not suited to the needs and specific characteristics of the migrant population, limiting their ability to save, invest, obtain credit, and perform financial transactions. In this context, **the objective of this project is to promote the productive and financial inclusion of the migrant and refugee population, primarily women, and their vulnerable host communities in Panama.** This will be done by strengthening and scaling the “Emprendedores Banesco” [Banesco Entrepreneurs] program, which was launched by the financial institution Banesco in 2015, and which has since benefited over 14,500 entrepreneurs (76% women).

Tailored to the migrant and refugee population, and to the needs of the vulnerable host community, the program envisages two lines of action: **(i) promoting entrepreneurship as a means of generating income; (ii) accelerating financial inclusion through tailored products and experiences.** Additionally, **the project will generate knowledge that contributes to other financial sector initiatives** supporting the integration of migrants and host communities in Panama.

The executing agency for the project will be Banesco Panamá. Working together with the international organization HIAS and the University Institute of Management and Technology (IUGT) in Panama as its strategic partners, Banesco Panamá will seek to directly benefit 2,200 people, primarily in the Venezuelan migrant population and the

¹ Between 2015 and 2017, over 901,000 Venezuelans were recorded entering Panama.

vulnerable host communities (at least 70% of whom will be women), by strengthening the online training platform known as “Escuela de Emprendedores Banesco” [Banesco Entrepreneurs School] and developing new modules based on the specific needs of these populations, as identified during the pilot phase. Additionally, for a subgroup of 200 beneficiaries, a new comprehensive program will be offered that provides: (i) motivational coaching, technical and economic guidance, and mentoring resources; (ii) access to a special banking instrument and a digital wallet for secure saving and commercial and individual exchange at the national and international levels to facilitate the financial inclusion of migrants and refugees by overcoming restrictions on opening bank accounts; (iii) creation of a seed capital fund and a microcredit mechanism under the Cajas del Migrante model, with the support of Eskala Ventures, S.A., so as to complete the cycle of economic inclusion and advance the ambitions of entrepreneurs and microentrepreneurs, enabling them to become a means of family support and social integration. The project will indirectly benefit an additional 6,600 people who are members of the immediate families of the participants.

ANNEXES

Annex I	Results Matrix
Annex II	Summarized Budget
Annex III	iDELTA

APPENDICES

Proposed resolution

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

Annex IV	Itemized budget
Annex V	Diagnostic assessment of institutional capacity (including due diligence and integrity analysis)
Annex VI	Project status reports and fulfillment of milestones and fiduciary arrangements.
Annex VII	Procurement plan
Annex VIII	Operating regulations for innovation

ABBREVIATIONS

AMPYME	Autoridad de la Micro, Pequeña y Mediana Empresa [Micro, Small and Medium-sized Enterprise Authority]
CRF	Corporate Results Framework
GEM	Global Entrepreneurship Monitor
INEC	Instituto Nacional de Estadística y Censo [National Statistics and Census Institute]
IOM	International Organization for Migration
IUGT	Instituto Universitario de Gerencia y Tecnología [University Institute of Management and Technology]
IUGT-IP	IUGT Internacional Panamá [IUGT International Panama]
MITRADEL	Ministerio de Trabajo y Desarrollo Laboral [Ministry of Labor and Workforce Development]
MSME	Micro, small, and medium-sized enterprises
NGO	Nongovernmental organization
OAS	Organization of American States
ONPAR	Oficina Nacional para la Atención a Refugiados [National Office for Refugee Affairs]
REDPAMIF	Red Panameña de Microfinanzas [Panamanian Microfinance Network]
SDG	Sustainable Development Goals
SNM	Servicio Nacional de Migración [National Migration Service]
UNHCR	United Nations Refugee Agency

PANAMA
“BANESCO ENTREPRENEURS”: PROMOTING ECONOMIC DEVELOPMENT FOR THE MIGRANT
POPULATION AND VULNERABLE HOST COMMUNITIES IN PANAMA
(PN-T1282)

EXECUTIVE SUMMARY

Country and geographic location:	Panama. Provinces of Panama (districts of San Miguelito and Panamá in Tocumen) and Panamá Oeste (districts of La Chorrera and Arraiján)		
Executing agency:	Banesco (Panamá), S.A.		
Focus area:	Inclusive Cities: Economic inclusion (financial, productive)		
Coordination with other donors/Bank operations:	This project will be implemented in coordination with the United States Agency for International Development (USAID), as it has been identified in the framework of the BetterTogether/JuntosEsMejor challenge, a global initiative to identify, fund, and scale innovative solutions from around the world to support Venezuelan migrants and their host communities in the region. The project has been designed in coordination with the IDB Migration Unit , with a view to aligning it with the Unit's operations in the region.		
Project beneficiaries:	The main beneficiary groups are regularized migrants, asylum seekers with pending applications, and others with official refugee status, mostly Venezuelans, together with vulnerable Panamanians in the host communities. The project will directly benefit 2,200 people and indirectly benefit some 6,600 more, including family members. At least 70% of beneficiaries will be female.		
Financing:	Technical cooperation:	US\$415,450	
	Total IDB Lab contribution:	US\$415,450	50%
	Counterpart contribution:	US\$266,930	32%
	Cofinancing contribution from strategic partners	US\$155,720	18%
	Total project budget:	US\$838,099	100%
Execution and disbursement period:	24 months of execution and 30 months of disbursement		
Special contractual conditions:	Conditions precedent to the first disbursement will be: (i) evidence that the project executing unit has been established; (ii) presentation of the annual work plan and execution schedule, to the Bank's satisfaction; (iii) signed agreements between the executing agency and its strategic partners.		
Review of environmental and social impact:	This operation was pre-assessed and classified according to the requirements of the Bank's Environment and Safeguards Compliance Policy (OP-703) on 24 June 2021. Given that the impacts and risks are limited, the proposed classification for the project is as a category “C” operation.		
Unit responsible for disbursements:	The Bank's Country Office in Panama (CPN)		

I. THE PROBLEM

A. Description of the problem

- 1.1 Panama has become an important destination country for migrants in the region in recent years. According to data from the National Migration Service (SNM), 150,765 temporary or permanent residence permits were approved between 2010 and 2018, with a further 106,281 permits granted through extraordinary processes.² Of the latter, 32% were granted to Venezuelans, 31% to Colombians, and 16% to Nicaraguans. Between 2017 and 2018, an 11.8% rise in the number of residence permits granted to migrants was registered, the largest increase in 10 years. In the specific case of Venezuela, a considerable rise in migration to Panama was registered between 2015 and 2017.³ According to figures from the United Nations Refugee Agency (UNHCR) and the International Organization for Migration (IOM), as of year-end 2020, Panama had received over 121,000 Venezuelan migrants. The estimate for 2021 is around 128,000.
- 1.2 As regards their economic integration, legal and financial barriers mean migrants have limited income-generating options. In order to remain in the country and participate in an economic activity, they need to obtain legal status (regularization) and hold a work permit issued by the Ministry of Labor and Workforce Development (MITRADEL). Although, in comparison with other countries the migrant protection environment in Panama is favorable, the country's migration authorities only issue work permits to asylum applicants whose application has been admitted or who have some form of legal status (regularization), resulting in a challenging situation for many thousands of migrants who find themselves excluded from the job market and the banking system.

Figure 1. Status of Venezuelan migrants in Panama ([IOM/UNHCR/OAS Survey - Sept. 2019](#))



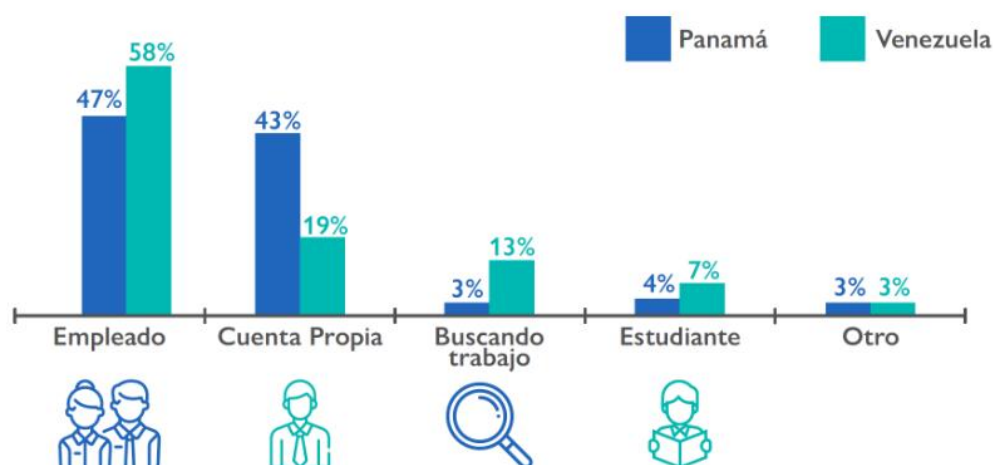
- 1.3 Panamanian law also limits the economic activities that foreigners are allowed to undertake. For example, there are 52 protected professions that only

² The extraordinary processes were the “Crisol de Razas” [Melting Pot] program between 2010 and 2014 and Decrees 167 and 168, currently in force.

³ Between 2015 and 2017, over 901,000 Venezuelans were recorded entering Panama.

Panamanians can practice. In an IOM-UNHCR report on the situation of the Venezuelan refugee and migrant population in Panama, almost 43% of respondents were self-employed or worked in the informal sector, a situation that has been exacerbated by the impacts of the COVID-19 pandemic. This same report indicated that although most of the Venezuelan migrants or refugees surveyed had some form of work, 85% said they had not signed a contract of employment or did not have documentary evidence of the services provided, from which the report inferred that they were working in the informal sector. The report also collected data suggesting that most refugees and migrants lack job stability, face an elevated risk of being exploited at work, are without a contract and outside the social security system, work long hours, etc.

Figure 2. Employment status of Venezuelans in Panama (IOM/UNHCR/OAS Survey - Sept. 2019)



- 1.4 Against this backdrop of unstable incomes and social vulnerability, one of the things migrants who are self-employed or working informally need most is access to financial services. Panama's financial services are not suited to the needs and specific characteristics of the migrant population, curtailing their ability to save, obtain credit, and perform national or international financial transactions. For example, to open a bank account, the Panama Superintendency of Banks requires a valid passport, bank letter of reference, and documentary proof of income. This makes opening an account impossible for many migrants, and for Venezuelans in particular.⁴ Similarly, access to credit is restricted for individuals who are unable to provide a credit history. The financial sector does not make economic inclusion easy for migrants either. For example, without a bank account they are unable to access other financial products, which makes it hard for them to save or reinvest their income. There is an urgent need for the financial and banking sector to find alternatives so refugees and migrants can be included through entrepreneurship and access to special banking products.

⁴ It is costly for migrants to renew their passports owing to the procedures they need to complete in Venezuela and the time taken for delivery.

- 1.5 However, this situation of informality and instability, which has been intensified by the impacts of the pandemic, affects not only migrants and refugees, but also the vulnerable Panamanian population in the host communities, particularly women and young people. According to the National Statistics and Census Institute (INEC), Panama's unemployment rate rose from 7.1% in 2019 to 18.5% in 2020. This approximately equates to an additional 225,456 people out of work. This unemployment rate is the highest the country has seen in the last 20 years. According to 2020 figures, 24.6% of women are unemployed, compared with 13.5% of men—a gap of almost 10 percentage points. The youth unemployment rate that same year was close to 43.2% in the 20-to-24 age range.
- 1.6 Amid these job losses, it is well known that many people have had to reinvent themselves to earn a living. This has been reflected in the sharp rise in the informality rate, which, according to the INEC Labor Market Survey, climbed from 45% at year-end 2019 to 52% in 2021. As a result, approximately 777,162 people are working informally, which means that they have an income but are not in the formal market. One of them is Elena Ortega from Coclé, who, seven months ago, went from working in a restaurant to selling food and cloth masks at home. “I was out of work for three months and was at my wit's end before I started selling food,” Elena says. As in the case of migrants, these people need support to develop their skills as entrepreneurs and the knowledge to formalize their microenterprises. This is particularly so for women and young people, who need access to tailored financial products so they can grow their business. It is important to note that levels of financial inclusion are low across the entire population in Panama. At present, rates of access to bank accounts, bank credit, and credit and debit cards are lower in Panama than the average for Latin America and high-income countries. Rates of access are lower still among low-income groups and women (Astudillo, Garcimartín, and Schneider, 2021).⁵

II. THE INNOVATION PROPOSAL

A. Description of the project

- 2.1 The objective of this project is to promote the productive and financial inclusion of the migrant and refugee population, particularly women, and their vulnerable host communities in Panama. The project will support the development and scaling of the “BanESCO Entrepreneurs” program, which will be adapted to the situation of the country's migrant and refugee population. It envisages a solution with two main lines of action:
- 2.2 (i) **Promoting entrepreneurship for income generation**—through online training for the development of knowledge and soft and administrative skills offered by the “BanESCO Entrepreneurs School”; a program of technical and motivational support for the creation of business plans or strengthening of existing productive microenterprises; and the creation of a microenterprise fund whereby IDB Lab will provide early-stage seed capital for new microenterprises, and the partners BanESCO and Eskala Ventures, S.A. will back the strengthening of existing

⁵ [“Hacia el desarrollo y la sofisticación del sector financiero de Panamá,”](#) IDB.

microenterprises by providing US\$200,000 for microcredit,⁶ which will be administered by mutual-support participant groups through the “Caja del Migrante,” to be adapted from the successful Global Brigades Panama “Cajas Rurales” community-owned bank model.

- 2.3 (ii) **Accelerating financial inclusion through tailored products and experience**—providing access and education on the use of two products that address the specific needs of the migrant and refugee population for secure saving, commercial exchange, and exchanges between individuals nationally and internationally: The “Emprendedores Banesco” [Banesco Entrepreneurs] debit card and the Wally Tech digital wallet.
- 2.4 **The project also envisages generating and disseminating knowledge to contribute jointly with other partners to the public debate** on the positive contribution that migrants make to their host country. Particular attention will be paid to data collection and learning about financial behavior and the contribution to the local economy’s productivity and competitiveness. These inputs may also guide the development of future financial products for migrants, refugees, and vulnerable Panamanians in the country. A consensus-based dissemination strategy will be devised by the project partners and the international organizations involved (IOM, UNHCR) and highlight the inclusion of Panamanian men and women as the host community for migrants. Online events targeting an audience of key stakeholders are envisaged as the main dissemination channel.
- 2.5 The [Banesco Entrepreneurs](#) program began in mid-2015 as a 40-hour classroom-based course provided free of charge to the selected participants to promote financial education and strengthen the skills and capabilities of entrepreneurs and microenterprise owners.⁷ So far, over 14,500 participants (76% women), 36% of whom already had a functioning business at the start of the course, have been equipped with personal, administrative, and technical tools. An analysis of historical data from 2015-2018 by the company Cuantix to determine the program’s impact on its graduates⁸ revealed: (i) a high level of survival (80%) and consolidation (25%, +20% Global Entrepreneurship Monitor (GEM)) of business ventures developed through the program; (ii) better performance in socioeconomic terms and in terms of financial well-being for entrepreneurs “with sales” compared with (a) entrepreneurs “without sales” and (b) entrepreneurs “with sales” in the 2019 cohorts. Levels of use of bank services were in no case lower than among the comparator group (52% of businesses with sales have an associated bank account),⁹ although there is evidence of problems of access to formal financing and a high dependence on informal sources (mainly family and friends) for both personal and business finance. Lastly, there is a high degree of

⁶ In Panama the range commonly defined as microcredit is from US\$100 to US\$2,000.

⁷ According to the Micro, Small and Medium-sized Enterprise Authority (AMPYME) definition, microenterprises are formal or informal economic units generating gross revenues or annual turnover of up to B 150,000.

⁸ Impact in terms of financial education and inclusion, financial well-being, entrepreneurship, and valuation of the program in comparison with the Global Entrepreneurship Monitor (GEM) and Global Findex metrics.

⁹ The report indicates significant results in comparative terms with the Global Findex benchmark.

satisfaction with the training (88% perceived positive value), with favorable impacts on business management and handling of personal finances, and a better knowledge of topics of interest.

- 2.6 **The program's training component, called "Banesco Entrepreneurs School,"** currently consists of a cost-free 9-module¹⁰ [e-learning](#) course run by the [Universidad Posible](#) of the [University Institute of Management and Technology International Panama](#) (IUGT-IP)—Banesco's institutional partner—giving participants training in the form of short, simple classes (a 10-minute video on each concept) on how to start or strengthen a business venture. The program's completion rate in Panama is 72%, and in Venezuela it is 81%. IUGT-IP assigns a group of coaches to the program before starting enrollments on the online platform. These coaches give each participant a welcome call to answer any queries, offer encouragement, and confirm participants' interest in taking part. Participants have one month to complete the course modules and during this period the coaches provide telephone follow-up and monitor participants' activity on the course by analyzing platform data showing the degree of progress. At the end of each lesson there is a quiz to check what participants have learned. This can be taken multiple times before proceeding to the next module. Participants who complete the program receive a digital certificate from the IUGT and project partners.
- 2.7 **The project includes the development of new modules with content tailored to the specific needs of the migrant and refugee population.** These needs were identified during a pilot project run between 2019 and 2020 jointly with HIAS, a nongovernmental organization (NGO) that protects immigrants, for a group of 35 Venezuelans with the status of resident migrant and/or asylum applicant. The learning topics identified for the adaptation of the current contents include: emotional health in relation to entrepreneurship; female entrepreneurship; how to use the "Banesco Entrepreneurs" debit card and digital wallet financial products; how to build a credit history; legal aspects of personal and business finance in Panama; and preventing COVID-19 while remaining economically active. The addition of new modules, together with complementary materials, creates an opportunity to transform the course into a certification program with credit units backed by the IUGT at no additional cost. The proposal also envisages a stipend for data/connectivity and access to a bank of 200 mobile devices (tablets) to enable participation in the online "Banesco Entrepreneurs School" program.
- 2.8 **The "Banesco Entrepreneurs School" will offer differentiated course content to the 200 participants selected for the comprehensive program under the project.** The debit card and digital wallet financial products will be introduced in the first month of the training course through new training modules. All the participants completing the comprehensive training course will receive access to the program's financial products and educational material on them: (i) "Banesco Entrepreneurs Debit Card" with an available balance of up to US\$150 from a support fund to cover participants' immediate personal needs (such as health, food, and migration

¹⁰ Essential content for social entrepreneurship: I, entrepreneur; Leading my business; Negotiating and innovating for growth; Managing my finances; Calculating my business's profit or loss; Monitoring my business; Attracting more customers and generating value for my brand; Developing my business idea; Human capital in my business.

procedures); (ii) optional membership of the Wally Tech digital wallet at no cost¹¹ for twelve months for the project's Venezuelan migrant and refugee beneficiaries and a family member in Venezuela—enabling them to make international person-to-person transfers at the average cost of the limited number of market alternatives.¹²

- 2.9 **The “Banesco Entrepreneurs Debit Card” (Mastercard) is an innovative financial product for the target segment in Panama**, facilitating the financial inclusion of migrants and refugees by overcoming the restrictions associated with opening bank accounts,¹³ and is an instrument with an inclusive message and financial design to facilitate savings, payments, and other benefits. Its name, “Banesco Entrepreneurs Card,” aims to include the target population, avoiding users’ exclusion by identifying them as migrants or refugees. Instead, it characterizes them all as entrepreneurs, whether they are embarking on a new business, life, or profession.

ES EL MOMENTO DE ABRIR
NUEVOS CAMINOS

Banesco Prepaid
5162 4700 0000 0000
05-22
LEE M. CARDHOLDER
mastercard

Vienen mejores tiempos para todos, tiempos para emprender.

Sea que inicies una nueva carrera, un negocio, una familia o un nuevo proyecto de vida, la tarjeta prepago Emprendedores está inspirada en personas como tú, **que no se rinden**, que ayudan a otros y que emprenden nuevos caminos. Con ella, eres **parte de una comunidad** de emprendedores convencidos de que con igualdad de oportunidades, valentía, dedicación, trabajo y esperanza vendrán mejores tiempos para ti, Panamá y el mundo.

Una tarjeta para todos, porque juntos todos avanzamos.
Contigo en la igualdad y el emprendimiento.

#CONTIGOENLAIGUALDAD

Banesco
Contigo

Banesco Panamá en: | www.banesco.com.pa

¹¹ Real cost: Venezuelan family member \$35.50 = \$12.50 issuance of wallet’s physical card for payments, \$5 for delivery to Venezuela, \$1.50 monthly payment x 12 months’ use of the digital wallet. Beneficiary in Panama: \$18=\$1.5x12 months.

¹² For example, the most common alternative is Panamericash, the cost of sending dollars to Venezuela is 10% of the transferred amount. With Wally Tech, the cost is 5% of the amount + US\$0.25.

¹³ Requirements have been established that are easy for participants to meet and secure and verifiable for Banesco as the issuer, so it is able to comply with “know your client” (KYC) guidelines laid down by law, review of compliance checklists and Office of Foreign Assets Control (OFAC), and verification of refugee or regularized migrant status.

- 2.10 The pilot design of the financial instrument drew on “behavioral economics”¹⁴ and gamification to incentivize positive financial behavior and discourage harmful behavior. No bank account is needed for savings, and it has a high limit—up to US\$1,500—with a minimum reload of just US\$5. The card is widely accepted for payment by businesses domestically (in-store and online).¹⁵ It allows cash to be withdrawn from any ATM¹⁶ and does not generate interest or allow debt, as it uses funds deposited directly by the user. It also includes entertainment benefits (such as entry to events) negotiated with Mastercard. Going forward, it is anticipated that these will be expanded to include other benefits such as health. In the case of refugees with legal status, the documentation required in addition to the card application form is: (i) proof of application for refugee status (issued by the National Office for Refugee Affairs ([ONPAR](#)) and which can be validated online with the official database; (ii) passport (including expired passports); and (iii) reference from a recognized institution (UNHCR, ONPAR, Red Cross, or HIAS). For regularized migrants and nationals, the requirement is to present a residence or ID card. The project will finance the cost of card membership in the first year. As of the second year, beneficiaries will pay an annual below-cost fee of US\$11.88, charged in monthly installments (US\$0.99) so as not to disrupt beneficiaries’ household budgets with a single annual charge, as is the usual practice.
- 2.11 **The Wally Tech digital wallet complements the offering of inclusive financial products by enabling international transfers.** This product, developed by Banesco’s products section, is due to be available in July 2021 in Panama, Venezuela, Spain, and the Dominican Republic, where it will enable person-to-person transfers without the need for a bank account or affiliation with a specific bank.¹⁷ The application works like a “wallet” or “purse” to which the user links a credit or debit card so they can add money. A Visa or Mastercard credit or debit card issued by any bank can be used, at a cost of 5% of the value of the reload. In the case of international transfers, the sender pays US\$0.25 regardless of the amount of the transfer, and both the sender and receiver need to have the application installed on their cellphone. The recipient of the money can use it to make payments directly from their phone or using the physical card associated with the product. Going forward, there will also be the option to make ATM withdrawals. The project pilot’s beneficiaries will have the cost of the US\$1.50 monthly fee for themselves and a family member in Venezuela covered for

¹⁴ This branch of economics aims to understand people’s reasoning in a more humane way to build economic models that are closer to reality, on the understanding that people act in certain—not always rational—ways as a result of various biases. Source: [“Abierto al Público” blog, IDB Group.](#)

¹⁵ That accept Mastercard. The transaction currency is the United States dollar, as the cards are issued by Banesco Panama. The exchange rate is the international rate offered by Mastercard.

¹⁶ A commission of US\$1.50 applies at all ATMs. By charging for withdrawals, the aim is to make card payments users’ first option and so reduce the amount of cash they carry, thereby improving their day-to-day security. Digital payments will also allow NGOs and the Bank to obtain insights and knowledge of users’ consumption habits, with a view to designing a future predictive algorithm for credit issuance.

¹⁷ Similar products include: Venmo (United States), Zinli (Panama), Zelle (United States and elsewhere), Tigo Money, Movii (Colombia), and Wayni (Argentina).

12 months, together with the initial cost of US\$12.50 for issue of the physical card and US\$5 for mailing the card to a family member in Venezuela.

- 2.12 Once participants have completed the training phase, they will receive the financial products and be given access to the motivational coaching, technical and economic guidance, and mentoring that will be provided by HIAS and other partner organizations. The HIAS coaches will remain in constant contact and hold online or in-person working sessions with participants over four months (months two to five) to provide socioemotional support and motivate them to complete their individualized work plan to create or strengthen their business plan, as well as suggest ways in which microenterprises can apply for venture capital. During this same period, participants will have access to technical guidance from HIAS for their business plan, analysis, and decisions on the need for venture capital. Partnerships will also be forged with organizations with experience in women's entrepreneurship and networks of women mentors to offer peer mentoring to women program participants, as well as with other organizations, such as the Cámara de Empresarios Panameña Venezolana [Panamanian-Venezuelan Chamber of Entrepreneurs], which has mentors available for participants in general.
- 2.13 **To complete the cycle of economic inclusion, the comprehensive solution envisages access to seed capital.** Participants that join the program without a functioning business who complete the training stage and draw up a business plan for a new business venture will have the opportunity to apply for an average amount of US\$500 in seed capital per business.¹⁸ This will be disbursed from the fifth month of the program onward based on the targets of the business plans established, leveraging methodologies and technical experience from the programs of HIAS Panama, a collaborating partner in the project. HIAS Panama has 10 years' experience implementing its economic inclusion program supporting vulnerable migrants, refugees, their families, and their host communities, helping them develop livelihoods guaranteeing their self-sufficiency and an independent future in which they can live with dignity through opportunities for training, employability, and entrepreneurship implemented in partnership with UNHCR, Manpower Group, and Coursera. Seed capital beneficiaries will receive seven months' technical support from HIAS during the implementation of their business plans. They will also receive advisory support and follow-up on the effective use of the debit card and digital wallet financial products.
- 2.14 **The project also incorporates training from Cajas del Migrante as an alternative route for access to microcredit for all participants with established microenterprises that have sales.** This model will give participants the ability to form groups to manage and self-finance the economic needs of their businesses through responsible access to credit, savings, and business management. The technical design, co-financing, and management for the creation of the Cajas del Migrante will be carried out by Eskala Ventures, S.A. (Eskala), one of the project partners, by building on the successful experience in

¹⁸ It is assumed that 40% of participants will enter the program without a business in operation, and of these, 75% will confirm their interest in becoming an entrepreneur and will create a viable business plan.

Panama of the Cajas Rurales community-owned bank model¹⁹ incubated by Eskala's main investor, the NGO Global Brigades. Global Brigades has set up 104 Cajas Rurales²⁰ in Panama over the last six years and aims to reach 150 in 2021 and 300 in 2022. In the Caja Rural model, Eskala acts as a facilitator of financial inclusion, so does not issue loans or manage deposits. The members of the Cajas Rurales manage their own funds in limited liability companies with their corresponding bank accounts²¹ to self-finance their commercial activities and community development projects.

- 2.15 In the rural context, the average membership of a Caja Rural is 20 people, of whom 80% are women. For the urban context, where the Cajas del Migrante will be created, 40 members are envisaged, with the difference that under the umbrella of each Caja del Migrante there will be smaller mutual support groups of three to four members related by a shared business line, living in the same neighborhood, etc., ideally with a Panamanian member, who together belong to the Caja del Migrante. The project envisages a US\$200,000 contribution from Banesco and Eskala for the launch of the credit activity of an estimated four Cajas del Migrante in four geographical areas, considering credit in an average range of US\$850 to US\$1,500 over 12 months, applied for by members who match the profile and requirements defined in the project. The Caja will make loans to its members at an interest rate of 3% per month. Of this, 1.5% will be kept by the Caja for use by its members and 1.5% will be paid to Eskala to cover the costs of development and management. This interest rate is below the average rate for microcredits (US\$100 to US\$2,000) available in Panama through banks and microfinance institutions, which stand at around 24% to 36% over terms of 12 to 24 months.²² Additionally, this solution expands the opportunities for access to microcredit in urban areas, as the activities of the seven main microfinance institutions in Panama are concentrated in rural areas (with the rural portfolio accounting for over 50% of the total) for male customers (with men accounting for over 60% of total customers) (REDPAMIF, 2019).
- 2.16 **Beneficiaries.** The target population of direct beneficiaries of this project will be regularized migrants (whether through the "melting pot" program or otherwise), asylum seekers whose application has been admitted, persons with official refugee status, and vulnerable Panamanians in host communities. The direct beneficiaries, estimated at 2,200 people, will mainly be located in the provinces of Panama, Panamá Oeste, specifically in the districts of Panama (Tocumen *corregimiento* or township), San Miguelito, Arraiján, and La Chorrera where the vast majority of Venezuelan migrants live. The project aims for at least 80% of beneficiaries to be from the migrant and refugee population, most of whom are Venezuelans, and at

¹⁹ The Cajas Rurales model has been identified as the most effective economic empowerment program in rural Panama and highlighted by the United Nations Development Programme (UNDP).

²⁰ The average number of loans in rural areas was 344, with an average amount of \$389 per loan. As of December 2020, the loan portfolio was US\$161,663 and a total of US\$87,362 was held in 1,050 personal savings accounts. There is an average of US\$10,656 invested in capital for loans in each Caja Rural.

²¹ For the project it is assumed that this an option if there are Panamanian nationals on the Board of Directors of the Caja Rural. As an alternative, Eskala may open a bank account on the members' behalf.

²² Information taken from the internal exercise by IFD/CMF in Panama.

least 20% from vulnerable populations in the host communities. At least 70% of total project beneficiaries will be female. Of the total direct beneficiaries, there will be a subgroup of 200 people who will take part in a comprehensive program with additional elements on top of the training, including financial products, support, and seed capital or microcredit from the Cajas del Migrante. Indirectly, the project will also seek to **benefit** at least a further 6,600 people, by including family members of the migrant population and local community, based on an estimated average family unit of three members. The beneficiaries of this project will share stories such as those of [Roberto](#), a carpenter, [Ylenia](#), a confectioner, [Dayra](#), a market vendor, and [Nidia](#), an artisan, who became the voices of the first generation of Venezuelan migrants benefiting from the “Banesco Entrepreneurs” program in Panama, giving a face and a life story to this successful program with which many people continue to identify.

- 2.17 **Gender focus.** The project will have a significant gender focus given that, as described above, the impact of unemployment in Panama falls hardest on women, for whom the unemployment rate is 24.6% compared with 13.5% for men—a gap of almost 10 percentage points. Migrant women therefore often suffer dual exclusion, on account of both their gender and their foreign nationality. Accordingly, this project will seek to benefit 70% women, primarily heads of household. It is worth mentioning that Banesco Panama and HIAS have had previous successful experiences promoting entrepreneurship from a gender perspective, and have found that a gender focus results in a larger and more sustained impact, as studies such as GEM-2021 Panama show that female entrepreneurs tend to generate 20% more income than men despite investing 50% less. In the case of the Cajas Rurales model, which, jointly with Eskala, will be adapted for the urban context and needs profile of migrants, women will be encouraged to take leadership roles and supported in them (80% of the 1,084 members of the Cajas Rurales in Panama are women and 30 were selected for the position of president).
- 2.18 **Innovation.** The project’s innovation lies in two elements: (i) being able to promote financial inclusion for people lacking a credit history in Panama, as is the case with the migrants, refugees, and their vulnerable host communities who are the direct beneficiaries of this project, by creating and adapting tailored financial products and by using fintech models (such as electronic wallets). At present, there are no other banks offering similar options in the Panamanian market, and none of the relatively few fintechs in the country²³ are able to cater to people who lack a credit history in Panama. In addition, (ii) the project is innovative inasmuch as it will take the self-financing communities model that has already proven to be successful in rural areas (through the Cajas Rurales) and adapt it for the urban context, for the first time ever. For the latter, IDB Lab will facilitate the exchange of knowledge with international experiences such as Puddle.com, a peer-to-peer (P2P) platform providing access to credit with relevant experience with migrant savings groups in the United States.

²³ For example, Cuantopago.com (payments), Adelantos.com (credit).

- 2.19 **Ethical and responsible use of data and technology.** The project will promote the ethical and responsible use of personal data and will take as its benchmark the best practices [documented by the IDB](#). Use of technology will abide by the [fAIRLAC](#) network criteria and the [Digital Development Criteria](#).
- 2.20 **Component I: Accelerating financial inclusion (IDB Lab contribution US\$65,063, counterpart contribution US\$74,636).** The objective of this component is to provide access to two financial products and education on their use to accelerate financial inclusion among the migrant and refugee population in Panama by overcoming specific barriers and attending to their needs for secure savings, commercial exchange, and person-to-person exchange nationally and internationally. The project will provide support to validate, on a larger scale, the usefulness of products for the target segment, identify possible design changes necessary to increase the level of satisfaction, gather data on financial habits so as to offer guidance to beneficiaries, serve as an input for the development of future products, and create new specialist modules for the financial education and entrepreneurship e-learning platform.
- 2.21 The principal activities to be financed include: (i) "Banesco Entrepreneurs" debit card—issuance and home delivery of the plastic cards and associated educational materials; (ii) implementation of a reload module to automate the process of depositing funds from the support fund/social stipend on debit cards; (iii) cost of membership of the Wally Tech digital wallet for Venezuelan migrant and refugee beneficiaries as well as for one family member in Venezuela; (iv) monthly fee for e-learning platform services; and (v) development of new specialized content modules and enhancements to the user experience.
- 2.22 The main expected outcomes of this component are: (i) 120 participants using the debit card financial product, 50% of whom are women and 20% are members of the host community; and (ii) 45 participants using the digital wallet for international transfers to Venezuela.
- 2.23 **Component II: Promoting entrepreneurship for income generation (IDB Lab contribution US\$216,387, counterpart contribution US\$259,920).** The objective of this component is to promote entrepreneurship as a means of income generation through a comprehensive and inclusive program with a gender focus that encompasses quality training, motivational coaching, technical advisory services, and capital to launch or strengthen participants' microenterprises.
- 2.24 The project will help the content of the Banesco Entrepreneurs School program to evolve by developing new specialized content to cater to the knowledge needs of the migrant and refugee population in Panama and by integrating new elements such as the support fund/social stipend, seed capital for new business ventures, and creation of the Caja del Migrante community-owned bank for the sustainable self-management of microcredit and growth of the businesses created.
- 2.25 The principal activities to be financed include: (i) creation of 10 new training modules on the e-learning platform; (ii) mobile devices and data for connectivity to the e-learning course; (iii) four coaches providing motivational support and two technical advisors on economic inclusion; (iv) support fund for social assistance; (v) seed capital fund for new business ventures; (vi) creation of four Cajas del

Migrante; (vii) start-up capital for microlending to members of the Cajas del Migrante (financed by Banesco and Eskala).

- 2.26 The main expected outcomes of this component are: (i) 60 new microenterprises created, 70% of which will be led by women and 20% by members of the host community; and (ii) 72 existing microenterprises (70% of which will be led by women and 20% by members of the host community) strengthened with generation of sales.

- 2.27 **Component III: Partnerships and knowledge management for the public debate (IDB Lab contribution US\$25,000, counterpart contribution US\$9,750).** The objective of this component is to generate knowledge from the project's experience to contribute jointly with other partners to the public debate on the positive contribution that migrants make to their host country. Special attention will be paid to data collection and learning about financial behavior and the contribution to the productivity and competitiveness of the local economy. These inputs may also guide the development of future financial products for migrants, refugees, and vulnerable nationals in the country.

- 2.28 The principal activities to be financed include: (i) analysis and systematization of the data and experience from the project; (ii) creation of knowledge products in audiovisual format and case study form; (iii) joint online events with partners and guidelines on communication channels for the dissemination of results.

- 2.29 The main expected outcomes of this component are: (i) two knowledge products on migration in Panama (video, case study); (ii) two communication campaigns on project results; (iii) partnerships with NGOs and chambers of commerce to contribute to the public debate on the results of the project.

B. Project results, measurement, monitoring, and evaluation

- 2.30 Project execution is anticipated to yield the following outcomes at the end of the third year: (i) 126 participants in the project's comprehensive program with increased income thanks to their microenterprises; (ii) 1,540 women (70%) beneficiaries of economic empowerment initiatives (CRF 2.16); (iii) 2,200 beneficiaries of economic inclusion initiatives that support migrants and their host communities (CRF 2.6); (iv) 120 participants using the debit card financial product for savings and payments (50% women, 20% Panamanians from host communities); (v) 45 participants using the national and international person-to-person transfer product; (vi) 60 new businesses created and 72 existing businesses supported with increased sales generation (70% led by women, 20% led by Panamanians from host communities). In addition, the project is expected to indirectly benefit at least 6,600 people, specifically the family members of the beneficiary migrant and local communities, based on an average family size of three people. More details regarding these outcomes, and the expected outcomes of each component, can be found in Annex I - Results Matrix.
- 2.31 **Monitoring and evaluation.** Banesco will be responsible for monitoring the project outcomes set forth in the Results Matrix. Banesco will develop a project dashboard and a monthly update tool to aggregate the data provided by the social partners responsible for implementing the various activities. This will enable the degree of fulfillment of the results matrix indicators and the effectiveness of the proposed

intervention model to be measured, as well as fine-tuning of the program between different cohorts.

- 2.32 Monitoring of the participants of the “Banesco Entrepreneurs School” e-learning course implemented by IUGT International Panama’s Universidad Posible will be carried out via the Google Analytics platform associated with the course. This enables monthly performance reports at individual and aggregate level on all students taking the course. These reports include data such as progress, number of visits and time devoted to the course, grades and progress on each module, average overall result, highest and lowest scores, geographic location, type of device and operating system used to access the course, disaggregation by gender, etc.
- 2.33 The support of coaches and economic inclusion advisers will be provided by HIAS, which will issue monthly and semiannual reports on the progress that participants have made in terms of preparing and implementing their business plans and applying for capital for them. HIAS will also control and monitor the allocation and disbursement of seed capital. This information will be disaggregated by gender, nationality, migratory status, and geographic location, etc.
- 2.34 To monitor the results of the Cajas del Migrante, the Eskala monitoring and evaluation system will be used, which allows data to be monitored on four levels (communities, businesses, individuals, and reference study at household level). The progress of all the microenterprises participating with credit activity will be supervised through one of the Cajas del Migrante in APRICOT, a database system that generates reports and enables progress in communities, households, and businesses to be monitored. All the financial information is generated in Cajas del Migrante meetings and transferred via mobile devices in Smartsheet forms to a database that is then uploaded onto the Village Savings and Loans system to supervise the performance of each Caja del Migrante. Continuous (biweekly) monitoring in the field by Eskala personnel, together with leadership of volunteers from each community bank, will provide sufficient information to prepare the necessary reports.
- 2.35 The general mechanism for reviewing results will be based on semiannual project status reports in the IDB Lab systems and semiannual meetings at which proactive or corrective action plans will be drawn up, as appropriate. A participant satisfaction survey will also be run at the end of each program stage (training, coaching, seed capital, financing, and support) to provide feedback on program design and implement enhancements for the subsequent cohort. Lastly, in the second year an external evaluator has been budgeted for with resources provided by Banesco. This evaluator will produce a performance evaluation report on the version of the “Banesco Entrepreneurs” program implemented in the project. Additionally, the budget envisages resources for optional implementation of a project evaluation based on the monitoring system data.

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

A. Alignment with the IDB Group

- 3.1 The project is part of **IDB Lab's Inclusive Cities** pillar, which seeks to test innovative and scalable market solutions that can help democratize access to sustainable urban services and create economic opportunities, leveraging cities' assets. Specifically, the project will make inroads into encouraging innovation from the traditional banking financial sector by incorporating technologies and new business models for the economic inclusion (financial and productive) of vulnerable urban populations, particularly those whose vulnerability is due to their migrant status.
- 3.2 During implementation there will be coordination with the United States Agency for International Development (USAID) as it has been identified in the framework of the [BetterTogether/JuntosEsMejor challenge](#), a global initiative to identify, fund, and scale innovative solutions from around the world to support Venezuelan migrants and their host communities in the region. This challenge has included over 160 judges/evaluators from across the IDB Group to align the selected proposals with the work and priorities of other sectors.
- 3.3 This project is aligned with the **IDB Group's operational priorities** and its **sector framework documents**, specifically those on the issues of **Gender and Diversity**, to ensure gender equality and women's empowerment; **Social Protection and Poverty**, to address the needs of the most vulnerable households; and **Labor Markets**, inasmuch as the objective is to promote successful career paths while improving productivity and social inclusion. This project was also designed in coordination with the **IDB Migration Unit** so as to combine efforts with existing operations and align the project with the Action Framework, which has the objective of implementing a comprehensive agenda to transform the migration challenges into development opportunities for countries of the region, using financial and nonfinancial instruments, leveraging investments and scaling innovative solutions that contribute to the successful integration of migrants in their host communities.
- 3.4 **Country Strategy.** The project is aligned with the IDB Group Country Strategy with Panama 2021-2024, specifically with the priority of reigniting and diversifying productive activity by expanding access to credit among underserved segments (such as women and MSMEs), supporting the modernization of the financial sector and the development of products serving to sustain the productive fabric and their value chains, and greater financial inclusion in general. The project will contribute the involvement of an executing partner from Panama's traditional banking sector, and share learnings with the financial sector on the value and innovation process for financial products adapted to the needs of vulnerable populations and the encouragement of microentrepreneurship with a focus on gender inclusion and the migrant population. It will also generate learnings on the Caja del Migrante model as an alternative means of access to credit for MSMEs.
- 3.5 **Alignment with the Sustainable Development Goals (SDGs).** Promoting entrepreneurship and financial inclusion for migrants and vulnerable host communities is relevant for the SDGs as a whole, but makes a particular

contribution to: (i) SDG 5, specifically its target 5.5, which seeks to ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life; (ii) SDG 8, specifically its target 8.5, which seeks, by 2030, to 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; and (iii) SDG 10, specifically its target 10.2, which seeks, by 2030, to empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status.

B. Scalability

- 3.6 It is envisaged that the project learning outcomes will enable current partners to scale the new comprehensive version of “BanESCO Entrepreneurs” to national level, with a focus on inclusion of the migrant population (185,000 as of 2019, according to the United Nations, representing 4.4% of the population of Panama) and refugee population (2,556 as of 2019, according to ONPAR, with 9,649 applications pending). Scale-up will begin in Chiriquí Province and the region of the Azuero peninsula, leveraging the physical presence of HIAS's offices in Chiriquí and the existing network of the current BanESCO Entrepreneurs program, which has been rolled out to 10 provinces and 2 comarcas. In view of the growth path of the “BanESCO Entrepreneurs School”²⁴ and the new support and entrepreneurial seed capital elements, it is estimated that in 2023 it will reach 300 beneficiaries, 600 in 2024, and 1,500 in 2025. This represents annual growth of over 50% in the first year after project completion and a sustained duplication of beneficiary numbers in the subsequent years. The profile of beneficiaries will be expanded to include migrants of other representative nationalities in the country, such as Colombians and Nicaraguans.
- 3.7 A critical element for the scaling of the comprehensive program will be mobilizing other partners and investors for the entrepreneurial seed capital fund and for microlending through the Cajas del Migrante. Eskala Ventures, S.A. will incorporate specific efforts to finance the growth of the Caja del Migrante model in urban areas in its existing strategy of investor mobilization to finance socially responsible projects through microfinance operations. Additionally, an opportunity for a direct contribution from IDB Lab through a future CRIG operation with Eskala Ventures, S.A. and the potential to mobilize the contribution of the family office of the Escotet family, the leading shareholders in BanESCO, have been pre-identified.
- 3.8 Scale-up of the expanded “BanESCO Entrepreneurs School” online training is also planned nationally and across the Spanish-speaking countries of Latin America using the Universidad Posible education platform. This scale-up will be carried out jointly with IUGT Panama, starting with Panama and expanding to Ecuador and Colombia, as neighboring countries with large numbers of Venezuelan migrants (431,000 and 1.7 million, respectively, according to UNHCR/IOM as of May 2021). It is projected that 15,000 people will be reached in 2023 and 20,000 in 2024. IUGT Panama is willing to provide resources of its own and mobilize third-party resources for this objective.

²⁴ In the first year 2,000 people were trained and then 3,000 people per year.

C. Project and institutional risks

- 3.9 **Risk 1: If the fact that the project is backed by a private sector actor, namely a Venezuelan bank, becomes a political issue**, it could put the whole project at risk. **Mitigation:** An aligned overall project communication strategy will be jointly agreed upon, designed, and implemented, giving visibility to the balanced group of partners (a commercial bank, NGOs, a multilateral bank) and international partner organizations (IOM, UNHCR), highlighting the inclusion of Panamanians as the host community for migrants. Ongoing communication will also be maintained with the relevant government authorities to convey project progress to society.
- 3.10 **Risk 2: If the dropout rate for “Banesco Entrepreneurs” program participants exceeds the estimated 40%**, fulfillment of the outcome indicators in the results matrix for Components 1 and 2 of the project would be jeopardized. **Mitigation:** The project envisages the combination of motivational coaching and various incentives for participants in the various program stages. Additionally, during the preparation stage prior to the first cohort, the learning exchange dialogue will be stepped up with recent programs that performed well with similar objectives in Panama—such as the Fundación Activados “Migrating Entrepreneurship” program—and in other countries in the IDB Lab portfolio.
- 3.11 **Risk 3: If the program is not promoted effectively and the participants with real entrepreneurial potential identified**, the number of beneficiaries who apply for seed capital or microcredits from the Cajas del Migrante may fall short of the numbers expected in outcome indicators for Component 2. **Mitigation:** Integrating best practices from the experience of the project’s social partners in the process of evaluating and selecting participants with entrepreneurial potential; designing a communication campaign that enables participants to identify easily with the required profile and combine broad communication channels (traditional media and social networks) with targeted channels (migrants’ specific networks, partners from other programs working with the target population).
- 3.12 **Risk 4: If the beneficiaries receiving the seed capital or microcredits from the Caja del Migrante use the funds to cope with an emergency or contingency rather than their business**, their productive capacity and ability to repay would be reduced, jeopardizing their exit from the cycle of poverty as well as the project outcomes associated with increased income and the creation of business ventures. **Mitigation:** In the selection process the participants’ entrepreneurship potential and risks will be identified, and the HIAS coaches will monitor participants individually to give an early warning and find complementary support from partners with assistance programs (IOM, UNHCR, and Fundación Activados).
- 3.13 **Risk 5: If other partners or investors cannot be mobilized for the entrepreneurial seed capital fund and for microlending in the Cajas del Migrante**, program scalability could be affected. **Mitigation:** Strategic partners and investors with an interest in participating have been pre-identified, such as Eskala Ventures, S.A., which is incorporating specific efforts to finance the growth of the Caja del Migrante model in urban areas into its existing strategy to mobilize investors to finance socially responsible projects through microfinance operations. Additionally, an opportunity for a direct contribution from IDB Lab through a future CRIG operation with Eskala Ventures, S.A., and the potential to mobilize the

contribution of the family office of the Escotet family, the leading shareholders in Banesco, have been pre-identified.

IV. INSTRUMENT AND BUDGET PROPOSAL

- 4.1 The project has a total cost of US\$838,099, of which US\$415,450 (49.6%) will be contributed by IDB Lab, and US\$422,650 (50.4%) will come from the counterpart and co-financing from strategic partners. The instrument to be used will be a technical cooperation operation (nonreimbursable funds), given the model's early-stage innovation and the beneficiaries targeted. The IDB Lab resources will be used to finance technical assistance, training activities, and project coordination expenses.
- 4.2 Retroactive recognition of counterpart funds. From February 2021, US\$10,000 will be recognized in kind from the executing agency for the implementation of the mass reload module for the Banesco Entrepreneurs debit card in Component 1 of the project.

	IDB Lab (US\$)	Counterpart (US\$)	Total (US\$)
Project components			
Component 1: Accelerating financial inclusion	65,063	74,636	139,699
Component 2: Promoting entrepreneurship for income generation	216,387	259,920	476,307
Component 3: Partnerships and knowledge management for public debate	25,000	9,750	34,750
Project administration (Costs of the execution unit)	84,000	52,344	136,344
Evaluations, audits, and contingencies*	25,000	26,000	51,000
Total	415,450	422,650	838,099
% of financing	49.6%	50.4%	100%

* Indicates resources that may be disbursed and used by the Bank without requiring a disbursement request from the executing agency.

V. EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE

A. Description of the executing agency

- 5.1 **The project executing agency will be Banesco (Panamá), S.A.**, a financial institution of Venezuelan origin that stands out as a leader in social innovation and entrepreneurial development issues and for its strong commitment to social responsibility. Banesco has run projects with a similar scope and approach, and since starting business in Panama in 1992 it has had a strong commitment to vulnerable population groups; most recently, it has responded actively and sensitively to the Venezuelan migrant community. It has a long track record of mainstreaming considerations involving social inclusion, gender equity, respect for diversity of abilities, origins, and sexual orientation into its financial products and services. The executing agency is currently conducting several programs with a social impact approach, such as: (i) "Emprendedores Banesco" [Banesco

Entrepreneurs], aimed at people who are starting to grow their ideas; (ii) "Banca Comunitaria" [Community Banking], catering primarily to small and microenterprises; and (iii) "Presupuesto Participativo" [Participatory Budget], which provides seed capital to help projects with a social focus get off the ground. Additionally, the Banesco brand is recognized and trusted by Venezuelans, including the migrant population, for whom Banesco is often their natural choice when taking their first steps in finance. The project team, with the assistance of the Office of Institutional Integrity (OI), conducted integrity due diligence on the executing agency in accordance with the Integrity Due Diligence Guidelines (OP-474-1) and found both risk indicators and mitigating factors. The integrity and reputational risks associated with this project are considered to be within IDB Lab's tolerance for such risks. **For more detailed information, see the annex on integrity.**

- 5.2 The executing agency works in strategic partnership with multiple public and private sector organizations to extend the reach of its programs' impact to different segments of society facing social risk, vulnerability, marginalization, or poverty. In the specific case of "Banesco Entrepreneurs," recent strategic partnerships that stand out include those with: (i) the Ministry of Social Development (MIDES) between 2019 and 2021 to bring the program to the beneficiaries of [Red Oportunidades](#), [120 a los 65](#), and [Angel Guardian](#), all of which are conditional cash transfer programs for families living in poverty or extreme poverty, elderly people, and persons with disabilities, respectively; and (ii) the chamber of commerce at Paso Canoas on the border with Costa Rica. For this project, the executing agency has forged two key new strategic partnerships, with HIAS Panamá and Eskala Ventures, S.A., as social partners with the necessary reach and a track record of working with the target beneficiary segment and on the issue of economic inclusion. It will also continue expanding the scope of the partnership in effect with IUGT Internacional Panamá to scale up and adapt the online entrepreneurship training program. IDB Lab resources will be used to finance activities executed by HIAS and Eskala Ventures, S.A., which are strategic partners and will provide the in-kind counterpart contribution. Eskala will also provide a cash contribution.
- 5.3 [HIAS](#) was founded as the Hebrew Immigrant Aid Society over 135 years ago to protect refugees and migrants. In 2011, [HIAS Panama](#) started working to ensure migrants in Panama had access to rights such as mental health and psycho-social support, particularly as regards preventing and responding to gender-based violence, as well as the protection, legal support, and economic inclusion of the migrant population. HIAS implements its programs based on a comprehensive and sustainable strategy with a strong gender focus and responding to the specific needs of each family or population group.
- 5.4 [Eskala](#) (incorporated as **Eskala Ventures, S.A. in Panama**) combines microfinance and microequity to create and invest in Cajas Rurales located in rural areas of Central America. Its plan for the region is to administer its portfolio of 20,000 Cajas Rurales, which, through financial inclusion, will empower 18 million people living in poverty. The Eskala model was incubated with the experience of the main investor, the not-for-profit organization Global Brigades, which has successfully supported the Cajas Rurales project in Panama for six years,

providing 12,581 loans, with an almost 0% default rate, benefiting 93 low-income communities.

- 5.5 [IUGT Internacional Panamá](#) is an extension education training center that runs refresher and training programs for businesses and communities in response to national concerns and the specific needs of particular sectors. Based in Panama, it serves the whole Central America region. IUGT Internacional Panamá is the partner for all Latin America of the University Institute of Management and Technology (IUGT), based in Caracas, Venezuela. Its business units include the UP (Universidad Posible) online platform that has implemented the online e-learning version of the “Banesco Entrepreneurs” course from the outset.
- 5.6 The executing agency aims to grow with quality and sees in this project, together with HIAS, Eskala, IUGT, and IDB Lab as its strategic partners, an opportunity to join forces and share the risk of creating a value proposal enabling the social impact achieved to be boosted and grow sustainably in new market niches catering to an excluded and underserved population group with an integrated business solution. As Banesco has an international presence, including offices in the Dominican Republic and Colombia, the outcomes and lessons learned could be scaled to these countries.

B. Structure and implementation mechanism

- 5.7 The executing agency will supervise project coordination and administration. A project execution unit comprising the Banesco Corporate Affairs manager (20% of her time), who will bring the strategic vision, and a full-time project lead coordinator, who will support activity implementation and manage the counterpart resources efficiently and effectively. The project lead coordinator will be actively involved in the logistics and operational structure of the project. He or she will be responsible for day-to-day management, directing the project’s envisaged procurement procedures, and helping Banesco compile data on the progress made to present semiannual reports on project progress to IDB Lab.
- 5.8 The executing agency will organize periodic coordination meetings with all the strategic social partners to supervise project progress and determine key strategies and points of action. IDB Lab will support the executing agency on associated strategic decisions. IUGT Internacional Panamá will be generally in charge of the e-learning program; Eskala Ventures, S.A. will direct the design, implementation, and supervision of Cajas del Migrante and be in charge of their financial management; and HIAS Panamá will supervise execution of project activities relating to participant selection and provide cross-cutting support over 12 months. During this period, it will support the executing agency in the general coordination of the operational targets and financial resources, for which it will devote 5% of its collaborators’ time to the roles of financial manager, economic inclusion coordinator, program manager, and monitoring and evaluation analyst.

VI. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 6.1 The executing agency will adhere to the standard IDB Lab arrangements related to disbursements by results, procurement, and financial management policies applicable to the private sector, consistent with the provisions of the 12 June 2019

version of the Financial Management Guidelines for IDB-financed Projects (OP-273-12) and the specifications of the “Guidelines on Management by Milestones and Financial Supervision for Technical Cooperation of IDB Lab and the SEP”.

- 6.2 The diagnostic assessment of integrity and institutional capacity found the level of risk to be low. Procurements will be conducted in accordance with the executing agency’s policies. An annual procurement plan indicating the necessary procurements for project execution and achievement of milestones will be submitted annually, together with the annual work plan. IDB Lab will conduct ex post reviews of technical considerations for those procurements that, in its judgment, warrant such review, in particular those considered critical.
- 6.3 The executing agency will prepare annual financial statements and make them available to the Bank. The Bank may use contribution funds to review the financial statements and the use of resources allocated to the project, to verify financial and procurement practices.

VII. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 7.1 **Information disclosure.** The information contained in this document is classified as public once approved pursuant to the Bank’s Access to Information Policy.²⁵
- 7.2 **Intellectual property.** The project will be implemented using the know-how and methodologies previously developed by the executing agency or co-executing agency, which will remain its property. Intellectual property in all the work and results obtained from the project will belong to the Bank. The Bank will grant the executing agency an irrevocable, worldwide, perpetual, non-exclusive license, free of charge, to use, copy, distribute, reproduce, exhibit, and publicly execute any product of which the ownership derives from the project, and to develop derivative works.

²⁵ <https://www.iadb.org/en/access-information/home>.