

## **DRAFT DESIGN AND PILOTING OF ADB VENTURES BUSINESS SUPPORT PROGRAM**

1. This project preparation technical assistance (TA) will design and pilot the Asian Development Bank (ADB) Ventures business support program approach. This will involve pilot testing impactful technologies and business models in the Asia-Pacific region for as much as \$200,000 per pilot. The identification of suitable technologies and business models for pilot testing will be through a process that aligns to the core procurement principals of the ADB's procurement policy of economy, efficiency, fairness, transparency, quality, and value for money. Pilot testing will not involve the procurement of goods, works, or services (consulting or non-consulting) in the context of the ADB procurement policy and regulations unless a pilot small-scale validation of a selected solution proves successful and a report is subsequently prepared that is adapted to form the specification for a bidding process which results in an ADB funded supply or works contract. Then that report would fall within the scope of ADB procurement policy and regulations.
2. This TA will pilot two approaches for supporting early-stage companies: the startup support program and the market expansion support program. Given the significant variation in progress towards the sustainable development goals (SDGs) and innovation ecosystem development across the Asia-Pacific, this TA will seek to pilot the approaches in a diverse set of countries across different regions and at different stages of development. A greater emphasis on startup support will be placed in underdeveloped innovation ecosystems.
3. ADB's approach to pilot-testing under this TA will follow ADB procedures and guidelines relating to pilot-testing. Specifically: (i) pilot-testing will be implemented by consultants and funded from the consultant contract; (ii) pilot-testing will not result in safeguard categorization of either A or B for the environment, resettlement, or indigenous people; (iii) sufficient financial management arrangements will be put in place for such entities, and such entities will not be on the sanctions list; and (vi) arrangements on the treatment of assets created under pilot testing will be made between ADB and consultants.

### **A. Startup Support Program**

4. Under the startup support program, ADB Ventures will partner with existing accelerators to identify and support local startups with SDG-related solutions. ADB will incentivize partner accelerators and startups with a holistic support package that includes funding, industry domain expertise, access to ADB networks, and potential follow-on investment. The indicative process is as follows:

#### **1. Selecting Accelerator Programs**

5. ADB Ventures will select and then fund the selected accelerator partners in an amount as much as \$30,000 per accelerator program based on an approach that ensures clarity and transparency.

6. Within each target country, ADB Ventures will select accelerator(s) to pilot the startup support program approach. There is currently no global standard ratings system available for accelerators in developed markets, so ADB Ventures will use the following filtering system to help ensure selection of quality, aligned accelerator partners.

- (i) *Gather basic accelerator data* – Accelerator data can be found in multiple locations and sources; besides basic internet searches, specialized cloud-based tools for accelerators also help to circulate information about the accelerator programs they

serve. ADB will use such tools as Gust, Conveners, F6S, and Hatcher+, as well as ecosystem partners such as AWS, Google, Microsoft, e27, etc., plus local on-the-ground referrals, to gather basic in-country accelerator data.

- (ii) *Store accelerator data and criteria* – ADB Ventures will gather and store basic accelerator data (such as location, backers, number of cohorts, duration, investment, etc.) in the ADB’s Consultant Management System (CMS).
- (iii) *Outreach* – ADB Ventures team will try to contact each accelerator in the database to help gather additional data. While in-person interviews may not always be possible, ADB Ventures will use questionnaires and/or skype calls to gather data not readily available online but key to this process.

7. Subsequent to data collection, ADB Ventures will select suitable accelerator partners. This process will focus on each candidate accelerator’s viability, focus, reputation, funding mechanisms, success rate, etc. This process will run through CMS and result in a short list of 3 accelerator partner candidates per country (note that there might be a smaller number in lesser developed ecosystems). These final candidates will be reviewed by a selection committee made up of ADB staff and early-stage investment experts selected by ADB. A draft contractual agreement will be made to the successful candidate selected pursuant to this selection process. If, for any reason, the successful candidate accelerator does not accept the ADB Ventures proposal the proposal will be offered to the runner-up, as determined by the selection committee.

## **2. ADB Ventures Offer to Accelerator Programs**

8. Once an accelerator program has been selected, ADB will propose the following arrangement:

9. For the accelerators, ADB Ventures will:

- (i) Support 2-3 companies that offer SDG-related solutions that have been accepted into the accelerator program.
- (ii) Offer introductions to accelerator “perks” program suppliers, such as Google Cloud, AWS, Microsoft, SendGrid and others.
- (iii) Include the accelerators in press, road shows, and other marketing campaigns both locally and regionally.
- (iv) Help the accelerators promote their programs via mailers, shout-outs, etc. – especially for the call out for companies with specific SDG-related focus.

10. In exchange, under the terms of the contract, the accelerators will:

- (i) Apply the ADB Ventures impact and gender investment lens to their screening process and share with ADB the applications of those companies they deem appropriate to the SDG targets.
- (ii) Give ADB the option to support SDG-related companies that join the program.
- (iii) Help publicize ADB’s involvement in the program.

## **3. Selecting & Rewarding Startups**

11. ADB will provide cash incentives as large as \$15,000 to 2-3 startups identified by accelerator partners under each accelerator program. At least one cash incentive per program

will be earmarked for a startup with a female founder or co-founder. ADB will then track the progress of these ADB Ventures Awardees with a view towards possible pilot testing and/or investment by ADB of \$30,000-100,000. The amount of the investment will be sized in each case with a view towards moving the company through its current phase.

12. Generally, the process of selecting startups for awards, and then possible pilot testing and/or investment involves a multi-month series of events. Every accelerator is different, but broadly, the steps involved are:

- (i) Publicizing the accelerator program and opening applications;
- (ii) Application period and additional publicity (1-3 months);
- (iii) Review of applicants, resulting in selection of semi-finalists (1 month);
- (iv) Finalists pitch and/or Boot Camp (1-2 weeks);
- (v) Cohort is selected (1 week);
- (vi) Program starts (Program length is anywhere from 1 to 6 months);
- (vii) Final pitching and awards by selection committee; and
- (viii) Investment by early-stage investors in the equity of the newly formed company.

13. ADB Ventures will work with accelerator partners during this process to help define the desired SDG-related goals.

14. The ADB Ventures Awardees will benefit from:

- (i) “Special Status” as winners of the selection process – includes ability to attach “ADB-Approved” branding (or similar) on all materials, websites, etc;
- (ii) Receipt of cash grants as large as \$15,000;
- (iii) Introductions to potential customers and investors within ADB networks;
- (iv) Be added to a pool of other “ADB-Approved” startups, that in turn will be eligible for other special programs, grants, access to special mentor networks, “member’s only” events such as webinars, meet-ups, and potential follow-on investment by ADB Ventures;
- (v) Possible follow-on pilot-testing support and/or investment by ADB of \$30,000 to \$100,000, following ADB business processes including necessary due diligence; and
- (vi) Possible eligibility for inclusion into ADB Ventures’ Market Expansion support program for more mature companies.

15. ADB Ventures will track the progress of all Award Winners in a proprietary database, ensuring the tracking and measurement of their success and failure, additional funding, and other progress.

## **B. Market Expansion Support Program**

16. Under the market expansion support program, ADB Ventures will convene and work with regulators, municipalities, and corporates to build consensus on problem statements that represent commercial opportunities and opportunities for SDG impact. ADB will then identify and support proven global technology solution providers to adapt and deploy solutions in the

developing Asia-Pacific.<sup>1</sup> PSOD will adopt a One ADB approach by working closely with the ADB's regional and knowledge departments to leverage ADB's government relationships, operational networks, and industry domain knowledge.

17. ADB Ventures will select, provide investment advisory support services, support pilot-testing, and/or invest up to \$200,000 per company that emerges through the market expansion program. The sizing of this financial support will be determined with reference to the need and challenge faced by each supported entity in expanding to the new target market. Any investment by ADB will follow ADB business processes including the necessary due diligence. The market expansion program will follow a process that ensures clarity and transparency as follows:

### **Step 1: Define Problem Statement**

18. ADB Ventures will consult with local stakeholders and convene industry roundtables to determine problem statements in emerging Asia-Pacific markets. Where necessary, ADB will also engage with regulators to determine future policy directions. ADB Ventures will build-on existing networks and platforms of both ADB and other partners.

### **Step 2: Solution Callout**

19. Subject to sufficient traction and demand, ADB Ventures will develop a technical methodology for ranking potential technology and business solutions to the problem statement(s) determined in step 1. After validation of the proposed methodology by targeted end-user clients (where necessary, regulators will be involved in the process), ADB Ventures will conduct an open innovation callout lasting at least one month and reaching out through regional and global innovation partner networks to source and identify potential solutions. ADB Ventures would aim to receive at least 3 suitable solutions for each challenge callout.

### **Step 3: Screening and Selection**

20. Final short-listed solutions will be disclosed to the public and invited to pitch to targeted end users. A process of matching between solution providers and users, and technical validation, will determine the technologies and business models to be pilot tested and/or invested in. The companies successfully matched will receive investment advisory support services, support for pilot-testing, and/or investment up to \$200,000 per company. Any investment by ADB will follow ADB business processes including the necessary due diligence.

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<sup>1</sup> Structures will be established to ensure ADB funding support only for entities with impactful technologies and business models that promote SDG impact in the ADB's developing member countries, and not directly benefit solution providers from non-ADB member countries.