

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SUMMARY

1. **País:** Honduras
2. **Nº Proyecto:** HO-L1234 AND HO-T1411)
3. **Name of Project:** Comprehensive Model For Development Of Digital Skills And Access To Financing For Startups Innova-T
4. **Executing Agency:** For the loan: Banco Atlántida S.A. and for the technical cooperation: Universidad José Cecilio del Valle (UJCV).
5. **Borrower:** For the loan: Banco Atlántida S.A. and for the technical cooperation: Universidad José Cecilio del Valle (UJCV).
6. **IDB División:** Multilateral Investment Fund (MIF) – IDB Lab. Source: Spanish Trust Fund for the Social Entrepreneurship Program (FEP)

7. Financing amounts

	<u>IDB</u> <u>(FEP)US\$</u>	<u>Atlántida US\$</u>	<u>UJCV US\$</u>
Reimbursable Financing:	1000.000	1000.000	
Technical Cooperation:	<u>400.000</u>		<u>571.000</u>
Total:	1400.000	1000.000	571.000

8. Objective and purpose of the project:

The project objective is to promote an integrated model for creating better income opportunities for young people via employment and the development of startups with high technological value through digital skills development and access to finance with a gender lens.

The project will enable the young Honduran population between the ages of 18 and 30 from medium-low income households, who are regular students at a university at the time they apply to the project, to receive technical training in digital skills and competencies so that they can later choose to pursue a job opportunity or start a business as a way to generate income.

9. Project Components:

- *Non-reimbursable Technical Cooperation*

Component I: Technical assistance for transfer of methodological knowledge on digital technical training and startups (IDB Lab/FEP: US\$400,000; Counterpart: US\$571,000. Executing agency: UJCV). Subcomponent A: Development of digital skills and competencies. Under this subcomponent, UJCV and participating entities will adopt new methods to lead the process of digital skills and competencies development, initially for professors. A certified provider will be hired. The team has researched several vendors and concluded that the training requires an average of 15 hours per week for 4 consecutive months. In the second phase, the certified professors will pass the knowledge on to selected young people. The goal is to certify a total of 400 students. UJCV will

utilize synchronous and asynchronous teaching modalities and hold bootcamps to choose beneficiaries.

Students will acquire technical knowledge that is directly applicable to the local and international labor market based on private-sector demand; at least 70% of certified students with digital skills will be placed in jobs thanks to coordination with chambers of commerce, the Honduran Private Enterprise Council (COHEP), and business associations that maintain job pools for their members. Students will receive additional guidance such as review of their résumés and online profiles (LinkedIn, GitHub), and events with companies (academia, etc.). Participating young people will also receive mentoring and supervision to regularly measure their performance, improved income, and quality of life.

The digital skills training provider will: (i) support the validation and definition of digital thematic content based on private-sector demand (in partnership with private and public institutions), including: simple technological language, artificial intelligence, e-commerce, data analytics, and more; (ii) contribute with UJCV to implementing the pilot project and selecting the first cohort of university professors who will pass their knowledge on to the 400 students; and (iii) support the process of advising participating young people until they are linked into the local or international (freelance) market, making an effort to retain Honduran talent.

Pre-incubation and incubation of university spin-offs: Of the 400 young people who receive training in digital skills and competencies, at least 12018 who demonstrate knowledge and an entrepreneurial mindset will be selected to co-create innovative solutions with high technological content in response to private-sector demand and as self-starters. To do so, UJCV and the firms Digital Challenge and Impact Hub,¹⁹ which conduct pre-incubation and incubation processes, are expected to sign an interagency agreement. These are Honduran initiatives with trained talent, methods, infrastructure, and national prestige that have guided a considerable number of early-stage startups.²⁰ They will primarily: (i) transfer knowledge of the pre-incubation and incubation methodology to UJCV; (ii) provide guidance and technical assistance to more than 100 entrepreneurs, developing co-creation and prototyping processes and sharing economic, financial, and market expertise; (iii) prepare data and the main documents needed to apply for financing from Banco Atlántida (financial models, projections, investment plans); and (iv) preselect proposals to be financed by the Bank.

A market survey will be done to encourage young people to co-create, prototype, legally formalize, and pursue acquisition by the private sector, based on the needs of different industries and with an open innovation methodology. Preliminarily, projects will be developed related to multisector public-private partnerships, software, digital marketing, artificial intelligence, blockchain, and data analytics, which will then be connected to financing. Banco Atlántida S.A. will design financial products based on the needs of the digital entrepreneurs.

Main outcomes: (i) UJCV, as the leader of this project component in coordination with other participating institutions, will demonstrate its transition from traditional education to entrepreneurial training by adapting methods and content based on market demand and developing digital technical skills in young people and university academics; (ii) the demand survey to design digital technical content based on the requirements of the main industries and productive sectors with exponential growth in partnership with the Cortés Chamber of Commerce is validated; (iii) at least 100 professors will be trained and certified so that participating universities can improve their value proposition (professionals who will sustainably pass on their knowledge); and (iv) a pilot project will be launched to train young people, 400 of whom will receive training out of 1,000 applicants (bootcamps will be held to train and determine those with entrepreneurial potential). Of these 400 young people, the expectation is for approximately 280 to find formal employment, and more than 100 to launch a yet-

to-be-determined venture. Importantly, at least 20% of the young people placed in jobs are expected to be women. The same percentage will apply for the startups that will be financed by Banco Atlántida S.A.

Subcomponent B: Digital platform as a training tool. UJCV, USAP, and any other institution participating in the project will have improvements made to their platforms to facilitate the training model. The digital platform will include content on different digital skills (such as e-commerce, data science, artificial intelligence, simple programming language, blockchain, big data, and more), where students can acquire digital technical knowledge with the necessary parameters for administration. The selected students will have access to the technical education platform, which will enable the creation and management of thematic content based on market demand and provide access to a variety of course offerings and training workshops in technological areas.

Main outcomes: (i) using its open-source platform (Chamillo Learning Management System) based on PHP technology, Apache web servers, and MySQL/MariaDB (e-learning industry standard), UJCV will make the necessary changes and incorporate new disciplines or content with help from the company or provider hired for Subcomponent A. Interoperability with the participating institutions' platforms is a key activity; (ii) at least 25 disciplines or digital technical content modules will be developed and pushed to market to facilitate training for young people; (iii) a module will be developed to allow the project executing agency to register and monitor graduating young people and follow their labor market trajectory or digital entrepreneurial activity; and (iv) a results measuring tool will be designed and implemented (in collaboration with the private sector) that reflects data on future productivity improvements of different industries and improvements in young peoples' quality of life. This tool will be administered by UJCV and participating institutions.

- ***Reimbursable Financing***

Component II: Financing for technology startups and Centers for Development and Technological Innovation. (IDB Lab/FEP: US\$1,000,000; Counterpart: US\$1,000,000. Borrower: Banco Atlántida S.A.) Subcomponent A: Access to finance for spin-offs and early-stage startups. In total, 107 digital startups will receive financing, 67 of which will be spin-offs. A US\$2 million line of financing will be established for such purpose, with each startup expected to receive approximately US\$15,000. These startups will be supported by UJCV and Impact Hub in their initial phase. Loan terms for entrepreneurs: 5-year term, local currency, average rate of 12% to 16%, grace period of 12 months.

A second segment to be financed will be 40 early-stage startups that have completed incubation and are now in an acceleration process. A potential source is the startups supported by the projects TEC4DEV, Economía Naranja, Honduras Digital Challenge, Fedecámaras (HO-T1375 HUB504), Bridge4Billions (RG-G1041 and RG-T403) and MassChallenge (RG-T3526), which are financed by IDB Lab but lack access to finance, or other startups with market potential in Honduras. These startups will receive up to US\$25,000.

Banco Atlántida will design a credit analysis method for entrepreneurs and design financial products based on their needs.

Banco Atlántida's Personal Banking Department has established: (i) a beneficiary profile: university students with a digital skills certification awarded by UJCV, between the ages of 18 and 30 without income opportunities from medium-low income households; and (ii) loan qualification criteria: applicants must provide evidence of the startup prototype and have a business model and investment plan. The loan assessment will be based on the startup's potential. One way of reducing risk is for the entrepreneurs to produce a service or advance sale contract, which will be taken as security by the bank (if possible, enabling them to lower the interest rate).

Subcomponent B: Centers for Innovation and Development for entrepreneurs. Part of the model is to facilitate co-creation, development of technological solutions and prototype design, testing, and validation of startups. For that purpose, this component calls for infrastructure and technological equipment for two Centers for Innovation and Development at UJCV and another on the premises of USAP and/or the Cortés Chamber of Commerce and Industry. If required, Banco Atlántida S.A. will finance the capital expenditure, using up to US\$500,000 of its own funds.²⁵ These Centers for Innovation and Development will be part of the value proposition for digital technical training of the participating institutions. Main features of the loan: up to US\$250,000 per center, secured with the equipment to be purchased, local currency, 5-year term, interest rate of 12% to 14%.

10. Project Beneficiaries:

Young people between the ages of 18 and 30, unemployed, old enough to work or start a business, who need to improve their quality of life, from medium-low income households. These young people have potential to earn a university degree, preferably one related to technology, engineering, or economics. The project expects to support 400 young people. At least 70% of these (280) are expected to join the labor market.

11. Expected results and capture of benefits:

Another 120 will be selected to launch a tech startup. Selected projects will have been previously validated by a firm that specializes in startup incubation. This will create a platform to encourage and connect young people with the global digital market.

These young people will receive financial support from Banco Atlántida S.A. Most participants will come from northern and central Honduras. The project will identify job and startup opportunities in digital and innovation sectors with support from private businesses and organizations with job pools. Once their skills and competencies have been certified, these young people will be supported in joining the labor market. This project aims to close gender and diversity gaps, to create opportunities with an inclusion lens. (At least 30% of the certified young people with a job opportunity or startup will be women.) To that end, UJCV will sign an agreement with the Ciudad Mujer program, to award scholarships to women with a focus on technology. It also aims to reduce youth migration by creating income opportunities within Honduras.

The universities, chambers of commerce, COHEP, and industry generally will be indirect beneficiaries because the project will enable them to hire talent with certified digital skills, which will lead to improved productivity.