
SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SYNTHESIS

1. **Country:** Regional
2. **Project Number:** RG-X1261
3. **Project Name:** Social Entrepreneurship Catalytic Impact Financing Facility. LAC-Impact
4. **Executing Agency:** The Bank will be the Executing Agency for this Facility. Individual sub-projects will be executed by executing agencies and will be approved according to the policy for the Social Entrepreneurship Program (SEP). The Donor of funds for this Lac-impact is the Swiss Agency for Development and Cooperation (SDC)
5. **IDB Unit:** Multilateral Investment Fund (MIF)
6. **Financing Amount and Source:**
 - **Swiss Agency for Development and Cooperation (SDC):** USD 4,210,526. A first grant administration agreement for US\$1,052,632 will be signed in 2015.
 - **Local Counterpart:** USD 1,000,000.
7. **Goal and Purpose:**

The purpose of the project is to create a regional financing platform that uses both traditional and innovative financing mechanisms to bolster growth of social enterprises (SE), as part of the IDB's Social Entrepreneurship Program (SEP) "Traditional" mechanisms would be mainly technical assistance grants or non-reimbursable investment grants. "Innovative" mechanisms could include, but are not limited to, catalytic first loss funds, guarantees, pay-for-impact arrangements, or others, all of which will be aimed at leveraging finance for SE that serves or are willing to serve low income populations as a way to improve their livelihoods. The facility will target SE in Latin America and the Caribbean in all sectors delivering high positive impact for low-income populations and excluded groups and who want to scale their impact significantly. Eligible SEs will need to prove the existence of a robust, scalable business model with a track-record of significant social impact.

The financing facility will be established with up to the equivalent of US\$4,210,526 in non-reimbursable resources from Swiss Agency for Development and Cooperation (SDC), which will be contributed in several installments over a period of one to four years (between 2015 and 2018), depending on availability of SDC funds in each year and subject to approval of SDC. A first installment of US\$1,052,632 will be disbursed in 2015 after the signature of an administration agreement between SDC and the IDB. This facility will form part of a larger SDC initiative that includes partners as the IDB/MIF, Ashoka (USA), Roots of Impact (Germany), New Ventures (Mexico), Financing Agency for Social Entrepreneurship – FASE (Germany), Tec de Monterrey (Mexico), other technical partners and potential private

or public funders to be determined. The IDB/MIF will play a major role identifying, originating and supervising the individual projects.

8. Expected results and benefits:

The benefits of the Facility will be captured mainly by the social enterprises that will receive funding, and by the low-income families that will receive benefits offered by these social enterprises. In quantitative terms, the expected results of the Facility include: (i) at least 10 SEs receive financing through a variety of financial instruments to expand and deepen their impact and financial sustainability; (ii) an estimated 10,000 low-income families will improve their access to financial services, markets or basic services that improve their livelihoods; and (iii) innovative funding instruments will be incorporated into at least 8 SEP operations as a result of this facility and its partnership with SDC and its network of social enterprise support institutions. Furthermore, each of the SEs will likely generate positive externalities for certain sectors or for society where they operate, such as improved access to services through increased competition, lower prices or better quality services, and the corresponding impacts of these effects.

9. Relevance:

The introduction and use of these innovative investment mechanisms, in coordination with SDC, represents a specific value added to the MIF and the SEP, given that they are both new to the area of impact investment finance and new to the SEP, and will allow the SEP to incorporate new types of support that are tailor-made to needs of social enterprises in different levels of development. Additionally, this Facility will contribute to the overall development of the impact investing ecosystem, by implementing catalytic financing instruments for scaling SE, and attracting private investment capital with a multistakeholder approach. As such, it will make a pioneering contribution to the understanding of a new model of utilization of development and multilateral resources. This streamlined approach promotes a strong outcome orientation with the possibility for high leverage of private capital investment.