

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SUMMARY

1. **País:** Costa Rica, Guatemala, and Honduras
2. **Nº Proyecto:** RG-G1062
3. **Name of Project:** UNLOCKING FINANCE POTENTIAL: BOOSTING SDG-DRIVEN ENTERPRISES IN CENTRAL AMERICA
4. **Executing Agency and borrower:** Atta Impact Capital (AIC)
5. **IDB División:** Multilateral Investment Fund (MIF) – IDB Lab

6. Financing amounts

	<u>IDB US\$</u>	<u>Local US\$</u>	<u>Total US\$</u>
Contingent recovery investment grant (CRIG):	600.000	1,029,700	1,629,700

7. Objective and purpose of the project:

The objective of this project is to support the growth of early-stage enterprises with a social or environmental impact in Costa Rica, Guatemala, and Honduras, thereby supporting sustainable economic growth in those countries.

1. Project Components:

Component I: Investment in impact enterprises (IDB: US\$600,000; counterpart contribution: US\$400,000)

The objective of this component is to provide financing to early-stage enterprises with social or environmental impacts in Costa Rica, Guatemala, and Honduras. To achieve this objective, an investment fund will be created with other investors to capitalize impact enterprises. The target fund capitalization is US\$1 million. A first closing of at least US\$1.4 million in capital is slated for the fourth quarter of 2023 (US\$800,000 in investment capital and US\$600,000 in operating capital). There will then be additional closings until the fund has reached US\$1 million in investment capital.

With a view to achieving the component objectives, the executing agency will: participate in business development events, analyze business opportunities, conduct due diligence, and make investments in the selected companies that pass the due diligence process.

Transaction selection strategy. AIC plans to analyze some 265 companies and investment proposals during the fund investment period in order to achieve the investment objectives while maintaining a stringent selection rate. The fund's management team intends to seek out investment opportunities using the following key channels: (a) organic inflow; (b) network memberships; (c) collaboration with/referrals from local partners; and (d) participation at events.

The expected component outcomes are as follows: investments will have been made in 10 missing middle companies; US\$1 million in capital will have been invested in those companies; 20% of the portfolio companies will be women-led or women-owned pursuant to IDB Group standards; 50% of portfolio companies will have women in leadership positions; 50% of portfolio companies will

benefit low-income groups; and 50% of portfolio companies will contribute to environmental indicators.

Component II: Strengthening of the impact investment ecosystem (counterpart contribution: US\$95,700)

The objective of this component is to provide technical assistance and mobilize additional funds to early-stage enterprises with a social or environmental impact in Costa Rica, Guatemala, and Honduras. AIC (or a third party) will provide technical assistance to 60 enterprises over a period of three years, mainly in topics related to business development, developing impact measurement strategies (theory of change), and raising capital. This component will be financed by counterpart contribution funds in the amount of US\$95,700. Thanks to the technical assistance, the AIC due diligence process, and the additional capital catalyzed from other investors, the companies selected for the investment portfolio are expected to achieve 20% growth in annual gross revenue across the portfolio.

With a view to achieving the component objectives, the executing agency will: provide technical assistance in business development, support for raising capital, and development of impact measurement strategies.

The expected component outcomes are as follows: 60 companies will be receiving technical assistance services from AIC, 50 of the evaluated companies will have been referred to technical assistance providers; six investment rounds with portfolio companies will have been led by AIC; and project investments will have catalyzed 3X the investment capital.

Fund overview: Through this proof of concept developed with the realities and expectations of Mesoamerica in mind, AIC, through MCF1, seeks to offer tools and models tailored to the Mesoamerican region so economic development and opportunity generation can flourish in that ecosystem, thereby unlocking the finance potential of impact businesses in the region.

2. Project Beneficiaries:

The fund expects to support 10 companies. Beneficiary companies will have a green impact thesis that contributes to greenhouse gas emissions mitigation, ecosystem regeneration, biodiversity preservation, conservation of the water footprint, or other environmental impacts.

AIC will make approximately 10 investments. Of the portfolio companies, 50% are expected to be led or co-led by women, 50% are expected to benefit the poor or the vulnerable, and at least 50% are expected to contribute to environmental indicators. Lastly, the portfolio companies are expected to create 400 jobs over a period of three years after the fund invests in them.

Organizations supported by the fund will be from the beneficiary countries, will be driven by the private sector, and will have technology or business models that require testing or additional finetuning but have high potential for scalability, addressing common environmental problems in Central America.

3. Expected results and capture of benefits:

The executing agency will be responsible for compiling data and reporting on results and achievements using the project results matrix and for keeping records in the technical files. At the beginning of the project, the executing agency will develop a monitoring plan to ensure that the

indicators are monitored and measured. In addition, the executing agency will submit semiannual reports to the Bank through the project supervision report and will submit a final project supervision report on project results after project end.

The main expected impacts are set out in the table below.

Project impact indicator	2024	2025	2026	Total
Percentage of portfolio companies that report an increase in gross revenue	60%	60%	60%	60%
Average annual revenue growth of portfolio companies (%) per year	20%	20%	20%	20%
Jobs created by portfolio companies	20	150	230	400
Percentage of portfolio companies that have developed an impact strategy thanks to project support	100%	100%	100%	100%