

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SUMMARY

1. **Country:** The project will initially be implemented in Peru but will later be expanded to other Spanish-speaking countries in Latin America.
2. **Project Number:** RG-G1067, RG-T4636
3. **Name of Project:** Lucha: catalyzing the social and environmental impact of impact founders
4. **Executing Agency and borrower:** Lucha Startup Studio S.A.C. (“Lucha”)
5. **IDB División:** Multilateral Investment Fund (MIF) – IDB Lab

6. Financing amounts

| | <u>IDB US\$</u> | <u>Local US\$</u> | <u>Total US\$</u> |
|--|-----------------|-------------------|-------------------|
| Nonreimbursable financing RG-G1067 | 577,779 | 1,262,326 | 1,840,105 |
| Nonreimbursable technical cooperation RG-T4636: | 357,221 | 422,674 | 779,895 |
| Total: | 935,000 | 1,685,000 | 2,620,000 |

Source: Ordinary Capital for the Social Entrepreneurship Program.

7. Objective and purpose of the project:

The objective of the project is to increase the impact of Latin American startups supported by Lucha to: (i) close gaps in access to products and/or services for economically and socially vulnerable populations; and (ii) mitigate the effects of climate change and protect biodiversity.

8. Project Components:

Component I: Scaling and leveraging the Lucha accelerator (IDB Lab contribution: US\$548,884; counterpart funds: US\$1,241,289).

The objective of this component is to build the capacity of impact startups seeking to close social and economic gaps for marginalized population groups and to contribute to climate change mitigation. Priority will be given to the inclusion of startups whose founders promote gender equality and access to essential services in economically vulnerable communities.

The startup selection process will take a rigorous approach and will include calls for proposals designed in cooperation with strategic partners in the region’s impact startup

ecosystem, such as [Impacta VC](#), [Mercy Corps Ventures](#), and other key players. Communication campaigns will be aimed at attracting startups with a high social and environmental impact potential. Tailored strategies will be used to encourage founders and startups that are addressing economic vulnerability to participate.

As mentioned earlier, Lucha specializes in businesses that work to mitigate climate change and to promote biodiversity and in businesses that close gaps in access to goods and services for vulnerable population groups. What differentiates Lucha is that it focuses on impact rather than on a specific sector or industry.

A diverse, specialized assessment committee will select startups to participate in the accelerator. The committee will evaluate such aspects as business model viability, financial sustainability, impact potential, and scalability. It will also analyze the social and environmental focus of each startup to ensure that those selected have the potential to transform their communities.

The acceleration program will last at least 12 months and will employ the Lucha Method, which is structured around four core pillars: impact, storytelling, leadership, and connections. A hybrid (in person/virtual) model will be used that will provide participating startups with physical facilities and technological resources to facilitate their direct collaboration with Lucha.

The first pillar of the Lucha Method deals with the design and validation of each startup's impact thesis, developing an integrated measurement system that uses quantitative and qualitative data to evaluate output, outcome, and impact indicators. In the case of social impact startups, Lean Data mechanisms will be used to measure impact effectively and in a scalable manner to improve decisionmaking.

In the case of the second pillar, storytelling, Lucha works with founders to develop a solid narrative concerning their mission and achievements. This kind of narrative helps to attract talent, investors, and partners and to form a community that is committed to the startup's vision.

The third pillar, which revolves around leadership and mental health, includes personalized coaching to support founders' emotional well-being and personal development, which will contribute to the long-term sustainability of their businesses. The fourth and final pillar is based on connections and transactions. Lucha connects founders with key actors in their community, such as investors, mentors, and clients. It also provides guidance to help founders convert these connections into strategic transactions in the form of investments by partners or allies in the form of capital or their time that will help to ensure the startups' growth.

The Fondo Luchante only invests in startups in the Lucha accelerator. This capital is used to put into practice the work plan designed by the founder with the active engagement of the Lucha accelerator. After that capital is invested, the accelerator also puts founders in contact with new investors and assists them in applying to impact funds for financing.

This component includes a series of key activities for leveraging the results of the Lucha Method for startups in the portfolio, improving the evaluation of beneficiaries' economic

and social vulnerability, and amplifying impact in these ventures' areas of operation. One of the main activities will focus on building Lucha's social impact measurement capacity. This will entail enlarging the team and implementing a standardized system for modeling and measuring the impact of all the businesses in the portfolio. This system will make it possible to evaluate the different startups' impact in a uniform manner and to ensure that each one has a clear, detailed plan for measuring its social and environmental outcomes.

In addition, self-report outcome surveys will be administered in all the access tech firms in the portfolio. These surveys will capture important information about the level of vulnerability, access, and incomes of beneficiaries and about the impact on their quality of life. To support this effort, a tech tool will be developed to facilitate the formulation of personalized impact theses, the design and implementation of specific measurement plans and mechanisms for each business, and the analysis of results. Calls for proposals will be held that target startups focusing on economically vulnerable population groups, and initiatives will be developed in collaboration with firms in the portfolio to that end. One example of this type of effort is the work done with Excuela and the Ministry of Development and Social Inclusion of Peru on a project aimed at benefiting economically vulnerable or poor rural populations. In addition, emphasis will be placed on the development of targeted calls designed to seek out impact startups devoted to promoting gender equality.

Another important aspect of this component will be Lucha's active participation in key events in the impact startup ecosystem. Lucha will play the part of an "activator" by leading discussions and responding to crucial questions concerning the ecosystem's development: how to measure impact effectively, how to ensure the generation of a sustainable income stream in support organizations or intermediaries, and how to foster more strategic connections among key players. In performing this role, Lucha will help to nourish the ecosystem by facilitating connections among founders, investors, mentors, and other strategic partners that will enable startups to scale their impact and become more sustainable. IDB Lab will bolster this role by helping Lucha to connect with funds, institutions, support organizations, and other actors in the ecosystem.

Lastly, this component will include work on two other fronts: developing in-house technologies for increasing the efficiency of the Lucha Method to permit more agile, scalable management of the program; and enhancing the value the program delivers by bringing in specialized talent to ensure its effective execution and to produce audiovisual content that will document and highlight the impact that each startup in the portfolio is having. These audiovisual materials will play a pivotal role in attracting investors, talent, and strategic partners and in heightening the startups' visibility and value.

The main activities to be financed in this component are: (i) forming strategic partnerships for channeling more startups into the pipeline and organizing segmented calls for proposals; (ii) implementing the Lucha Method for startups in the portfolio; (iii) building capacity for measuring impact and economic vulnerability; (iv) developing initiatives targeting vulnerable populations; (v) building technological capacity to improve program scalability; (vi) managing the Lucha team and strategic partnerships; and (vii) making direct investments in startups in the portfolio.

The expected outputs of this component include: (i) the implementation of six rounds of calls for impact startups; (ii) the formation of two new strategic partnerships with venture capital funds; (iii) the incorporation of 10 new startups into Lucha's portfolio (four of which are to be focused on economically vulnerable populations and at least three of which will have a gender focus); (iv) the investment of US\$1 million through the Fondo Luchante; (v) the implementation of measurement mechanisms in 100% of the startups; (vi) the execution of three initiatives in conjunction with startups in the portfolio aimed at having an impact on population groups that are below the economic vulnerability line; (vii) the closure of social access gaps by 61% of the new startups in Lucha's portfolio (access tech); and (viii) the execution of climate change mitigation actions by 39% of the new startups in Lucha's portfolio (green zebras and climate tech).

Component II: Developing and launching the Academia Luchante to support impact founders from disadvantaged backgrounds in Peru (IDB Lab contribution: US\$321,222; counterpart funds: US\$129,979).

This component's objective is to develop and launch the Academia Luchante, a key Lucha platform opening up access to Lucha's knowledge and expertise to support impact founders from disadvantaged backgrounds. The Academia Luchante will deliver training, access to networks, and essential tools for scaling social and environmental impact initiatives.

The selection process will focus on identifying founders with the potential to become high-impact entrepreneurs, regardless of their previous track record. It will ensure the inclusion of founders from disadvantaged backgrounds through targeted calls designed in partnership with [Kunan](#), Peru's largest social startup platform. This partnership will make it possible to reach founders who, although they have not yet realized their maximum potential, have the capacity and commitment needed to develop solutions that will have a meaningful impact.

The Academia Luchante will use a hybrid (in person and virtual) model involving a calendar of activities that will include collective milestones and clusters dealing with shared impact industries or locations. Founders will take part in peer learning forums where they will exchange experiences and knowledge with other founders promoting an environment of mutual support and collaboration.

Learning opportunities will include hands-on workshops in key areas, such as impact modeling and measurement, strategy, storytelling, and financial modeling. Founders will receive group coaching to build their leadership capacity and help them manage their startups in a more sustainable way. The program will also provide a technological tool that will permit founders to apply their learnings from group sessions on their own.

All the individual founders will have a mentor assigned to them who will guide them through their learning process in the Academia Luchante. These mentors will be volunteers from the impact ecosystem who will provide the support the founders need to make progress and to overcome any obstacles they encounter.

Lucha, in coordination with IDB Lab, will organize strategic events designed to reinforce the social impact startup ecosystem in Peru. These events will be attended by institutional

representatives, investors, founders, and sector specialists and will promote interaction and knowledge-sharing among key actors in the impact ecosystem. These events will be aimed at giving visibility to the founders attending the Academy and consolidating strategic partnerships that will help expand the social and environmental impact in the region.

Upon graduation from the program, some of the founders will have the opportunity to join the accelerator (the Lucha portfolio) and secure direct investments from the Fondo Luchante that will give them the capital needed to scale their impact solutions and continue to carry their projects forward.

The main activities to be financed in this component are: (i) putting together the team that will design, develop, and run the Academy; (ii) developing the technology needed to implement a support platform for founders; (iii) conducting recruitment campaigns and assessing potential participants; (iv) engaging specialists and experts in the deployment of the Academy's activities; (v) managing the Lucha team and Lucha's strategic partnerships; and (vi) organizing, together with IDB Lab, events that will promote the development of the impact ecosystem.

The expected outcomes of this component include: (i) the implementation of six calls for proposals from impact startup founders; (ii) the implementation of six rounds of Academia Luchante, (iii) work with a total of 120 founders; (iv) the graduation of 75 founders with upgraded leadership, storytelling, and financial modeling skills; and (v) the incorporation of two graduate startups into the Lucha accelerator portfolio.

9. Expected outcomes, capture of benefits, and monitoring

The executing agency will be responsible for compiling data and reporting on the outcomes and achievements of the project as detailed in the Results Matrix and for ensuring that that information is stored in the technical files. The executing agency will forward annual activities report each year using the project status report (PSR) system and will submit the final PSR on project outcomes following its completion. There will also be quarterly monitoring meetings with IDB Lab to review progress and propose corrective or proactive action plans, as necessary.

The cumulative targets for the three years of the project are summarized in the Results Matrix and include: (i) 300,000 people obtain access to a product or service to which they previously had little or no access thanks to the work of a startup in the Lucha portfolio; (ii) the startups' work directly benefits 120,000 economically vulnerable people (i.e. people who report a monthly income of less than US\$420, adjusted for purchasing power parity and inflation, by region); (iii) 55% of the direct beneficiaries identify as women; (iv) the climate mitigation work of the startups in the portfolio reduces GHG emissions by 65,000 tons; (v) one company becomes a "registered project" under Verra standards for Voluntary Carbon Standard (VCS) and Climate Communities and Biodiversity (CCB) certification; (vi) 50% of the portfolio of green zebra and access tech startups have their climate mitigation activities certified by a third-party organization; (vii) 10 startups have succeeded in raising institutional capital by the end of the project; (viii) seven founders succeed in raising capital from third parties after graduating from the Academia Luchante; (ix) 50% of the founders have stayed with their startups for at least 12 months after graduating from the Academia; and (x) 50% of the founders report having a solid support network by the end of the program.