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REGIONAL

**GOVTECH CONNECT:
BOOSTING PUBLIC-PRIVATE COLLABORATION ECOSYSTEMS THROUGH
EMERGING TECHNOLOGIES AND OPEN-SOURCE SOLUTIONS**

(RG-T4796, RG-G1074)

DONORS MEMORANDUM

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PROJECT SUMMARY

REGIONAL

GovTECH CONNECT: BOOSTING PUBLIC-PRIVATE COLLABORATION ECOSYSTEMS THROUGH EMERGING TECHNOLOGIES AND OPEN-SOURCE SOLUTIONS (RG-T4796 – RG-G1074)

Local governments in Latin America face structural challenges in adopting technology solutions that improve public service efficiency and quality, especially in contexts where the demand for services from poor and vulnerable populations is high. Barriers include limited technical capacity, public procurement regulations poorly adapted to innovation, little system interoperability, and a limited institutional culture oriented toward the use of data and technology. Meanwhile, startups and scaleups are developing solutions with great potential to resolve these challenges but lack the support, knowledge of the public sector, and suitable business models to operate in business-to-government (B2G) environments. Furthermore, they face long sales cycles, high perceived risk on the part of governments, and a lack of financing mechanisms to execute pilot solutions that validate their technologies in real-world contexts. This disconnect between supply and demand limits the adoption of public innovation, slows the growth of the govtech ecosystem, and reduces opportunities to digitally transform public management in the region.

The project seeks to strengthen and connect govtech ecosystem actors in Latin America, to promote the adoption of govtech solutions in local governments with a focus on serving vulnerable populations and strengthening climate resilience. The project is structured around three main components: (i) strengthening the supply of govtech solutions; (ii) strengthening demand for govtech solutions; and (iii) promoting open-source digital solutions. GovTech Connect introduces an innovative combination of financing mechanisms (such as B2G revolving funds), the institutionalization of artificial intelligence tools as digital public goods, and replicable open innovation methodologies with local governments. The project will promote the use of open-source solutions and public digital infrastructures, as well as a multistakeholder governance model that includes entrepreneurial support organizations (ESOs), governments, and strategic partners to facilitate the model's scalability and sustainability.

This regional project will be financed with a US\$2,000,000 contribution from IDB Lab's own fund (Small Enterprise Development Facility) and the executing agency's counterpart contribution of US\$3,069,800. Its expected outcomes are: (i) 44 govtech solutions are implemented in local governments as a result of the acceleration programs; (ii) 4 ESOs maintain govtech training programs after one year of implementation; (iii) 108 local governments develop a govtech strategy; and (iv) 96 startups are accelerated in govtech methodologies.

ANNEXES

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Proposed resolution

INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF THE IDB LAB PROJECT INFORMATION SYSTEM

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ABBREVIATIONS

ANII	Agencia Nacional de Investigación e Innovación (National Research and Innovation Agency)
BNDES	Banco Nacional de Desenvolvimento Econômico e Social (National Economic and Social Development Bank)
CAF	Development Bank of Latin America
CAR	The Bank's Country Office in Argentina
CTI	Competitiveness, Technology, and Innovation Division
GEALC	Red Interamericana de Gobierno Digital (Inter-American Digital Government Network)
HUD	Housing and Urban Development Division
ICS	Innovation in Citizen Services Division
IGR	Investment grant
LAC	Latin America and the Caribbean
MIF	Multilateral Investment Fund
NRTC	Nonreimbursable technical cooperation
OECD	Organisation for Economic Co-operation and Development
OII	Office of Institutional Integrity
RELA	Red Latinoamericana de Agencias de Innovación (Latin American Network of Innovation Agencies)
RIL	Red de Innovación Local (Local Innovation Network)
SEP	Social Entrepreneurship Program

PROJECT INFORMATION

REGIONAL

GOVTECH CONNECT: BOOSTING PUBLIC-PRIVATE COLLABORATION ECOSYSTEMS THROUGH EMERGING TECHNOLOGIES AND OPEN-SOURCE SOLUTIONS (RG-T4796 – RG-G1074)

Country and geographic location:	Argentina, Brazil, Chile, and Uruguay
Executing agency:	Local Innovation Network Argentina, Civil Association, and Local Innovation Network Uruguay, Civil Association (“RIL” or “executing agency”)
Focus area:	Education, Essential Infrastructure Services, Health
Coordination with other donors/Bank operations:	<p>The project will be implemented in close coordination with existing IDB Group initiatives. Specifically, IDB Lab support will be supplemented by fAIr LAC in the area of responsible AI governance, ensuring that the pilot solutions and digital tools incorporate algorithmic justice practices and citizen participation. Linkages will also be promoted with the Inter-American Digital Government Network (GEALC), the PRODIGITAL operation, and the Latin American Network of Innovation Agencies (RELA), to support the project’s scale and sustainability. Moreover, collaboration with Code for Development will enable startups and governments to access certified open-source solutions as digital public goods, expanding opportunities for responsible technology adoption.</p> <p>The project has been designed in coordination with the loan and technical assistance operations teams of the Innovation in Citizen Services Division (ICS), Competitiveness, Technology, and Innovation Division (CTI), and Housing and Urban Development Division (HUD) in the four target countries, to ensure the most effective use of the resources that each one contributes to the development of the local ecosystem and the digital transformation of the public sector. Specifically, in Uruguay, the Innovation Promotion Program in Uruguay (UR-L1208, now in preparation) includes activities associated with open public innovation and the public procurement of innovation; the Business Innovation and Entrepreneurship Program III (UR-L1187, now in execution) finances open innovation challenges with the public sector; and the Digital Transformation Program for MSMEs (UR-L1174, now in execution) strengthens the supply of digital solutions. In Brazil, the project is directly aligned with the technical-cooperation operation Open Innovation Solutions for Subnational Development Challenges (BR-T1626), which provides technical support to subnational governments in structuring and implementing innovative solutions through public procurement for innovation instruments established within Brazil’s legal frameworks. It is also directly aligned with the Federal Program for Digital Government and Infrastructure (PRODIGITAL) (BR-L1627), which provides a credit line to Brazil’s</p>

	National Economic and Social Development Bank (BNDES) to finance digital transformation projects in subnational governments.		
Project beneficiaries:	Project beneficiaries can be categorized as: (i) citizenry , access to better quality and more inclusive and efficient public services; (ii) startups , greater access to the public market, specialized financing, and growth opportunities through acceleration programs and networks; (iii) local governments , increased efficiency, transparency, and innovation in public service delivery; (iv) investors and regional ecosystem actors , expansion of an emerging market with high potential for impact and returns; and (v) academia and civil society organizations , building evidence for decision-making and community participation.		
Financing:	Nonreimbursable technical cooperation (NRTC) <i>RG-T4796</i> :	US\$1,365,000	26.92%
	Investment grant (IGR) <i>RG-G1074</i> :	US\$635,000	12.53%
	Total IDB Lab financing:	US\$2,000,000	39.45%
	Counterpart contribution:	US\$3,069,800	60.55%
	Total project budget:	US\$5,069,800	100.00%
Execution and disbursement periods:	36 months for execution and 36 months for disbursement.		
Environmental and social impact review:	This operation was screened and classified on 22 August 2025 in accordance with the IDB Environmental and Social Policy Framework (GN-2965-21). Since the impacts and risks are limited, the proposed classification of the project is category "C."		
Unit with disbursement responsibility:	The Bank's Country Office in Argentina (CAR)		

I. PROBLEM

A. Description of the problem

- 1.1 Local governments in Latin America face critical limitations in modernizing their management and responding to **growing citizen demand for more efficient, inclusive, and high-quality public services**. Although 73% of countries in the region have a digital agenda,¹ and 84% have online public service platforms,² only 30% of their functions can be performed entirely online. This low level of digitalization of public administrations leads to slow and inefficient public services (completing an online transaction in the region takes an average of 5.4 hours, and 25% of transactions require more than three in-person visits).³ It also limits the capacity of governments to incorporate more innovative technical solutions. These challenges are heightened at the local level, where institutional capacities are even more limited. In the case of Brazil, for example, a recent evaluation by the federal government, Brazil's National Economic and Social Development Bank (BNDES), and the IDB found that 57.2% of municípios with over 100,000 inhabitants have a beginner or intermediate level of maturity in e-government.⁴ Furthermore, only 14.6% have a formal e-government plan or strategy, and only 68% have a team devoted to these areas.⁵ This lack of strategic planning and resources also means that subnational e-services are less visible, and fewer citizens are aware of them (56% in municípios, 66% in states, 70% federal), which limits their impact in terms of efficiency and citizen satisfaction.⁶ These public service limitations are attributed to several factors:

- (i) **Rigid public procurement processes.** Requirements like prior contractual experience and financial solvency, as well as complex administrative procedures, exclude startups and scaleups⁷ and prevent experimentation with new solutions. Moreover, the absence of clear and specific regulations governing the public procurement of innovation hinders the development of legal frameworks and procedures that would enable administrations to take on higher levels of risk, ease contracting requirements, and use public demand as a strategic tool to

¹ Revinova, S., and Chavarry Galvez, D. P. (2020), e-Government and government support for the digital economy in Latin America and the Caribbean. Modern management trends and the digital economy: From regional development to global economic growth (MTDE 2020). See https://www.researchgate.net/publication/341350417_E-Government.

² Economic Commission for Latin America and the Caribbean (ECLAC), (2024), Government digitalization: Progress and challenges towards digital inclusion. See <https://desarrollodigital.cepal.org/en/data-and-facts/government-digitalization-progress-and-challenges-towards-digital-inclusion>.

³ IDB (2018), Wait No More, p. 21, 26, 29. See <https://publications.iadb.org/es/El-fin-del-tr%C3%A1mite-eterno-Ciudadanos-burocracia-y-gobierno-digital.pdf>.

⁴ Data from 29 February 2024. Source: IDB (2024). Analysis of diagnostic assessments on the [GOV.BR network platform](#). The methodology establishes four levels of maturity: beginning, intermediate, improved, or advanced. For more details, see POD BR-L1627, [optional link 3](#).

⁵ For more details, see POD BR-L1627, [optional link 3](#).

⁶ [IDB \(2021\)](#).

⁷ The Organisation for Economic Co-operation and Development (OECD) defines a scaleup as a startup that has grown 20% or more in revenue or number of employees over the three preceding fiscal years or has reached more than one million dollars in financing.

drive innovation in the public sector. This rigidity limits government's ability to test new solutions and boost the entrepreneurial ecosystem.^{8 9}

- (ii) **Deficit of advanced digital capabilities in the public sector.** Specialized digital talent is limited in key areas of public management like artificial intelligence (AI), data analytics, cybersecurity, and digital platform management, which restricts advanced data analysis and the adoption of emerging technologies.¹⁰
- (iii) **Lack of accessible knowledge and evidence.** Decision-makers do not have access to consolidated information on available solutions, case studies, business models, and compared experiences. Technological exploration and adoption cycles are long and costly and hindered by the absence of collective intelligence mechanisms (e.g., govtech AI agent).
- (iv) **Inequitable adoption of technologies.** Municipios with more resources make faster progress, while those with fewer capabilities fall behind, widening the subnational digital divide. The absence of networks of cities for sharing common experiences and needs makes it difficult to achieve economies of scale and develop enabling regional policies.

1.2 These technology gaps result in social and economic costs, while limiting the ability of governments to generate and use data in urban planning, automate administrative processes, and respond efficiently to climate crises or health emergencies. Low digitalization thus remains a key obstacle to efficient, transparent, and evidence-based public management.

1.3 **Although startups could be partners in resolving these challenges, their collaboration with the public sector is also constrained by significant barriers.** These include:

- (i) **Lack of specialized support.** Despite a dynamic entrepreneurial ecosystem, there are no acceleration programs specialized in business-to-government (B2G) business models, which differ in dynamics from business-to-consumer (B2C) or business-to-business (B2B) models. Entrepreneurial support organizations (ESOs)¹¹ possess

⁸ World Bank. (2021). Improving public procurement outcomes: Review of tools and the state of the evidence base. World Bank Group. See <https://documents1.worldbank.org/curated/en/656521623167062285/pdf/Improving-Public-Procurement-Outcomes-Review-of-Tools-and-the-State-of-the-Evidence-Base.pdf>.

⁹ Evidence from the OECD and empirical studies in comparable economies shows that innovation-oriented public procurement increases research and development investment by the supplier companies. In some cases, its impact surpasses that of direct subsidies, especially in frameworks such as precommercial procurement, where research and development spending occurs within the purchase process itself (Edquist and Zabala-Iturriagoitia, 2015) (Aschhoff and Sofka, 2009; Bianchi et al., 2021).

¹⁰ OECD and IDB. (2023). Digital Government Index of Latin America and the Caribbean. OECD Publishing. https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/11/2023-oecd-idb-digital-government-index-of-latin-america-and-the-caribbean_5a9af6c4/10b82c83-en.pdf.

¹¹ ESOs are entities that provide various forms of assistance to entrepreneurs and early-stage firms, including mentorship, education, office space, administrative services, and funding to promote firm creation and growth. They include accelerators, incubators, hubs, universities, chambers of commerce, and impact funds.

limited knowledge of business models focused on the public sector (B2G and/or B2B2G). These models are characterized by high client acquisition costs, long payment terms, and challenges in accessing venture financing, which are disincentives to the creation of govtech solutions. The mapping of the Ibero-American govtech ecosystem reflects these circumstances¹² and shows that most traditional accelerators lack the capabilities and focus required to support public sector-oriented startups.

- (ii) **Financing gaps.** Despite growing interest in the govtech ecosystem in Latin America,¹³ private investors perceive a high level of risk in financing startups that work with the public sector. In their initial years, B2G models do not have the profitability variables sought by investors. Although the long-term risk-return relationship should be attractive, their lack of knowledge and perception of high risk deter investment. While longer-term funds with specific govtech theses have emerged, signals are still not strong enough to attract the volume of investment required to drive the development or a transition to B2G models. Nor are there innovative financial instruments to reduce perceived risk and incentivize the participation of private capital in the govtech ecosystem.

1.4 These limitations are compounded by:

- (i) **Technological fragmentation.** The combination of closed systems, noninteroperable platforms, and misaligned digital architectures prevents emerging technologies from being effectively integrated into the existing government infrastructure. This lack of open standards and interoperability produces information silos, duplicated efforts, and little operational efficiency.
- (ii) **Limited adoption of open technologies and reusable components in public administration.** The limited use of open-source software, open standards, and digital public infrastructure in the public sector generates reliance on proprietary solutions. This results in higher costs, lower interoperability, and, consequently, the reduced scalability of digital solutions. It also leads to duplicated efforts because each local government tends to develop isolated systems that cannot be integrated or reused.

1.5 Improved **collaboration with emerging companies** and the **exploration of public-private partnerships** have been identified as priorities to increase the adoption of emerging technologies and cultivate agility and innovation in

¹² This statement is backed by the mapping done by the Ibero-American GovTech Multisector Network, led by IDB Lab alongside 17 institutions from 9 countries. The mapping identified a low presence of accelerators with specific capabilities to support public sector-oriented startups. This collaborative effort generated a regional database of actors linked to technology, entrepreneurship, innovation, and the public sector and highlighted the need for specialized capacity-building to activate local, national, and regional govtech ecosystems.

¹³ As defined by the Development Bank of Latin America (CAF) (2020), govtech ecosystems are innovation ecosystems that arise from the synergy among startups, scaleups, digital small and medium-sized enterprises, and public administrations in response to the need to accelerate the innovation and digital transformation of public administrations.

- government.¹⁴ In this context, govtech ecosystems and **open source** are a key solution for overcoming these barriers.
- 1.6 In particular, govtech ecosystems promote collaboration between governments and technology firms, which helps to leverage the full potential of their solutions and scale up their impact. Open-source software enables governments to access innovative technologies autonomously, thereby reducing costs, increasing interoperability, and lowering the risk of vendor lock-in. However, its adoption is hampered by challenges like the lack of technical support, prolonged learning curves, and the absence of long-term sustainability plans.¹⁵
 - 1.7 Although initiatives have emerged to foster collaboration between governments and technology firms, the **ecosystem's fragmentation and lack of effective networking spaces** remain critical limitations.
 - 1.8 Latin America has a **unique opportunity to accelerate the adoption of emerging technologies in the public sector** and become a global hub for govtech innovation. According to recent estimates, the region's GDP could grow up to 5.4% by 2030, equivalent to an additional half trillion dollars, driven by the accelerated development and adoption of AI.¹⁶ However, currently only 3% of AI companies worldwide are from Latin America, signaling a significant gap and the need to invest in this ecosystem. This growth potential depends largely on the countries' ability to adopt emerging technologies such as AI and blockchain and promote open-source solutions, not just as efficiency tools but as engines of structural transformation. GovTech ecosystems offer a completely new advantage for public administrations, enabling improved productivity, service quality, and data-driven decision-making. If a suitable environment can be created that coordinates strategic investments, enabling regulatory frameworks, and public-private collaboration, the region has the potential to emerge as a global hub for digital service providers.
 - 1.9 This growth potential is reflected in specific experiences across the region. Argentina, Brazil, Chile, and Uruguay are positioning themselves as regional leaders in adopting emerging technologies for the public sector by investing in scalable digital infrastructure, co-designing solutions with users, and testing innovative tools.¹⁷ In Brazil, the example of [Letrus](#), an edtech company that uses AI to improve students' reading and writing, illustrates how technology can be scaled up with social impact. Within a few years after its first contract with the state of Espírito Santo, it went from serving 80 schools to impacting more than 1,500

¹⁴ OECD/CAF (2023), Digital government review of Latin America and the Caribbean: Building inclusive and responsive public services, OECD Digital Government Studies, OECD Publishing, Paris. See <https://doi.org/10.1787/29f32e64-en>.

¹⁵ OpenForum Europe. Study on the impact of open-source software and hardware on technological independence, competitiveness, and innovation in the European Union economy. See <http://openforum.europa.eu/publications/study-about-the-impact-of-open-source-software-and-hardware-on-technological-independence-competitiveness-and-innovation-in-the-eu-economy/>.

¹⁶ PricewaterhouseCoopers (2020), Sizing the prize. What's the real value of AI for your business and how can you capitalise? See <https://www.pwc.com/gx/en/issues/analytics/assets/pwc-ai-analysis-sizing-the-prize-report.pdf>.

¹⁷ OECD/CAF (2024), Digital government review of Latin America and the Caribbean: Building inclusive and responsive public services, OECD Publishing, Paris. See https://www.oecd.org/en/publications/digital-government-review-of-latin-america-and-the-caribbean_29f32e64-en.html.

(with 82% of beneficiaries in public schools). The company quintupled its scope and, in five months, enabled the state to move into first place in the national high school exam's writing component.^{18 19} Letrus recently closed a US\$7.3 million funding round led by Crescera Capital, Owl Ventures, IDB Lab, and others with a view to reaching one million students in the next two years.²⁰ In Chile, initiatives like **ClaveÚnica** enable centralized access to more than 1,400 digital public services, and the government has developed a citizen feedback mechanism with personalized reports on tax usage.²¹ Uruguay has digitalized over 80% of government transactions through the interoperable platform GUB.UY.¹⁷ Additionally, the National Research and Innovation Agency (ANII) has implemented tools like the Public Innovation Kit, a co-creation instrument targeting public institutions that facilitates the use of creative thinking to reframe problems and generate internal knowledge. Through its public challenges program, ANII launches calls for innovative technology solutions to address specific government problems.²² In Argentina, organizations like the Local Innovation Network (**RIL**) have organized networks of municipios and startups to solve public sector challenges through open innovation. The experience of the Coalition of Cities for AI,²³ a group of ten Argentine cities that have come together to promote the use of AI in public management and public-private sector coordination, shows there is a critical mass of cities willing to lead this process.

- 1.10 The govtech ecosystem represents a rapidly expanding market opportunity. The global market value of govtech was **US\$606 billion in 2024** and is projected to reach **US\$1.42 trillion by 2034** with annual growth of 8%. This not only reflects economic volume, but also the public value these solutions generate by improving the efficiency of expenditure and public service delivery: its contribution is estimated to reach up to **US\$9.8 trillion in public value by 2034**.²⁴ For Latin America, where significant gaps persist in digitalization and institutional capacity, this global momentum translates into a unique opportunity to coordinate startups, governments, investors, and ecosystem actors to boost an emerging market with high potential for scale and sustainability.
- 1.11 Yet seizing this opportunity requires closing substantial gaps. According to the 2023 OECD Digital Government Index, the average score in Latin America is only 0.315, compared to 0.605 for OECD countries. This reflects considerable structural differences in e-government, technical capacity, and digital platforms that limit the maturity of the region's govtech ecosystems, which continue to face barriers to

¹⁸ IDB (2022), Letrus: Using technology and AI to improve literacy. See <https://www.iadb.org/en/project/BR-Q0028>.

¹⁹ Seu Crédito Digital (2024). Professor cria inteligência artificial que ajuda estudantes no Enem. See <https://seucreditodigital.com.br/professor-cria-inteligencia-artificial-que-ajuda-estudantes-no-enem/>.

²⁰ El Ecosistema Startup (2023). Crescera Capital lidera ronda por US\$7,3 millones de brasileña Letrus. See <https://ecosistemastartup.com/crescera-capital-lidera-ronda-por-us73-millones-de-brasileña-letrus/>.

²¹ OECD (2024), Global trends in government innovation 2024: Fostering human-centred public services, OECD Public Governance Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/c1bc19c3-en>.

²² ANII. See <https://innovacionpublica.anii.org.uy/>.

²³ Coalition of Cities for Artificial Intelligence. See <https://ciiar.org/>.

²⁴ World Economic Forum (2025), The global public impact of govtech: A \$9.8 trillion opportunity. See https://reports.weforum.org/docs/WEF_The_Global_Public_Impact_of_GovTech_2025.pdf.

scalability, coordination, and sustainability.²⁵ However, examples like Letrus in Brazil demonstrate how a govtech solution can be scaled up from a pilot project to a public policy benefitting millions of people, helping to reduce social gaps and maximize the impact of public expenditure.

II. THE INNOVATION PROPOSAL

A. Description of the project

- 2.1 To address these challenges, the proposed objective of **GovTech Connect** is to strengthen and connect govtech ecosystem actors in Latin America, to promote the adoption of govtech solutions in local governments.
- 2.2 To achieve this, the project will foster public-private partnerships through collaboration between startups, scaleups, local governments, open-source communities, investors, academia, and other ecosystem actors to drive the adoption of digital solutions and the use of open-source solutions and digital public infrastructure. It will also promote capacity-building in governments through training in innovative public procurement, the implementation of pilot solutions, and multisector consensus-building to scale up enabling policies. In addition, the project will strengthen networks of city leaders, so they can reach consensus on shared needs and share good practices and regulatory requirements.
- 2.3 **Innovation.** The project introduces multiple innovative elements that position it as a strategic intervention for scaling up the govtech ecosystem in Latin America:²⁶
 - (i) **Creation of acceleration programs specialized in B2G business models**, led by ESOs that will be strengthened with specific methodologies and tools to support govtech solutions. The acceleration programs will address a critical gap in the entrepreneurial ecosystem by facilitating the identification, validation, and scaling up of technology solutions with high public value. This makes the programs' approach innovative compared to traditional acceleration models, and lays the foundation for an entrepreneurial ecosystem oriented more toward public-private collaboration.

²⁵ OECD-IDB (2024), 2023 OECD/IDB Digital Government Index of Latin America and the Caribbean: Results and key findings. See https://www.oecd.org/2023-oecd-idb-digital-government-index-of-latin-america-and-the-caribbean_5a9af6c4/10b82c83-en.pdf.

²⁶ The proposed innovation is based on lessons learned from previous IDB Group initiatives and findings from the GovTech Index 2024, prepared by CAF in partnership with Oxford Insights, which analyzes 15 Ibero-American countries across three pillars: innovation, governance, and collaboration. The report identifies the lack of specialized programs in B2G models as a critical gap for scaling up govtech startups. It highlights the need for financial mechanisms that mitigate risks and promote private investment and emphasizes the importance of promoting open standards, digital governance, and interoperability, as well as public-private collaboration platforms focused on information and evidence. See <https://scioteca.caf.com/handle/123456789/2302>. Furthermore, the Digital Government Review of Latin America and the Caribbean (OECD/CAF, 2023) emphasizes the need for reliable digital infrastructure, open standards, and institutional capacity to promote data-driven public services, which supports this project's digital public infrastructure and technological co-creation strategy. See https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/09/digital-government-review-of-latin-america-and-the-caribbean_75a4be05/29f32e64-en.pdf.

- (ii) **Creation of first-loss financing funds for pilots** in each participating country, to support the mobilization of venture capital for govtech startups. This architecture seeks to reduce perceived risk by investors and other donors through a layer of financial protection provided by IDB Lab, facilitating the creation of replicable co-investment mechanisms to support the development of a more dynamic and sustainable govtech market.
- (iii) **Promotion of open-source software**, open standards, and tools that are **interoperable with digital public infrastructure**. These solutions will enable local governments and startups to build services that are more accessible, secure, scalable, and adaptable to different institutional contexts, yielding gains in efficiency, scale, and impact. Additionally, although the project will test this in ecosystems currently regarded as the most dynamic in the region, it offers important elements for accelerating the digitalization of the public sector in emerging ecosystems where the govtech strategy could be supported by software factories and startups without their own product. The project will thus test a pilot initiative for addressing the implementation gap using a market-driven sustainable model based on innovation ecosystems.
- (iv) Development of an **AI agent for local governments and B2G startups**, trained on curated databases from the govtech ecosystem. This tool, hosted on a publicly accessible platform, will enable decision-makers and entrepreneurs to quickly access evidence, resources, case studies, public needs, and available solutions, accelerating commercial and technology adoption cycles in cities of the region.

2.4 With a three-year implementation horizon in four Latin American countries (Argentina, Brazil, Chile, and Uruguay), the program targets the ecosystems that, according to the GovTech in Ibero-America: 2024 Index Report (CAF and Oxford Insights), have the most favorable conditions for scaling up govtech solutions in the region. Brazil and Chile are leaders in digital service integration and enabling regulatory frameworks; Uruguay is establishing itself as a benchmark in digital government and the adoption of digital public infrastructures; and Argentina combines a robust entrepreneurial ecosystem with a public sector that is open to innovation. These factors position the four countries as strategic laboratories for the program's implementation with the potential to yield lessons learned and models that can be replicated in other Latin American contexts.²⁷ Given each ecosystem's maturity, govtech background, and local partners, the program envisages a differentiated approach in each country. Operational plans will be strengthened by a strategic committee of key local figures in public innovation of each country (see "Implementation structure" in Section V).

²⁷ Zapata, E.; Fuentes, P.; Grau, G.; and Ida, K. (2024). Índice GovTech 2024. See <https://scioteca.caf.com/handle/123456789/2302>.

- 2.5 **Component I: Strengthening the supply of govtech solutions**
- 2.6 This component's objective is to spur the development of technology solutions with public value by building the capacity of ESOs to identify, accelerate, and support startups that develop technology solutions targeting the public sector.
- 2.7 The project will promote the creation or strengthening of **govtech acceleration** programs led by local agents²⁸ in each participating country. These organizations will receive technical assistance to design, launch, and operate acceleration programs specialized in B2G business models. The approach includes an initial phase with direct support and a second phase with more operational autonomy, while maintaining a strategic advisory relationship with the project team.²⁹
- 2.8 GovTech acceleration programs are essential for closing the gap between the dynamic digital ecosystem and the specific features of the public sector. Their main purpose is to equip startups, scaleups, and digital small and medium-sized enterprises with the necessary skills to adapt their business models to the logic of the **B2G market**, which operates under very different rules than traditional B2B or B2C markets and, **alternatively, the B2B2G market**. This involves knowledge of existing regulations (including innovative public procurement) and capacity-building to navigate complex **bidding processes** and overcome barriers to entry, such as the lack of resources to deal with bureaucracy.
- 2.9 Furthermore, these programs create key **networking and experimentation spaces**, where companies can co-create solutions or refine their use cases with governments. This early collaboration is essential for informing future competitive bidding processes, preventing the specifications from being drafted in a restrictive manner, and enabling public administrations to understand and adopt genuinely innovative solutions that would not otherwise be possible due to lack of knowledge or awareness.
- 2.10 Each accelerator will select and support startups or scaleups with a high technology readiness level, market validation, and potential for public sector impact. The selected startups³⁰ will have access to technical and strategic training in public procurement, digital transformation of the State, B2G strategy, investment attraction, open-source software, digital public infrastructure, and a specific module focused on training and transfer of gender mainstreaming tools.³¹ They will also participate in forums for the exchange of ideas with public officials, large technology providers, and other startups in the govtech ecosystem.
- 2.11 The project also envisages the creation of **funds for financing pilots** in each participating country. This will enable startups to implement and refine use cases

²⁸ ESOs as accelerators, innovation agencies and hubs, public entrepreneurship centers, etc.

²⁹ Selection criteria for local agents will include prior experience in startup acceleration, fund management capacity, networks with public and private sector actors, commitment to the model's sustainability, commitment to the allocation of human and logistics resources for the program's operation, and others.

³⁰ The project will ensure that at least 30% of the financed pilots focus on generating direct benefits for poor and vulnerable populations and promoting gender equality and climate action. See eligibility criteria in Annex IV, section C.

³¹ Including tools for: (i) designing technology solutions that are inclusive free from gender bias; (ii) mainstreaming gender in business models, impact metrics, and public procurement processes; and (iii) promoting women's participation in technical and leadership roles in startups.

- and validate their solutions and business models in real public sector environments. The funds will be governed by a **conditional repayment model**: if the pilot solution is successful and leads to a contract, the beneficiary startup will have to repay the financing it received, which will facilitate capital rotation and the fund's sustainability. IDB Lab will provide a first-loss tranche in the form of seed capital, to absorb losses from unsuccessful pilots. This will help to attract additional resources from public or private investors interested in expanding the funds' impact and lowering commercial barriers between startups and the public sector.³²
- 2.12 Each cycle will include preselection events and mentoring sessions with key public and private sector actors, and a closing **Demo Day** to showcase results and generate opportunities for scaling and visibility. Regional exchanges between the participating ESOs will also be promoted, to foster the creation of a **govtech accelerator network** with shared capabilities, common methodologies, and regional standards.
 - 2.13 In addition, the component will promote the creation of a **Latin American govtech startup community**, to encourage the exchange of knowledge, good practices, technical knowledge, and connections with potential investors.
 - 2.14 To execute this component, the executing agency will contract GOBE VENTURES S.L. ("Gobe"), a consulting firm specializing in the design and implementation of acceleration programs focused on the B2G model. Gobe will work with the project team, RIL, and the selected ESOs in each country.
 - 2.15 **Annex IV** outlines the detailed process for the identification, selection, and implementation of the govtech acceleration programs by local agents, as well as the operation of the B2G funds.
 - 2.16 Component I has the following expected outputs: (i) gender module and gender toolkit developed; (ii) 4 ESOs strengthened with govtech and digital public infrastructure/open-source software capabilities; (iii) 12 B2G acceleration programs (or calls for proposals) launched; (iv) 4 B2G revolving funds created; (v) at least 30% of the selected pilot solutions focused on improving climate resilience; and (vi) at least 30% of selected pilot solutions focused on improving public service quality or access for the poor and vulnerable.
 - 2.17 **Component II: Strengthening demand for govtech solutions**
 - 2.18 This component's objective is to strengthen demand for govtech solutions, promoting digital transformation and the strategic adoption of emerging technologies (including AI) by local governments in the four target countries. It will build institutional, cultural, and regulatory capacity, to facilitate the testing, implementation, and replication of solutions developed by startups with B2G models.

³² A specialized attorney will be engaged to design a contract model that includes the specific conditions of the different reimbursable financing instruments, including clauses on repayment, risk protection, upside incentives, and any other necessary provisions to ensure the fund's transparency, legality, and sustainability.

- 2.19 The project will promote the creation of **local government coalitions** in each participating country,³³ to be coordinated by the executing agency's country teams. Each coalition will consist of local governments that demonstrate commitment to strengthening their digital capacities and an openness to new forms of public-private collaboration.
- 2.20 The coalitions will be supported in the design and implementation of an **annual govtech strategy** focused on the identification of priority challenges, the adoption of innovative solutions developed by startups, and the creation of enabling conditions for their scaling and sustainability.
- 2.21 Each coalition will have three thematic working committees: (i) experimentation; (ii) training; and (iii) regulation. These committees will be made up of technical teams from the coalition member local governments, coordinated by the executing agency's team in each country.
- The **experimentation committee** will be responsible for coordinating the govtech strategy based on five steps: (a) identification of priority public challenges; (b) participation in demo days with ESOs, where startups present solutions to public sector decision-makers; (c) co-design of annual implementation plans for B2G solutions; (d) implementation of pilots; and (e) systematic documentation and dissemination of lessons learned at the ecosystem's open events.
 - The **training committee** will work to lower the cultural and institutional barriers to innovation in the public sector through awareness-raising and training programs for public officials on topics that address change management, innovation procurement, digital transformation, and govtech. It will also support the development of specific capabilities for developing terms of reference for the procurement of govtech solutions.
 - The **regulation committee** will promote regulatory frameworks to facilitate the public procurement of innovation and the adoption of guidelines and terms of reference models that are adapted to govtech. These will serve as a reference for local administrations and for the ethical, responsible, and strategic use of emerging technologies, including AI.
- 2.22 The project will provide technical support for the structuring, operational functioning, and sustainability of the coalitions, as described in **Annex V**. These coalitions are expected to become permanent forums for collaboration, learning, and intergovernmental coordination on public innovation.
- 2.23 The **GovTech Connect Summit**, a high-level regional event organized by RIL with the support of the local government coalitions, will be organized annually. This summit will showcase the project results, document and disseminate lessons learned from the implemented pilot solutions, and connect startups, governments, investors, and technical partners. It will also serve as a strategic forum for coordinating and positioning the govtech ecosystem in the region, driving new

³³ Selection criteria defined for the local governments will include technology adoption capabilities, previous experience in adopting GOVTECH solutions, commitment to the model's sustainability, and commitment to allocating resources for the program's operation.

public-private partnerships, strengthening the sustainability of solutions, and promoting the scalability of the collaboration models generated by the coalitions.

- 2.24 Additionally, the component will support the development and application of an **AI agent for local decision-makers**, which is currently being designed under the [Google.org Accelerator: Generative AI](#) program. This tool, which will be hosted on the [RIL PORTAL](#), will allow public officials to access verified knowledge, case studies, policy design tools, training resources, and structured data on public challenges. This AI agent will be “**responsible by design**,” to ensure governance and transparency (explainability and clear notice of limitations), data usage, privacy, equity and nondiscrimination, security, and other considerations.
- 2.25 The agent will be trained on information pertaining to the regional govtech ecosystem and updated periodically with structured information on public challenges, based on public information from different sources such as public procurement portals. This will facilitate the rapid identification of available technology solutions and providers (govtech startups), improve the formulation of public challenges, and accelerate informed decision-making on innovation adoption cycles. This tool is expected to become a key enabler for scaling up the impact of the govtech ecosystem in the region. The agent will thus ultimately function as a networking platform to reduce the existing information asymmetries between governments and startups.
- 2.26 Component II has the following expected outputs: (i) 12 local government coalitions established; (ii) 1,200 public servants have received training; (iii) 48 public challenges launched; (iv) 4 public policy tools designed and disseminated; and (v) AI agent developed and piloted, including a dimension on public procurement and open innovation processes.
- 2.27 **Component III: Promoting open-source digital solutions**
- 2.28 This component’s objective is to strengthen the development, adoption, and scalability of **open-source** digital solutions, which are key for strengthening the govtech ecosystem in Latin America and accelerating the digital transformation of public administrations. Open-source solutions and digital public infrastructure offer strategic advantages for accessibility, transparency, technological autonomy, efficiency, and interoperability. These considerations are especially relevant for local governments with limited technical capabilities and resources.
- 2.29 The project will provide **specialized technical advisory support** to actors on the supply side (govtech ESOs, startups, and scaleups interested in opening their source code or able to optimize their solutions through digital public infrastructure) and the demand side (local governments with digitalization strategies). Advisory support will include content on good practices for implementing open-source solutions, sustainable business models, public procurement and financing mechanisms, and connections with the regional and international open-source solutions ecosystem.
- 2.30 The component will include a **strategic curation of open-source solutions** aligned with the priority challenges identified in Component II’s open innovation processes. This curation will strive to showcase relevant open-source solution tools and facilitate local governments and startups’ access to them, including dissemination of the IDB Group’s Code for Development (C4D) repository and its coordination with the govtech ecosystem and developer communities, fostering

their improvement and adaptation to local contexts with a view to addressing implementation gaps.

- 2.31 The identification of open-source solutions relevant to the local public sector will also be prioritized with the option of receiving **financial support to implement pilots** in participating governments. These pilots will help to: (i) validate the functionality of open-source solution tools in real public sector environments; (ii) generate evidence on their impact and scalability; and (iii) subsequently integrate them into public competitive bidding processes and subnational digital transformation strategies.
- 2.32 All knowledge generated will be systematically documented in a **knowledge product** geared toward governments and other govtech ecosystem actors. This knowledge product will document success stories, barriers overcome, key lessons learned, and recommendations on the potential of open-source solutions and digital public infrastructure as catalysts for technological innovation in the public sector through market solutions.
- 2.33 This component's detailed process is outlined in [Annex VI](#).
- 2.34 Component III has the following expected outputs: (i) 10 sessions/workshops on open-source solutions conducted with startups and governments; (ii) 44 strategic curations of open-source solutions; (iii) knowledge product on the potential of digital public infrastructure and open-source solutions for govtech market solutions; and (iv) at least 10% of selected govtech pilot solutions are open-source solutions.

B. Project results, measurement, monitoring, and evaluation

- 2.35 The executing agency will be responsible for collecting data and reporting on results and achievements according to the project's Results Matrix. It will also develop a monitoring plan at the start of the project, to ensure the indicators are monitored and measured. The executing agency will also report annually to the Bank on the progress and results achieved through a project status report, and will deliver a final progress status report on the project's results after its conclusion.
- 2.36 The main project outcomes are: (i) 44 govtech solutions implemented in local governments as a result of the acceleration programs; (ii) 4 ESOs that maintain govtech training programs after one year of implementation; (iii) 108 local governments that develop a govtech strategy; and (iv) 96 startups accelerated in govtech methodologies.
- 2.37 **Measurement, monitoring, and evaluation.** IDB Lab will regularly monitor project execution and conduct supervision based on the execution period and objectives set. It will also hold regular supervision meetings with the executing agency. In accordance with the risk- and results-based management approach, IDB Lab will verify the fulfillment of milestones (key project activities) agreed upon with the executing agency that trigger disbursements on a certain date in the work plan. The executing agency will conduct evaluation activities, including regular visits to the project target areas and onsite assessments of the progress of activities and targets through interviews with the project's direct stakeholders, local governments, startups, universities, and others.

III. ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND RISKS

A. Alignment with the IDB Group

- 3.1 This project is consistent with the **IDB Group Institutional Strategy (AB-3421)**, and aligned its objectives to: (i) reduce poverty and inequality; (ii) address climate change; and (iii) bolster sustainable regional growth, by promoting investment in sustainable, resilient, and inclusive infrastructure, which includes empowering the private sector and its initiatives. The operation also promotes the following operational focus areas: (i) productive development and innovation through the private sector, by fostering a dynamic and sustainable govtech ecosystem in Latin America and the Caribbean; (ii) social inclusion, by digitalizing public services to make them more accessible, inclusive, and efficient; (iii) strengthening of institutional resilience and resilience of the State, by supporting the digital transformation of local governments; (iv) regional integration, by creating a network for governments to collaborate; and (v) gender equality and the inclusion of diverse population groups, by promoting the active participation of women and underrepresented groups in the govtech ecosystem.
- 3.2 The project is aligned with the impact challenges (ICs) of the **IDB Lab Business Plan 2025-2027**: IC1 – Improve healthcare access and quality; IC2 – Bridge the skills gap and expand job opportunities; IC9 – Bridge the financing gap; as well as the crosscutting areas of climate change and gender, by focusing on the implementation of pilot technology solutions in local governments in priority areas like health, education, and climate resilience, as well as facilitating connections with financing and market access for these new providers.
- 3.3 The project is also aligned with the IDB Group **country strategy** with each country where the project is to be implemented. The IDB Group country strategy with **Argentina** 2025-2028 (GN-3288) includes the strategic objective “promote productive modernization in key strategic sectors” and the expected result “access to financing for business productivity, innovation, and entrepreneurship increased.” Likewise, the IDB Group country strategy with **Brazil** 2024-2027 (GN-3243) includes the priority area “accelerating growth through strong institutions and enhanced productivity,” the strategic objective “strengthen public sector sustainability and government efficiency,” and the expected result “expand the digital transformation of the public sector.” The IDB Group country strategy with **Chile** 2022-2026 (GN-3140) establishes the priority area “promote social cohesion and inclusion” with the strategic objectives “improvement of the efficiency and quality of Chilean institutions” and “improved access to and quality of public services,” and the expected results “strengthen knowledge and data management for decision-making” and “improve the delivery of goods and services with a focus on territorial equity and care for the environment.” Lastly, the IDB Group country strategy with **Uruguay** 2021-2025 (GN-3056) includes the strategic objectives “increase innovation” and “expand productive financing” and the expected result “increased investment in innovation from the private sector.”
- 3.4 According to the joint methodology of the multilateral development banks for tracking climate finance, approximately 12% of the IDB resources for this project are invested in climate adaptation and mitigation activities, contributing to the IDB Group’s goal of increasing climate-related finance to 30% of combined approvals by end-2020.

B. Scalability

- 3.5 The project aims to generate a systemic impact by consolidating the govtech ecosystem in Latin America and building the capacity of ESOs, to ensure that startups developing technology solutions with public value can transition from B2B to B2G models. This installed capacity in ecosystem actors will guarantee technical and strategic support for new generations of ventures even after program completion. Beyond the immediate results, the program includes several pathways for scalability and sustainability. First, the methodologies, lessons learned, and tools developed will be incorporated into the RIL's regular programs, thereby ensuring their institutional continuity. Moreover, the supported ESOs must commit to replicating the model for at least three years after the program concludes, which will generate multiplier effects over time. In terms of financial sustainability, the ESOs are expected to monetize the govtech training programs, so they remain available for at least three years after initial implementation.
- 3.6 Revolving funds will also be created to finance pilots linked to the acceleration programs. The funds will operate as first-loss models to attract private investment and lay the groundwork for structuring govtech investment funds. This strategy mobilizes seed resources and creates sustainable early-stage financing mechanisms anchored in local institutions, which will facilitate the sustainability of the acceleration programs beyond the project's lifespan.
- 3.7 The project also aims to generate structural changes in public servants' capacities by spurring a pro-innovation culture and providing tools, methodologies, and digital public goods (such as the AI agent) that enhance technology adoption in public management. Furthermore, the project will promote the use of open-source solutions and the institutionalization of digital public infrastructures that lower technological and cost barriers in the long term, while promoting the interoperability and local ownership of the technology.
- 3.8 Lastly, the multisector networks including city leaders, innovation ecosystem actors, and policy-makers will serve as strategic forums, where the sector's common needs inform public policy-making and promote regulations more conducive to innovation, public procurement, and the sector's digital transformation. This will ensure that the capabilities, instruments, and partnerships generated by the project not only endure and evolve, but lay the groundwork for the executing agencies and ESOs to continue implementing the activities under Components I and II after project-end, ensuring long-term sustainability and scalability.
- 3.9 IDB Lab will play a catalyzing role by leveraging its experience supporting early-stage entrepreneurs in the region and developing new technologies and business models. Its experience in govtech is important in terms of the lessons learned through the support received by local governments and public institutions in general, to launch open innovation challenges and connect with solutions with public value provided by the entrepreneurship and innovation ecosystem.³⁴

³⁴ IDB Lab-financed projects include: GovTech LATAM, ImpulsiONar, Córdoba GovTech (Córdoba Smart City Fund), the ANII public challenges program, and others.

- 3.10 IDB Lab's support will extend beyond financial assistance by linking the project with the **fAIr LAC** initiative as an additionality in the area of responsible AI governance. This will ensure that the AI agent for governments, the piloted solutions, and the most relevant project activities are aligned with best practices in responsible AI use. Specifically, the project will benefit from the training, public goods (toolkit), and certifications developed by fAIr LAC and those deriving from the framework of the RAI4 Growth operation (RG-T4463), ensuring a responsible and participatory approach to the adoption of such technologies. The project will also explore the possibility of a participatory AI design activity, while piloting the technology solutions in local governments, engaging different actors in developing solutions grounded in responsible principles. The feasibility of developing a report on the implementation of AI governance and risk management methodologies in the context of the pilot solutions with public impact will also be considered, to generate lessons learned for future initiatives in the region. Lastly, fAIr LAC will facilitate linkages with its network of experts and organizations to build govtech ecosystem capacity in responsible AI use.
- 3.11 **Synergies with the IDB Group.** The program will coordinate with multiple IDB Group initiatives, including several Innovation in Citizen Services Division (**ICS**) programs such as the [Inter-American Digital Government Network](#) (GEALC), the [Brasil Mais Digital](#) program, and municípios with subloans structured or being structured under [PRODIGITAL](#) (with various Brazilian municípios). There are also synergies with the Competitiveness, Technology, and Innovation Division (**CTI**) through the [Latin American Network of Innovation Agencies \(RELAI\)](#) and the technical cooperation operation BR-T1626, "Open Innovation Solutions for Subnational Development Challenges," and with the future loan operation that will establish an investment fund for govtech pilots with Banco del Nordeste. In Uruguay, the project will be linked to the conditional credit line investment (CCLIP) UR-O1153 and the preparation of a new CCLIP that will promote public open innovation (UR-L1208).
- 3.12 The IDB's open-source initiative **Code for Development** (Code4Develop) of the Innovation and Business Transformation Division (**IBT**) will also support this project through curation and access to strategic open-source solutions for govtech startups and Latin American and Caribbean governments, ensuring that startups have robust technological tools aligned with open standards. Startups, governments, and venture capitalists will receive training on open source, covering key themes such as governance, legal terms, and procurement processes. This collaboration will explore the possibility of developing specific guides and methodologies to facilitate the adoption of open-source solutions by govtech and the public sector. Likewise, Code4Develop, which leads the IDB's participation in the Digital Public Goods Alliance, will encourage strategic connections with the alliance, its members, and certified digital public goods solutions to expand opportunities for adopting and scaling up open-source technologies in the region. Lastly, Code4Develop will strengthen ties with its network of experts and communities of practice, fostering a more dynamic and innovative ecosystem to support the implementation of open-source technologies for the public sector.

C. Project and institutional risks

- 3.13 The project poses some moderate risks associated with implementation, multistakeholder coordination, and the adoption of new technologies in the public sector, as described below.
- 3.14 **Governance.** The project involves many different stakeholders (including startups, local governments, accelerators, investors, technical partners, etc.) and countries. Consequently, there could be challenges associated with coordination, execution timelines, and alignment of expectations that may impact the efficiency and coherence of project implementation. Nevertheless, this institutional and regional coordination is one of the desired impacts. To mitigate this risk, the project will establish a robust technical coordination team with local presence, clear governance and communication protocols, and digital tools to facilitate collaboration.
- 3.15 **Adoption of govtech solutions by public sector clients.** Resistance to change, technical limitations, or the lack of adequate incentives within local governments could hinder the adoption of govtech solutions. This would affect the implementation of pilot solutions and limit their scaling. To mitigate this risk, the project includes participatory codesign processes with public entities, technical support during pilots, and specific training for public servants. It also envisages showcasing success stories and tangible benefits to facilitate the scalability of such solutions.
- 3.16 **Adoption of public policies.** Institutional heterogeneity across countries and levels of government could lead to the fragmented adoption of regulatory frameworks, open standards, or tools promoted by the project. This would limit the ecosystem's consolidation and the scalability of solutions. To mitigate this risk, the project will promote the institutionalization of a regional network to facilitate alignment across levels of government, the exchange of good practices, and the adoption of common frameworks based on open standards (open-source solutions, digital public infrastructure, and digital public goods).
- 3.17 **Changes in political parties.** Subnational electoral processes may lead to changes in municipal authorities and their government agendas. These changes could reshape political priorities, reallocate resources, and alter regulatory frameworks conducive to the project, affecting the continuity, effectiveness, and sustainability of interventions. The project will incorporate this risk into the criteria used to select cities for the local coalition cohorts, taking the electoral calendar and the likelihood of changes in authorities and their degree of institutional commitment into account, and regularly update its risk analysis to mitigate this factor.
- 3.18 **Capital structure.** Private investors' perception of high risk or low returns could hinder the mobilization of external capital for B2G funds and reduce the capacity to finance govtech startups. To mitigate this risk, the project proposes innovative investment mechanisms like first-loss financing models and contingent repayments tied to the success of the pilot solutions. In addition, systematic evidence will be generated on the impact and sustainability of the supported solutions.
- 3.19 **Innovation.** Open-source solutions can pose technical challenges associated with security, maintenance, or scalability, which could affect their adoption by

governments and startups. To mitigate this risk, the project includes the strategic curation of open-source solution tools, specific technical training for their implementation, and connections with active open-source solution development communities. Moreover, the project will leverage the IDB Group's experience through the Code4Develop repository.

- 3.20 **Environmental and social review summary.** This operation was screened and classified on 23 August 2025 as category "C" under the IDB Environmental and Social Policy Framework (GN-2965-3), since its impacts and risks are expected to be minimal. The executing agency's work will comply with the IDB's Environmental and Social Policy Framework.

IV. INSTRUMENT AND BUDGET PROPOSAL

- 4.1 The project has a total cost of US\$5,069,800. Of that amount, US\$2,000,000 (39.45%) will be contributed by IDB Lab, and US\$3,069,800 (60.55%) will be the counterpart contribution. The IDB Lab financing includes nonreimbursable technical cooperation (NRTC) funding of US\$1,365,000 and an investment grant (IGR) of US\$635,000 from IDB Lab's own fund (Small Enterprise Development Facility).
- 4.2 The operation will use the NRTC and IGR instruments because the project seeks to create conditions for the development of a new industry that benefits multiple stakeholders, including local governments and ecosystem actors like accelerators and financiers. It will also finance pilots to demonstrate the supported solutions' potential and public value.
- 4.3 **Retroactive recognition of counterpart funds.** Counterpart expenditures of up to US\$50,000 will be recognized from the project eligibility date.³⁵

Summary budget

Project components	IDB Lab RG-T4796	IDB Lab RG-G1074	Counterpart in cash	Counterpart in kind	Total
Component I: Strengthening the supply of govtech solutions	506,276	595,000	-	980,000	2,081,276
Component II: Strengthening demand for govtech solutions	521,600	20,000	1,912,800	30,000	2,484,400
Component III: Promoting open-source digital solutions	67,000	20,000	-	-	87,000
Project administration	270,124	-	117,000	30,000	417,124
Total	1,365,000	635,000	2,029,800	1,040,000	5,069,800
<i>% financing</i>	26.92%	12.53%	40.04%	20.51%	100%

- 4.4 **Core mobilization.** The project is open to additional contributions from external donors, provided that they accept the terms described in this document and all

³⁵ 16 April 2025.

other conditions set by the IDB. These additional contributions will be updated in the IDB's systems as the cofinancing agreements are signed.

V. EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE

A. Description of executing agency

- 5.1 The executing agencies will be the Local Innovation Network Argentina, Civil Association, and Local Innovation Network Uruguay, Civil Association (RIL). These agencies will sign the agreement with the Bank. RIL, a civil association founded in Argentina, is dedicated to transforming local public management through innovation and networking. With more than 10 years of experience, RIL has built a solid network connecting more than 800 municipios in 22 countries across the Global South and encompassing more than 10,000 public servants. It thus offers a ready audience for this project.
- 5.2 RIL has significant advantages for executing this project, which stem from its legitimacy as a technical entity, proven capacity to boost innovation in local public management, extensive collaboration network, and focus on institutional capacity-building. It has also accelerated the creation of innovative public policies in such areas as digitalization and citizen participation, driving progress in hundreds of municipios. RIL has a legal presence in Argentina and Uruguay, as well as partners and collaborators in 14 countries across the region, which will reinforce the program's impact, scalability, and sustainability after the project implementation period. Specifically, RIL has partnerships with recognized companies and organizations in the field, including Bloomberg Philanthropies, through the promotion of the Bloomberg Idea Exchange program to promote the replicability of proven solutions among RIL's network of cities; Results for America, through the implementation of What Works Cities, a program that uses a rigorous validation and coaching process to certify cities using evidence-based management; Amazon Web Services, a corporate partner of over three years in promoting the digitalization of local government processes in the region; and Globant, another partner company in the area of the knowledge economy. These partnerships create a solid foundational background for it to benefit, like all projects promoted by the organization, from the momentum and support of other similar organizations. Further evidence of RIL's suitability to lead this initiative includes [PORTAL](#), an open platform it developed to centralize and make the necessary knowledge available to drive innovation and efficiency in the region's local governments. This platform is considered a suitable context for hosting the virtual forum for connecting companies and governments because, with more than 13,000 users in 26 countries, it already brings together a large part of the ecosystem. While specific developments will be required to meet the project's objectives, and the optimal configuration to maximize its reach will need to be assessed once the project starts, it represents a solid first step toward building the project's objectives.
- 5.3 One entrepreneurial support organization (ESO) per country will be selected through a competitive process to support the project's activities and continue them after the operation's three-year execution period. The project will leverage the Ibero-American GovTech MultiSector Network, a collaborative forum bringing together 17 Ibero-American organizations under IDB Lab leadership. This network

will facilitate the exchange of knowledge on govtech ecosystem development deriving from this project, to promote such initiatives in the region.

- 5.4 Additionally, the program is expected to add new partners, to leverage the mobilization of third-party resources (specific funds, philanthropy, and corporates) and increase the program's impact and scope.
- 5.5 **Integrity review.** The project team conducted the project's integrity due diligence with assistance from the Office of Institutional Integrity (OII). No integrity and reputational impact risks warranting disclosure were identified for IDB Lab.

B. Implementation structure and mechanism

- 5.6 The project's executing agencies will be RIL Argentina and RIL Uruguay. They will manage the contribution resources, coordinate with the different actors involved in the project, and enter into collaboration agreements with several actors, including RIL Brazil and RIL Chile, for execution of the project activities. The executing agencies will also be responsible for delivering status reports on project implementation.
- 5.7 The executing agency will have principal responsibility for project implementation. It will oversee the comprehensive management of Component II (demand) and Component III (promotion of digital solutions), as well as the planning and accountability reporting associated with the execution of Component I (supply), including the contracting, coordination, and supervision of technical actors for its execution.
- 5.8 For Component I, the executing agency will work with GOBE VENTURES S.L. ("Gobe"), an expert firm in open innovation and govtech acceleration with international experience, which will be responsible for executing the main activities to develop the component's outputs and achieve its outcomes. Gobe and IDB Lab will coordinate the identification and selection of ESOs in each of the beneficiary countries. These ESOs will adopt the proposed methodology and execute the acceleration programs in coordination with the other components of the program. A legal analysis of the contracts signed with each local organization will be a condition precedent to ensure alignment with the project's objectives and the appropriate use of resources.
- 5.9 Given the program's ecosystem-based approach, a **strategic committee** will be established for each beneficiary country. This committee will be made up of representatives from the IDB, IDB Lab, RIL, Gobe, and key ecosystem actors to provide strategic guidance, facilitate coordination with other programs or instruments, and ensure overall program coherence. Technical coordination forums will also be created for the executing agency, expert firm, and ESOs to guarantee synergies between the components. The project also envisages the creation of a **fund allocation and evaluation committee** made up of at least one representative of IDB Lab, one representative of the executing agency, and B2G fund managers in each country. This committee will review and approve financing proposals for startups based on the criteria that will be defined in the acceleration programs and aligned with the public challenges under Component II. These criteria will include the degree of innovation and readiness of the proposed solution, its potential impact on project metrics, diversity considerations, and the strength of the entrepreneurial team.

Esquema de implementación GovTech Connect



- 5.10 This structure reflects a collaborative working model that distributes responsibilities among specialized actors to maximize the project's impact. The executing agency acts as a systemic coordinator, ensuring coherence between components and strengthening govtech demand by working with local government coalitions; the expert firm brings technical capacity to structure govtech supply; and the ESOs channel innovation from the entrepreneurial ecosystem into tangible solutions for the public sector.
- 5.11 Implementation will rely on digital tools designed to centralize information, systematically document results, facilitate stakeholder participation, and ensure project monitoring. A monitoring and evaluation framework will be developed with disaggregated indicators for each component, including gender, diversity, and local impact.

VI. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY AGREEMENTS

- 6.1 **Results-based disbursements and fiduciary agreements.** The executing agency will adhere to IDB Lab's standard arrangements for results-based disbursements and the contracting and financial management policies applicable to the private sector, in accordance with the Financial Management Guidelines for IDB-financed Projects (OP-273-12), version of 12 June 2019, and as specified in the Operational Guidelines for Management of Milestones and Financial Supervision for MIF and SEP Technical Cooperation Projects.³⁶
- 6.2 **Results-based disbursements.** The Bank's Country Office in Argentina will supervise the project. Monitoring will take place in accordance with the results- and risk-based management policies (fulfillment of milestones) established by IDB Lab in April 2008.

³⁶ [Operational Guidelines for Management of Milestones and Financial Supervision for MIF and SEP Technical Cooperation Projects.](#)

VII. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 7.1 **Access to information.** This document contains information classified as public under the Bank's Access to Information Policy.
- 7.2 **Pre-existing intellectual property.** The project may utilize know-how, methodologies, software, databases, or other pre-existing developments of the executing agency or contracted third parties. Such inputs will remain the property of their respective owners. The executing agency will grant the Bank a nonexclusive, royalty-free, worldwide license for the duration of the project, to be used only to the extent necessary to meet the project's objectives.
- 7.3 **Intellectual property of new outputs and outcomes.** The Bank will retain the intellectual property rights to all works, outputs, and outcomes obtained under the project, except those mentioned in the preceding paragraph. The Bank will grant the executing agency and its strategic partners an irrevocable, worldwide, perpetual, free, and nonexclusive license to use, copy, distribute, reproduce, publicly exhibit and execute such outputs, as well as to develop derivative works. When a project outcome is defined as a digital public good (including open-source software), the Bank will ensure its publication and licensing under open access terms that guarantee its free use, reuse, and scalability.
- 7.4 **Contracts with consultants.** The executing agency will include the assignment to the Bank of the respective intellectual property rights for the outputs generated under the project, including copyright, in all contracts financed with contribution resources with the clarification that such assignment does not extend to the consultant's pre-existing developments. The executing agency will guarantee to the Bank that project execution will not infringe on third-party rights and is obligated to carry out all necessary activities for the Bank to exercise the rights stipulated herein without limitations.
- 7.5 **The Bank's authority.** The Bank may disclose, reproduce, and publish any information related to the project that is not considered a trade secret. Such information includes using the name and logo of the executing agency or strategic partners, as contractually established.