

INTEGRATED SAFEGUARDS DATA SHEET

IDENTIFICATION / CONCEPT STAGE

Report No.: ISDSC15276

Date ISDS Prepared/Updated: 14-Oct-2015

I. BASIC INFORMATION

A. Basic Project Data

Country:	Caribbean	Project ID:	P157484
Project Name:	Caribbean Investment Facilitation Project		
Team Leader(s):	Aun Ali Rahman		
Estimated Date of Approval:	10-Dec-2015		
Managing Unit:	GTCID	Lending Instrument:	Lending Instrument
Sector(s):	SME Finance (100%)		
Theme(s):	Micro, Small and Medium Enterprise support (100%)		
Financing (in USD Million)			
Total Project Cost:	1.6	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Borrower			0
InfoDev			1.6
Environment Category:	B - Partial Assessment		

B. Project Development Objective(s)

14. The project development objective is to pilot and test an investment facilitation model to enable promising early-stage enterprises to raise capital from private investors, particularly business angel investors.

C. Project Description

Background and Context

18. As noted earlier, the EPIC Access to Finance agenda focuses on testing and developing solutions that enable promising entrepreneurs in the Caribbean to access non-traditional sources of financing by strengthening the early-stage/SME financing ecosystem in the Caribbean through initiatives on both the demand and supply sides of capital.

19. To date, through bank-executed activities under the EPIC A2F Skills building Project, EPIC has undertaken the following activities to implement this agenda and to serve as a launch-pad for the recipient-executed initiative under CIFP.

- The main focus has been the piloting of formalized group angel investing in the Caribbean: EPIC A2F has provided hands-on coaching and technical assistance to support the development of the Caribbean's first three organized angel groups – two in Jamaica (First Angels Jamaica and Alpha Angels) and one in Barbados (Trident).
- Supplementing the supply-side efforts with angel investors, EPIC A2F has engaged the demand side with early-stage entrepreneurs, providing training to entrepreneurs on how to effectively raise capital from angels and early-stage financiers. The curriculum developed for these trainings can be leveraged for training other entrepreneurs in the region.
- In addition to angel investing, EPIC A2F has researched the potential of crowdfunding as another source of non-traditional financing in the Caribbean. An EPIC report on the Caribbean Diaspora Investing has also explored how the Caribbean diaspora can be tapped as a source of financing to support Caribbean enterprises.

Project Overview

20. The Caribbean Investment Facilitation Project (CIFP) will be a recipient-executed initiative delivered via a grant from the World Bank (through the EPIC Trust Fund) of \$1.6M, whose objective is to pilot and test an investment facilitation model to enable early-stage Caribbean entrepreneurs to raise capital from private investors, particularly business angel investors. The CIFP will be developed and managed by the Caribbean Export Development Agency (CEDA), a regional organization that has the institutional ability and strategic interest to develop and deploy the program across the region.

21. CIFP will involve the provision of investment facilitation grants to entrepreneurs, as well as non-funding activities to stimulate angel investing, and to support the development of deal-flow for early-stage investment.

22. Because many features of the CIFP are novel for the Caribbean, the Project will take an iterative approach to test/pilot what works, and to make appropriate pivots as it is further developed.

Key Activity 1 – Investment Facilitation Grants

23. CIFP will pilot investment facilitation grants to start-up and early enterprises in the Caribbean that stimulate private investment into these companies, from angel investors or other relevant financing mechanisms. The CIFP will develop and test two types of facilitation grants. The core success indicator of the grants will be whether they catalyzed private investment, while also providing funding that enables the enterprise to develop and grow its business. The beneficiary entrepreneurs will include enterprises throughout CARICOM countries, except Haiti. The CIFP will allocate \$1M to investment facilitation grants, representing the core of the grant award to the recipient.

Sub-activity 1.1: Co-Investment Grants

24. Co-investment grants will provide grant funding to enterprises that are able to secure investment from business angels and other approved investors. The purpose of these grants is to

incentivize angels to take a bet on promising enterprises that they may otherwise not make— by reducing their investment risk. The intended benefit of the grants will be stimulate angel (and other relevant) investment into the enterprises. The grant contribution would be up-to 50% of the investor’s contribution up-to a maximum of \$100,000 per enterprise and would be made once the entrepreneur has secured the investment. Similar to how co-investment funding schemes operate in other countries, the CIFP co-investment grants will rely on angels and private investors to carry out the bulk of the commercial/business due diligence on the enterprise. However, the CIFP will assess the use of funds and conduct fiduciary diligence on the entrepreneur and investor to ensure that the grant is in compliance with World Bank policies, including environmental and social safeguard policies.

Sub-activity 1.2: Pre-investment Grants

25. Pre-investment grants will involve grant funding to start-up and early-stage enterprises that show strong business and investment promise but are still not considered “investment ready” by investors. The purpose of these grants will be to prepare companies for angel or other investments within a short time frame (e.g. 3-9 months) by providing “pre-investment” funding for specified purposes (such as further product development, market testing/validation and early sales, securing intellectual property protection) that improve the prospects for investment. The pre-investment grant funding will be coupled with investment readiness mentoring that the CIFP will provide or arrange. To ensure that these pre-investment grants catalyze rather than crowd out private investment, the model will filter out entrepreneurs looking for “soft money” rather than seeing the grant as a spring-board to leveraging additional capital. Pre-investment grants would be provided to entrepreneurs on the basis of an assessment of the enterprise’s ability to hit key business milestones in the near-term that could attract private investment. Entrepreneurs seeking pre-investment grant funding would be expected to be actively involved in raising capital (for example, are pitching to angel investors) and, when possible, the CIFP team would communicate with investors to confirm interest and to determine business areas investors find high priority. Investors in CIFP’s network will be invited to give input on the pre-investment grant proposals. As with the co-investment grants, the CIFP will assess the use of funds and conduct fiduciary diligence on the entrepreneur to ensure that the grant is in compliance with World Bank policies.

Key Activity 2: Support Activities to Facilitate Investments

26. In addition to the provision of investment facilitation grants, the CIFP will engage in non – financial facilitation activities on both the demand and supply sides to increase the prospects of investments. These activities would principally consists of the following:

- On the supply-side, CIFP will support the development of new angel groups/networks in the Caribbean as well as identify individual angels. This will include: i) conducting angel investing educational events for business leaders and other key stakeholders, ii) identification and cultivation of potential angel investing champions who can serve as anchors for developing individual angel groups, and iii) organizing master classes for angel investors (leveraging the content developed under EPIC’s Access to Finance Skills Building Project). Additionally, CIFP will organize annual regional angel forums where existing and new angel investors (as well as other early-stage financiers) can network with another and also explore possibility for investment syndication (particularly for non-local deals).
- On the demand-side, CIFP will support deal-flow for investment by a) conducting capital

raising trainings for entrepreneurs seeking to raise capital and b) sharing the most promising deals as potential investment opportunities with investors participating in the CIFP. To identify relevant enterprises, CIFP will tap into Caribbean incubators, accelerators, business/entrepreneurship support organizations (including EPIC enablers Caribbean Climate Innovation Center and Caribbean Mobile Innovation Program, and other World Bank programs such as Start Up Jamaica) as well as from CEDA's extensive BSO and professional network. CIFP will also publicize its investment facilitation efforts to tap promising entrepreneurs not associated with business enablers.

- To facilitate deal-flow, CIFP will pilot the use of an existing online angel investing platform to connect promising entrepreneurs (including those receiving investment readiness grants) with business angels and other early-stage investors in the CIFP network. The platform will serve as an access point for entrepreneurs across the Caribbean – not just those located on islands with existing angel groups – to apply for investor funding. The CIFP will maintain the site, setting up an application and review process for entrepreneurs. In addition the CIFP will recruit and manage requests from investors to be granted access, as the site will have privacy controls.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The specific location of all project related activities (investment facilitation grants, SME sub-projects) is not known at this time but they could be located in any CARICOM country where the program is being implemented. The scale of the activities is expected to be small at this early stage of development of the recipients' enterprises; however, by this early incorporation of the elements of sound environmental and social impact planning and management, it is expected that once the businesses are successful and grow, they will continue with the practice of good environmental and social impact management. It is expected that some of the SMEs that will receive sub-grants will already be established in existing light manufacturing facilities, which will be checked for permit status and best management practices during the application and screening process.

E. Borrower's Institutional Capacity for Safeguard Policies

The grant recipient, Caribbean Export Development Agency did not have previous World Bank Safeguards Policy experience. But it has extensive experience managing funds and projects sponsored by EU, which also require environmental and social compliance. The Operational Manual of the project will include safeguards management by incorporating screening, inspection, and reporting procedures in an Environmental Management Framework (EMF) to be developed for the project. The Client would be responsible for periodic reporting to ensure compliance with the EMF provisions.

F. Environmental and Social Safeguards Specialists on the Team

M. Yaa Pokua Afriyie Oppong (GSU04)

Ramon E. Anria (GSU04)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	The Project is classified as Category B (per OP/ BP4.01) given potential impacts associated with financing of small scale activities by SMEs or individual entrepreneurs. No Category A sub-projects will be financed by the Project. The

		<p>activities to be funded could have potential negative adverse environmental impacts if uncontrolled, particularly as regards to emissions to air or water, waste management, labor, safety, or permitting issues; however, with appropriate standard mitigation measures in place, the potential negative impacts would be short-term and not significant. Projects and activities are not yet defined and must be screened as part of the application process, so an Environmental Management Framework (EMF) will be developed to manage the potential associated environmental impacts and risks. Screening and exclusion criteria, consistent with OP/BP 4.01, will be developed to ensure that any other World Bank Safeguard Policies would not be triggered in lending to the SMEs or individual entrepreneurs, and standard checklists for screening, inspection, Environmental Management Plans (EMPs), and reporting would be included in the EMF.</p>
Natural Habitats OP/BP 4.04	No	Screening in the EMF will exclude any project activity which could potentially affect natural habitat.
Forests OP/BP 4.36	No	Project activities which could potentially affect forests will be excluded.
Pest Management OP 4.09	No	The project screening criteria will exclude procurement or use of pesticides.
Physical Cultural Resources OP/BP 4.11	No	Screening in the EMF will exclude any project activity which could potentially affect physical cultural resources.
Indigenous Peoples OP/BP 4.10	TBD	<p>CIFP is a Pan-Caribbean project that could be implemented in any of the CARICOM-member countries. Of these there are four where Indigenous Peoples are present, namely: Belize, Guyana, Suriname and Dominica.</p> <p>Due to the nature of the proposed grant activities (raising capital from non-traditional financing sources), and given that the funds/ allowable costs under the grant are to be used for business-development in areas such as staff/ labor costs, sales and equipment purchases etc. it seems unlikely that Indigenous Peoples will be collectively impacted by the project in the countries with an IP presence.</p>

		However, further investigation will be done during the appraisal stage to determine whether the project will impact indigenous people in the relevant countries.
Involuntary Resettlement OP/BP 4.12	No	The Project will not support sub-projects which will lead to any involuntary resettlement.
Safety of Dams OP/BP 4.37	No	The Project will not support the construction or rehabilitation of dams.
Projects on International Waterways OP/BP 7.50	No	Project activities which could potentially affect international waterways will be excluded.
Projects in Disputed Areas OP/BP 7.60	No	The Project will not involve activities in areas known to involve disputed areas.

III. SAFEGUARD PREPARATION PLAN

A. Appraisal stage ISDS required?: Yes

i. Explanation

The facilitation grants under the Project will be provided to SMEs or entrepreneurs for activities

The RSA recommends that an appraisal stage ISDS be prepared.

ii. Tentative target date for preparing the Appraisal Stage ISDS

15-Oct-2015

B. Time frame for launching and completing the safeguard-related studies that may be needed.

The specific studies and their timing should be specified in the Appraisal Stage ISDS.

IV. APPROVALS

Team Leader(s):	Name: Aun Ali Rahman	
<i>Approved By:</i>		
Safeguards Advisor:	Name: Francis V. Fragano (SA)	Date: 13-Oct-2015
Practice Manager/ Manager:	Name: Ganesh Rasagam (PMGR)	Date: 13-Oct-2015

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.