

SUMMARY OF THE PROJECT IN DESIGN * (*)

RevUp Caribbean Incubator

PITCH ELIGIBILITY DATE		COUNTRY(IES)
07/27/2021		Jamaica
PARTNER(S)		
Revup Caribbean Incubator		
PRELIMINARY CLASSIFICATION ENVIRONMENTAL AND SOCIAL IMPACT		
C (**)		
TOTAL BUDGET	IDB Lab	LOCAL COUNTERPART AND COFINANCING
US 3,250,000	US 950,000	US 2,300,000
DESCRIPTION		

The problem Entrepreneurship and innovation are, without a doubt, imperatives if Caribbean countries are to achieve their economic growth objectives. But Startups and SMEs face tremendous challenges and risks in order to turn their innovative ideas into successful ventures, then transform these ventures into sustainable high growth potential companies that will bring returns to investors, and in turn, encourage them to invest in other fledgling firms. The task for female founders is doubly hard.

In its over 6 years of providing equity financing to MSEs, FirstAngelsJA has funded 12 start-up and early-stage companies through 19 deals (including follow-on financing) to 6 female-led and 6 male-led firms, and invested US\$2,600,747 (J\$343,253,467) as equity in these companies. There has been a stark imbalance in the number of women registering on the FAJ website; those completing applications for capital and those going through the due diligence process. As at April 2021, of 550 Founders registering on FAJ's website, only 24% of them were females; and they accounted for only 20% of the 208 Founders who had fully completed their applications. 13 females vs 35 male Founders were invited to make a pitch to Angel investors; by the time the Founders were selected to go through the due diligence process 11 of the 13 females were selected vis-à-vis 26 of the 35 males pitching. By the end, 6 of the 11 women-led businesses had been funded vis-à-vis 10 of the 26 males.

The six female founders asked for and received 37% less capital than did the male founders and though it is too early to tell which ventures will be most successful – FirstAngelsJA has to date, had no exits – the Network is already seeing qualitative differences in how the portfolio firms are being managed. Female headed firms are more diligent about convening board meetings, providing updates to investors and making strategic plans. Along with the funds provided by FAJ's Angel investors, they also invest their time, through mentoring and coaching, serving on the companies' boards of directors and generally "holding the hand" of Founders through the 5-7 years of their investment, helping to chart the companies to a successful exit of the investors. The FirstAngels Network's experience has been that many Founders are good at developing the technology, product or service but significantly lack the broad package of skills and abilities required to successfully run and scale a business, including understanding the market, attracting and maintaining customers, achieving product-market fit, optimising pricing, understanding finance and financial statements, building and motivating teams, adhering to good governance practices, among others. But having a solid understanding of these areas of business is a basic requirement in order to turn a start-up, into a scale-up.

As a result of the gaps in the business skills and knowledge of Founders, the FirstAngelsJA Network has delivered seminars and workshops for 234 Founders at the pre-investment and post-investment stages, on a range of topics, including investment readiness, leadership, marketing, sales, team building, systems, strategic planning and market acceleration. Angel investors recognise that a

*The information mentioned in this document is indicative and may be altered throughout the project cycle prior to approval. This document does not guarantee approval of the project.

**The IDB categorizes all projects into one of six E/S impact categories. Category A projects are those with the most significant and mostly permanent E/S impacts, category B those that cause mostly local and short-term impacts, and category C those with minimal or no negative impacts. A fourth category, FI-1 (high risk) Financial Intermediary (FI)'s portfolio includes exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, mostly irreversible or unprecedented, FI-2 (medium risk) FI's portfolio consists of business activities that have potential limited adverse environmental or social risks or impacts, FI-3 (low risk) FI's portfolio consists of financial exposure to business activities that predominantly have minimal or no adverse environmental and social impacts.

successfully scaled, entrepreneurial journey means not only having access to financing - raising equity and debt - but pivoting, maintaining differentiation, protecting IP and know-how, always trying to avoid failure and hopefully, eventually, achieving an exit through a trade sale, private equity deal or IPO. Juggling all these balls, and at the same time complying with taxation, health and safety and environmental regulations, maintaining communications with stakeholders and remaining open to continual learning, welcoming advice, and preserving one's wellbeing are all part of the journey that Founders are expected to navigate and excel at.

The solution The objective of this intervention is to improve the preparedness of micro and small enterprises in the Caribbean to access financing required for growth.

The beneficiaries This project will benefit founders and owners of 450 micro and small businesses that are seeking or have obtained initial financing and are seeking to position their businesses for growth. Recognizing that an investment gap exists particularly for women founders, Rev Up Caribbean Ltd through its marketing and outreach will actively recruit women aiming for 50% of program participants being companies founded or led by women.

The partner The project will be implemented by RevUp Caribbean Ltd, a private organization incorporated in Jamaica which was established to support capacity building of micro and small enterprises and specifically to develop and implement an incubation model to assist these companies in accessing financing. RevUP will establish partnerships with financially strong and capable local and overseas entities that have a focus on supporting startups and early-stage companies.

The IDB Lab's contribution The request is for a non-reimbursable grant from IDB Lab in the amount of US\$950,000 in Technical Cooperation.

*The information mentioned in this document is indicative and may be altered throughout the project cycle prior to approval. This document does not guarantee approval of the project.

**The IDB categorizes all projects into one of six E/S impact categories. Category A projects are those with the most significant and mostly permanent E/S impacts, category B those that cause mostly local and short-term impacts, and category C those with minimal or no negative impacts. A fourth category, FI-1 (high risk) Financial Intermediary (FI)'s portfolio includes exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, mostly irreversible or unprecedented, FI-2 (medium risk) FI's portfolio consists of business activities that have potential limited adverse environmental or social risks or impacts, FI-3 (low risk) FI's portfolio consists of financial exposure to business activities that predominantly have minimal or no adverse environmental and social impacts.