

INTEcGRA - Continuity and Resilience of Neighborhood Stores

Summary of the Initiative and Open Call

1. Background

INTEcGRA, an initiative of the IDB Group aims to contribute to the continuity and resilience of independent neighborhood stores¹ affected by the pandemic in Latin America and the Caribbean (LAC). The initiative is led by IDB Lab, and includes IDB Invest, the IDB's office of outreach and partnerships, and a group of food and beverage companies that includes PepsiCo; Danone; ABInBev; Arca Continental, Postobon, EFFEM (Mars), Coca Cola, and the International Council of Beverages Associations (ICBA).

Neighborhood stores provide jobs and incomes to millions² of families in the region. In addition, millions of families residing in low-income neighborhoods depend on these stores for basic food staples, such as grains, fruits and vegetables, basic goods and services, including financial services through correspondent agents, utilities payments, and mobile phone top-ups.

Food and basic consumer goods companies use the neighborhood store channel intensively, often accounting for a third of the sales, in some areas. However, the Covid-19 crisis has led to the closure of many stores, affecting the continuity of more than half in several countries³. Sometimes this has been due to government regulations to fight Covid-19 infections, sometimes it has happened voluntarily as a safety precaution for the health of employees and customers. In addition, the Covid-19 crisis has impacted harshly many stores that were already been struggling to compete with convenience chains and supermarkets, and will find it difficult to reopen, and keep the jobs of owners and employees.

Specifically, these stores are facing both immediate and long-term problems, in the face of the COVID-19 crisis:

Immediate needs of neighborhood stores

- Make merchants and customers be (and feel) safe from getting infected with Covid-19
- Make the stores visible again to local neighbors and customers, after confinement using online and offline strategies,
- Getting flow of customers back to stores when reopening
- Quick adaptation to new times: online sales, agile home deliveries, focus on fewer products with rapid turnover, and quick adjustment to customer needs
- Rapid digitization of services, i.e. deliveries, orders, payments (receipt and shipment),

¹ Often referred to as *corner shops, mom and pop shops, mini-markets, small grocery stores and son on.*

² It is calculated that more than 3 million neighborhood shops operated in the region before the arrival of the Covid-19 pandemic.

³ According to experts working with the segments

- Liquidity and emergency financing, suppliers' credit.

Additional needs of neighborhood stores (medium and long term)

- Overcoming Informality and all the challenges that arise from it: saving for retirement, and obtaining social protection (health, insurance)
- Being able to manage digital payments with customers and suppliers
- Incorporate e-business strategies to stay visible and competitive using digital tools and platforms,
- Better store management capacity, integration into networks and supply chain for better services and products, better profitability and sustainability
- Other strategies to increase the sustainability of the business model of independent stores in a competitive environment,
- Access to digital skills (both for customers and employees) to operate in a digital business environment
- Access to finance

Goals of the initiative

To address these problems, this initiative looks forward to adopting between 6 and 10 innovative projects that will contribute to the following indicators:

- Increase the number of stores that have incorporated new technologies, i.e. the digitization of a key area of their business, such as online sales, payments and deliveries that are digitally managed.
- Increase the number of small business owners and employees who have acquired digital and other knowledge that improve the sustainability of their stores
- Increase the total number of small businesses that have improved long-term sustainability by incorporating new business tools and strategies,
- Improved welfare of store owners, employees or clients including labor formalization, access to health insurance, pension savings or other social protection benefits.
- Increased sales and/or profitability of stores
- Other goals related to overcoming the needs outlined above

2. Initiative Target Group: Beneficiaries

This initiative will benefit neighborhood stores that

- Sell groceries, including basic staples such as grains, fruits and vegetables, beverages and consumer goods,
- sometimes they offer other services such as sending or receiving payments, agent banking, payment of bills, recharge of mobile phones, photocopies, sale of transport cards, etc.

- are independent, often operated by the family or owner, with a diverse level of digitization and integration with supply chains,
- have been heavily affected by governments and/or the actions of the population in Covid-19.
- special attention will be sought to benefit stores that are women-run and/or operate in areas where vulnerable population live.

3. Project financing

The INTEcGRA initiative expects that 6-10 projects will be supported by the IDB Lab through the following instruments:

Line 1: Testing and rapid implementation for business continuity (implementation in 18 months or less) (3-5 projects to be approved).

- The IDB Lab will provide a combination of non-refundable and refundable funding, with a ceiling of US\$150,000 per project, subject to approval by the IDB Lab administration.
- Projects will have a counterpart requirement of at least 20% of the total value of the project.

Line 2: Solutions for long-term business growth and resilience (projects up to 36 months) (3-5 projects to be approved)

- The IDB Lab may provide a combination of non-refundable and refundable funds of up to US\$500,000 per project, subject to approval by the IDB Lab administration and IDB Lab Donors Committee.
- Projects will have a counterpart requirement of 50% of the total value of the project,
- In addition, the IDB Lab or the program partners⁴ may provide additional financing, investments and other reimbursable instruments, where appropriate.

4. Entities that can apply for funding

Support applications can be submitted by private sector organizations, based in one of the IDB countries that will benefit the initiative target group in one Latin America and the Caribbean countries. Eligible proponents include

- Technology platforms for payments, home deliveries, and e-business
- Fintechs and startups
- Small business platforms and associations
- Suppliers to neighborhood stores
- E-Business platforms
- Venture builders, accelerators, and corporate venturing entities

⁴ IDB Invest, and Several mass-consumption products companies

- Financial service providers that finance neighborhood stores and their personnel, including retirement savings, pensions, and credits and payments
- Non-governmental organizations, foundations, and not-for-profit corporations
- Edutech companies and learning platforms
- Other actors in local innovation and entrepreneurship ecosystems

5. Eligible activities and project selection criteria

This program may support entities that submit projects related to the following areas of activities:

Line 1: Testing and rapid implementation for business continuity (implementation in 18 months or less)

Eligible Activities (Line 1)

This initiative seeks to support innovations that benefit LAC neighborhood stores in:

- Applications of health and safety protocols to facilitate reopening
- Digital solutions: such as channels/platforms for e-commerce, online sales, digitally-managed home deliveries and business transformation to a digital environment
- Payments and digital finance
- New lines of business and additional revenue sources for stores
- Store management solutions, including supply chain management and efficiency tools
- Other actions to contribute to the continuity of the operations of neighborhood stores

Project selection criteria (Line 1)

Projects that score high on these 10 criteria will be prioritized

1. Innovation
2. Potential for scalability, if the proposed test or innovation is successful
3. Potential to solve immediate/continuity problems of neighborhood stores
4. Degree of preparation for rapid test or deployment of the solution
5. Focus on vulnerable population and/or underserved neighborhoods
6. Relevant track record of the proponent
7. Have a relevant financial reference (investor, donor or funder) that can finance the scaling up of the solution
8. Have a relevant commercial reference (supplier, business partner, store association, etc.) that can make it possible to scale up the solution
9. Contribute to at least one of the Sustainable Development Goals (SDGs)
10. Be consistent with the IDB Group's actions for the country, including additionality for the IDB Lab

Line 2: Solutions for long-term business growth and resilience (projects up to 36 months)

Eligible Activities (Line 2)

In addition to the activities detailed in Line 1, additional eligible activities for Line 2 are innovations that will benefit neighborhood stores in:

- Edutech, technology platforms to build management skills and digital capabilities (Upskilling)
- Digital finance solutions for shopkeepers including insurance solutions, credit, retirement savings, among others
- Healthtech, and other health and social protection solutions for shopkeepers
- Other Workertech solutions that allow self-employed business owners access to vital and affordable services to improve the well-being and sustainability of the business model

Selection Criteria (Line 2)

Projects that score high on these 10 criteria will be prioritized

1. Innovation
2. Scale
3. Potential to contribute to the economic sustainability of the neighborhood store channel
4. Sustainability of the project
5. Focus on vulnerable people and/or under-neglected areas
6. Relevant history of the proponent
7. Have a relevant financial reference (investor, donor or funder) that can support scaling up the proposed solution
8. Have a relevant business reference (supplier, business partner, store association, etc.) that facilitates scaling up solutions
9. Contribute to at least one of the Sustainable Development Goals (SDGs)
10. Be consistent with the IDB Group's actions for the country, including additionality for the IDB Lab

7. Application period, application form, selection and approval

Proposals will be received until 30th of September, on a rolling basis. The application form can be found [here](#), for online submission

A. Reception of proposals and verification of minimum requirements

The IDB Lab will review the application, and additional information will be requested if a project idea meets minimum selection criteria (please see 10 criteria in section 5).

B. Review of program adequacy

A review committee consisting of IDB Lab, and program partners will evaluate the selected proposals according to the degree of compliance with the 10 eligibility criteria, depending on whether the



application is to line 1 or line 2. In this step the partners will also assess the possibility of joining a project as a business or financial partner, including counterpart contributions, and additional financing⁵.

C. Eligibility review

The IDB Lab administration will determine whether the projects recommended by the review committee, are eligible for funding

D. Due diligence and approval

The IDB Lab will conduct a *due diligence* of the institutions whose projects are declared eligible, that will include preparing the package of documents necessary to request final approval of the project by working closely with the proposing entities.

Projects will be approved by the IDB Representative in the Country (Line 1) or by the IDB Lab Donors Committee (Line 2)

⁵ For those projects proponents that opt out of a being reviewed by the companies that are program partners, project ideas will only be reviewed by a committee conformed only by IDB Group personnel (See question 35 of application form).