

Project Abstract

Borrower: IGNIA is a venture capital firm based in Monterrey, Mexico, focused on investing in and developing commercial and socially inclusive enterprises serving the base of the socioeconomic pyramid (lower income socio-economic segment). By providing effective responses to the hugely underserved needs of low income populations, both as consumers as well as active participants in productive value chains, IGNIA seeks to empower entrepreneurship and generate social impact while creating attractive financial returns for its investors.

Description of the proposed transaction. IGNIA proposes to establish and manage a venture capital fund, IGNIA Fund I, L.P. (the “Fund”). The Fund will invest in 10 to 12 early stage and growth companies in Latin America whose core business is to deliver commercial solutions to unmet needs at the base of the socio-economic pyramid (“BoP”). The Fund is seeking to raise US\$50 to US\$75 million in equity commitments from institutional investors and family offices, and expects to make and exit all of its investments within 12 years.

IGNIA and the Opportunities for the Majority Office, which applies sustainable, market-based strategies to bring the benefits of economic and social development to the majority of the population of Latin America and the Caribbean – over 360 million people living on less than US\$300 a month -- share the same mission. Both IGNIA and OMJ are committed to developing new approaches to addressing the entrenched economic development challenges of majority markets. The majority market is estimated at US\$510 billion (World Resources Institute, “The Next Four Billion” report, 2006.) Through a partnership with IGNIA, the Bank will catalyze an innovative investment fund strategy to this end and leverage its resources for the benefit of the majority in the region.

The Fund will target investments in sectors that have a disproportionate impact on improving the welfare of the poor, such as healthcare, housing, education, nutrition, and basic utilities (e.g. water, electricity and gas), because it believes these sectors offer the best opportunities for building profitable, scalable businesses serving the low-income segment. In particular, IGNIA believes the prevailing conditions in these sectors mirror those that characterized financial services for the poor at the beginning of microfinance: substandard value propositions, sold at very high costs to the low-income customer and with no institution poised to provide an effective solution capable of reaching large portions of the market.

Opportunities for the Majority Office. This transaction is consistent with the OMJ because: (i) it will provide otherwise unavailable access to financing to companies and low-income communities; (ii) the model enables the mobilization of private financing and venture capital for sustainable market solutions to poverty; (iii) the target market is focused on low income families with household incomes equal to or less than US\$3,260 PPP annually; and (v) the fund will be regional and available to support enterprise in C&D countries.