

PROJECT SUMMARY
REGIONAL
FUELING REGIONAL ENTREPRENEURSHIP AND INNOVATION: INVESTMENT IN DILA'S VENTURE CAPITAL
FUND (RG-Q0062)

This regional project aims to help the Venture Capital (VC) industry in Latin America (LATAM) weather the current crisis through connecting a major VC hub, Mexico, to emerging VC markets, namely Central America, Bolivia, Ecuador and Paraguay. By playing a counter-cyclical role, the project plans on promoting innovative solutions with outstanding socio-economic impact to vulnerable populations across LATAM, while overcoming medium-term difficulties resulting from COVID-19 crisis and undertaking vital near-future adaptations in key sectors.

In terms of its contribution to emerging VC markets in LATAM, this project will tackle this challenge through a combined and synergetic approach with the investment in '500 Luchadores' project (RG-Q0061), a regional seed-level capital fund with a complementary investment thesis. The two projects combined constitute a strategy to promote South-South cooperation between Mexico and less developed VC markets, bringing capital and expertise to innovative companies in the latter markets. . While '500 Luchadores' operates in seed stage, providing the first investment to a wide scope of companies, DILA Capital focuses on providing further resources at Late Seed/Series-A to Series B stages to support the consolidation of their business models and initial scale. Such complementary approach intends to cover all early stage financing phases (early seed to Series B), also in synergy with Central American-based VC funds projects recently approved.

The VC industry in LATAM plays a crucial systemic role in counteracting the implications of COVID-19 in the early stage ecosystem, by providing essential smart capital and business advice to startups – central actors in developing innovative solutions that can mitigate human and economic losses and adapt vital services. However, right when VC funds are the most needed, the willingness of private investors (asset managers, corporations, family offices, etc.) in entering VC has abruptly diminished globally and in LATAM. As a result, IDB Lab's role as an anchor investor has become ever important to signal confidence and attract other investors.

To this end, IDB will partner with a leading Mexican VC firm, DILA Capital, by investing \$4 million in its upcoming regional VC fund, DILA IV ('The Fund'). With target capitalization of US\$50 million, the Fund will invest in up to 25 high-impact startups and provide mentorship for the development of innovative solutions and boost their growth and social impact. While DILA IV is expected to invest over 50% of the Fund's capital in ex-Mexico countries, it is legally bound to invest at least the amount relative to IDB Lab's contribution (\$4 million) in companies with physical operations and benefitting the local populations in emerging VC markets (namely Central American countries, Bolivia, Ecuador and Paraguay). With an active impact focus and measurement, the Fund will invest in startups that promote scalable impact in five sectors: financial services, health, education, logistics/mobility, and solutions for SMEs. DILA not only has a successful 10-year track record of regional investments, but also boast hands-on business experience in Central America by its managing team.