

PROJECT SUMMARY
REGIONAL
FROM MEXICO TO THE REGION: INVESTMENT IN COMETA'S VENTURE CAPITAL FUND (RG-Q0053)

The venture capital (VC) industry has become a key pillar in financing early stage companies, many of which address critical social and economic issues through their innovations. An increasing number of startups are developing new tech-driven solutions that improve a range of sectors in which market inefficiencies that prevent inclusion are still pronounced, such as financial services, education, health, mobility, among others.

Although the VC industry has been expanding in LAC, investments in early stage companies represent a fraction of the levels seen in the more advanced ecosystems, with high disparities between countries and limited integration of markets. In the Pacific Alliance (Mexico, Peru, Colombia, and Chile) and less developed VC ecosystems (Central American countries in particular), two main challenges have been constraining the ability of highly promising startups to grow and realize their impact. First, the VC industry is still emerging and relies on only a small set of consolidated VC investors, few of which have regionalized their investments. That prevents the dissemination of best practices and sharing of knowledge from the most dynamic entrepreneurial ecosystems (such as Mexico) to less developed VC markets. Second, startups face an important financing gap at late seed/series-A stages, lack of qualified mentorship and business advice throughout their growth, and fewer opportunities to expand their business and multiply their impact across other LAC countries.

Through this investment in the COMETA III Fund, IDB Lab will boost the growth, regionalization, and social impact of up to 20 technology-based startups. The primary focus of the Fund will be on Mexico, Peru, Colombia and Chile, and secondarily on less developed VC ecosystems, particularly Central America countries, such as Costa Rica, Guatemala, Honduras, Ecuador, Panama, and others. The Fund will invest in startups which promote innovative solutions and scalable impact towards financial inclusion, social mobility, employment and SME growth, focusing on five sectors – financial services, health, education, logistics/mobility, and solutions for SMEs.

This investment in COMETA III is innovative and strategic for IDB Lab due to: (i) COMETA's capacity to deliver value to the startup teams through an entrepreneur-centered mentorship and guidance throughout the companies' growth cycle; (ii) COMETA's regional strategy, bringing expertise, best practices, professionalization and capital from Mexico to less developed ecosystems, helping strengthening and integrating the region's VC industry; and (iii) COMETA's mission and thesis, particularly on how to align far-reaching impact with a particular focus on inclusion with solid financial returns, which aligns with IDB Lab mandate.

The IDB Lab investment will be instrumental to unlock investments of other private investors to help the Fund reach its minimum capitalization; support the regionalization of COMETA by facilitating their access to local networks and sharing of knowledge across LAC; guiding COMETA's team to strengthen their impact and gender monitoring approach, aligning their KPIs to the SDGs; and exploring synergies with IDB Lab's portfolio of funds with complementary strategies.

IDB Lab will make an equity investment of up to US\$ 4 million in COMETA III, whose target capitalization is US\$ 75 million. IDB Invest will explore synergies and potential further scaling up opportunities with COMETA's portfolio companies in the future.