

## PROJECT SUMMARY

Created in April of 2011, the Pacific Alliance (PA) is an initiative of regional integration comprised by Chile, Colombia, Mexico and Peru that seeks to: (i) build in a participatory and consensual way an area of deep integration to move progressively towards the free movement of goods, services, capital and people; (ii) drive further growth, development and competitiveness of the economies of its members; and (iii) become a platform of political articulation, economic and commercial integration and projection to the world, with emphasis on the Asia-Pacific region.

The IDB Group, under IDB/INT coordination, has been supporting the Pacific Alliance Initiative since its inception, given the importance of this project for regional integration and its emergence as one of the most dynamic economic areas in the world.<sup>1</sup> Fourteen Technical Groups have been formed to operationalize the Initiative. In one of them, the SME Group, the MIF was asked by the member countries to provide advice in the creation of a seed and venture capital (VC) fund to support entrepreneurs and their start-up and scale-up companies of the PA countries, taking advantage of the synergies within the framework of the Alliance. Another group, the Innovation Technical Group, deals with the proposal and execution of programs aiming at innovation and entrepreneurship integration, in which the MIF has collaborated with IDB/CTI on the formation of a PA angel network and a PA accelerator.

A competitive process to select the Fund Manager was established by the member countries. INADEM<sup>2</sup>, Bancoldex<sup>3</sup>, and MIF representatives, as well as an independent VC expert, were designated as members of the Selection Committee. Out of 17 fund managers' proposals received, Angel Ventures was selected for full due diligence by the MIF, INADEM, and Bancoldex. The MIF due diligence was successfully completed in June, 2016.

The Angel Ventures Pacific Alliance Fund (AVPAF) target size is US\$ 80mm, and will invest in up to 25 start-up and scale-up companies in the sectors of fin-tech, health/bio-tech, agri-tech/BoP, ICT/media, and retail/consumer. The Fund will target companies with a capital requirement between US\$ 500,000 and US\$ 5mm that: (i) have their headquarters, or conduct a significant part of their business in any member country of the Pacific Alliance; (ii) have a strong and sustainable competitive advantage and can compete not only locally but also regionally and even on a global basis; (iii) have a well-defined plan to expand into the region's biggest markets; and (iv) have a clear competitive advantage driven by innovation.

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<sup>1</sup> There are 49 observer member countries to the Pacific Alliance. Costa Rica and Panama are in the process of becoming official members of the Alliance. The Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Paraguay, and Uruguay are official observers to the Pacific Alliance and are candidates for future membership. A number of countries outside of Latin America are also observers.

<sup>2</sup> INADEM (*Instituto Nacional del Emprendedor*) is an administrative body within the Mexican Ministry of Economy specifically aimed at developing a stronger entrepreneurial ecosystem.

<sup>3</sup> Bancoldex is a state owned commercial bank that operates as Colombia's entrepreneurial development and export-import bank.

This Fund is taking to scale the endeavor that Angel Ventures Partners started in 2013 with the AVM Co-Investment Fund I (AVM-I), a US\$ 20mm VC fund focused on innovative start-ups with high-growth potential, in which the MIF and INADEM, among others, invested. So far, AVM-I has deployed US\$ 12.7mm in 19 technology-based start-ups and currently has an expected multiple of 3.86x.

Through this project, the MIF intends to catalyze a conducive ecosystem for financing start-up and scale-up companies operating across the Pacific Alliance countries, promoting innovation and human capital mobility among the businesses as they develop. A very important aspect of this project will be to create the conditions to generate trans-border investment and the incentives for companies to partner and cooperate to gain global scale within the countries of the Pacific Alliance and its observer members.

To support the AVPAF, the MIF will provide US\$ 4mm in equity investment and US\$ 135,000 in non-reimbursable funding.