

PROJECT SUMMARY
CARAO VENTURES FUND I (RG-Q0047)

Latin America is witnessing the emergence of dynamic entrepreneurs that, often leveraging the power of technology, are innovating with products and services that address key challenges in sectors such as health, education, and agriculture, among others. Many countries in the region are showing signs of vitality of an emerging early-stage innovation ecosystem, with universities creating entrepreneurship tracks, governments expanding their support, and a growing presence of company builders and startup accelerators.

However, given the still nascent nature of the local ecosystems, especially in regions such as Central America or the Andean countries, entrepreneurs face two key obstacles to starting and growing their companies: (i) limited access to the seed financing required for their product to gain traction in the market after prototyping and piloting their solutions; and (ii) limited access to vital business-oriented mentorship to address the multiple challenges they face in the initial business consolidation phase.

The MIF will support the creation of one of the first VC funds with primary focus in Central America and the Andean region, which will provide funding to startups addressing social and/or environmental challenges through tech-driven solutions. The Fund, Carao Ventures I, will invest in up to 35 early stage companies operating in the spaces of enterprise software, fintech, biotech, artificial intelligence (AI), hardware, internet of things (IoT), shared economy, e-commerce, among others.

Carao, headquartered in San José, is one of the most active companies in the early-stage ecosystem not only in Central America but across the region. Since 2013, Carao has been providing early stage tech-startups in Central America with capital, a suite of professional services, strategic and financial guidance, and support in the execution of their business plans; investing over USD 6MM through its Investor Club, a network of 40 angel investors from Central America, Colombia, the U.S., and Switzerland. With this Fund, Carao's team will help create valuable companies capable of generating a profound impact through higher value-added jobs and wealth creation that can be reinvested in the target markets.

Carao is currently an active member of the MIF sponsored Xcala Program (RG-M1228), a platform that seeks to strengthen angel networks in Latin America and the Caribbean with over 50 network members. The MIF team has been closely following the evolution and growth of Carao since its creation and considers that the team is now well-positioned to leverage its experience and network to scale its investment activities via a VC fund.

With its participation in the Fund, the MIF will: (i) send a positive signal to the market, helping to bring in other investors during its first and subsequent closings; (ii) ensure that the Fund Manager structures the Fund according to international best practices and terms; (iii) promote best practices in the Fund's corporate governance and the adoption of environmental and social standards at both the Fund and investee level; (iv) guide the Fund Manager to incorporate impact indicators in their monitoring process to assess the impact of their investments; and lastly (v) connect Carao with more than 50 MIF invested VC fund managers in the region, providing a unique opportunity for cross-fertilization as well as opportunities for follow-on investments and regional expansion of Carao's portfolio companies.

To support Carao Ventures I, the MIF will provide a USD 3.5 MM equity investment. The Fund is expected to reach a capitalization of USD 35 MM and begin operations with a minimum of USD 15 MM in equity commitments.