

**PROJECT SUMMARY**  
**COUNTRY**  
**HIGH-IMPACT THROUGH DIGITAL TECHNOLOGY: INVESTMENT IN ASTELLA'S**  
**JOURNEY III**  
**(BR-Q0022)**

Brazil has been at the forefront of Latin America's growth in the innovation and technology ecosystem, with an ever-growing number of startups that focus on solving pressing economic and social issues by leveraging the power of technology. Although Brazil has developed one of the most active venture capital industries in the region - aided by the actions taken for many years by government agencies and the MIF, many highly promising startups do not achieve business maturity due to systemic constraints. It is estimated that only 20% of the newly born startups cross the so called "valley of death".

This project seeks to address two key bottlenecks faced by tech-driven entrepreneurs: the limited financing in the earlier stages of innovation investment cycle (the "seed stage") as well as the lack of access to specialized business-oriented mentorship required by the startups' teams to address the multiple challenges they face in such initial consolidation phase of business.

Building on MIF's decisive role in the initial shaping and strengthening of the Brazilian VC ecosystem and industry, current MIF's strategy in the country is to support cutting-edge VC models with high development impact in the last mile. In this project, the MIF will partner with Astella, a seasoned Brazilian seed-focused fund manager who has a unique capacity of combining solid financial performance and highly impactful investments leveraging the transformational power of digital technologies. Through its investees, Astella focus on disrupting or addressing key market inefficiencies in high-impact sectors such as health, education, solutions to small businesses, and financial services, expanding the access of underserved populations to new products and services.

As a symbol of the new generation of innovative fund managers in Brazil, Astella has developed a distinctive approach to seed financing, which involves performing a knowledge hub role for tech-based startups by developing valuable educational content to entrepreneurs and nurturing a vast network of startups. Following a rigorous and continuous selection process, and an innovative structured method for creating value for the entrepreneurs, Astella's third fund (*Journey III*) will invest USD 25 million in up to ten highly transformational startups with rapid scaling up potential.

To support the Fund, the MIF will provide USD 3.5 MM in equity investment. MIF's participation in the fund is deemed vital both financially – to allow Astella to achieve its capitalization target and conduct follow-on investments to better prepare the investees to gain market traction and reach scale –, and non-financially – including strengthening Astella's monitoring, reporting and governance standards, and to systematize, enrich and disseminate Astella's very rich data on tech-based startups in Brazil.

The project has close synergies with other IDB Group efforts, including the Open Innovation Initiative in progress in Brazil.