

PROJECT SUMMARY

VULCANO FUND

(CH-Q0006)

Since the early 2000s, the Chilean government has made major efforts to encourage development of the venture capital industry. These have included adopting a set of legal and fiscal measures and creating credit lines to support the emergence of venture capital funds. Despite the significant progress made, startups that graduate from acceleration programs to achieve an initial market validation of their products face two main hurdles to growing and scaling up their business: (i) the shortage of post-seed and Series A financing (between US\$300,000 and US\$1 million), which would enable them to continue pursuing their development and growth plans as they cross the “valley of death,” and (ii) lack of access to the specialized mentoring services they need to meet the numerous challenges arising in the initial stages of their enterprises.

The Multilateral Investment Fund (IDB Lab) seeks to scale up and internationalize technology-based startups in Chile by investing in the Fondo de Inversión Privado Vulcano [Vulcano Private Investment Fund] (Vulcano Fund). In turn, the Fund will invest in up to 25 startups that are using innovative technologies with the capacity to facilitate large-scale inclusion and access to basic services. The aim is to overcome real challenges confronting Chile and Latin America, primarily in the areas of education (EdTech), access to finance (FinTech), agriculture (AgTech), health (HealthTech), Smart Cities, and environmental solutions (GreenTech). The Fund will be managed by Administradora Dadneo II S.A., which has evaluated more than 2,000 dynamic ventures in Chile and elsewhere in Latin America over the last five years, and managed 23 investments totaling US\$3.45 million through its angel investor network. Of these projects, Dadneo has already exited four, with an average return multiplier of 2.8 and an average internal rate of return of 37.8%. Examples of startups slated to receive investment through its angel investor network include: (i) SoSafe developed a mobile app for neighborhood security that enables residents and public institutions to report security situations or issues of community interest (e.g. robberies, assaults, suspicious activity, and health problems), with a view to ensuring that cities are safer and better organized; the app currently has more than 200,000 users across 13 communities; and (ii) Tienda Nube, a self-managed e-commerce technology solution app that has enabled more than 500,000 Latin American micro, small, and medium-sized enterprises (MSMEs) to create their own online stores.

Investing in the Vulcano Fund is at once innovative and strategic for IDB Lab for two main reasons: (i) it will give IDB Lab the opportunity to invest in a fund manager representing a new venture capital model in Chile that focuses on digital technologies used to achieve greater inclusion, and in a new generation of entrepreneurs with greater social awareness and capacity to solve real problems; (ii) Vulcano is one of the region’s pioneering funds and will use an innovative technological platform to supplement the process of identifying, selecting, negotiating (key terms), and monitoring investments. The Charly.IO platform, based on proprietary algorithms, machine learning, and predictive analytics, will validate critical decision-making for the fund’s individual projects and overall project portfolio, while also supporting measurement of the firms’ performance and impact, including their alignment with the United Nations Sustainable Development Goals (SDGs).

IDB Lab will make a US\$2 million capital investment in the Vulcano Fund, which has a target capitalization level of US\$20 million.