

PROJECT SUMMARY

In February 2021, IDB Lab launched a Call for Proposals for investment management firms seeking IDB Lab’s equity financing for venture capital (VC) funds with focus on Latin America and the Caribbean (LAC). With this renewed sourcing mechanism –aligned with the growth and evolution of the VC industry in the region—IDB Lab aims to expand its outreach of interested fund managers, while adopting a more systematic approach for the selection process. One of three verticals of IDB Lab’s approach for VC funds is “**Regionalizing funds**”, which seeks to support funds that, in addition to targeting more developed venture ecosystems, also include nascent or emerging ecosystems as part of their thesis in an effort to promote regional integration and knowledge transfer from more mature venture capital markets to emerging ones in the region.

As part of this call for proposals, between February and October 2021, IDB Lab received more than 160 applications of which 47 funds corresponded to the vertical “funds with regionalization strategy”. **Valor Venture Fund IV** (“VVF IV”) was selected under this vertical in Q4 2021, upon completing an in-depth assessment of the proposals, in which the following areas were analyzed: (1) management team, (2) manager’s track record, (3) fund’s thesis, (4) fund’s terms and governance, and (5) potential for development impact and IDB Lab additionality.

Through an investment in VVF IV, IDB Lab will partner with a leading fund manager in LAC (Valor Venture Partners - “Valor”), with the objective of supporting the growth of about 32 highly innovative startups that, by advancing innovative approaches and business models enabled by technology, should be capable of generating positive transformation and scale in key sectors (such as financial services, health/wellness, education, logistics/mobility or SME services, as well as blockchain and crypto applied to the target sectors), where the investee companies will also have the potential to generate social gains in the form of improved and expanded access by underserved populations to products, services and opportunities. By the end of the Fund’s lifetime, the project is expected to benefit over 1.8 million people through the invested companies. While Valor’s previous funds (Valor Venture Funds I, II, III and Valor Opportunity Fund I)¹ were mainly focused on Brazil, with opportunistic investments in other Latin American countries, with VVF IV, the firm seeks to further regionalize its investment strategy, expanding its reach to startups originating/operating in Latin American countries.

Through its investments in its previous funds, Valor was able to combine solid financial results with investments in some highly impactful tech-based startups. Beyond pushing the limits of innovation, Valor companies have significantly impacted their ecosystems through job creation, access to education and health services, solutions to improve MSME’s productivity, clean energy generation, community development, and the like. Thus, to date, the startups invested by Valor’s funds have created over 24,000 direct jobs, allowed 592,000 persons access to education, supported 1.3M MSMEs, helped 1.2M patients with access to health services, and generated 112 MW of solar energy.

¹ IDB Lab is a Limited Partner (LP) of Valor Venture Fund III, which is no longer making new investments but has reserves dedicated to follow on into its top companies. IDB Invest is an LP of Valor Opportunity Fund (VOF) I, and is currently in the process of structuring a potential investment in VOF II. These investments illustrate an exemplar case of the financing continuum between IDB Lab and IDB Invest to help expand and scale-up successful technology ventures in Latin America, from their inception to mature stages.

VVF IV will be led by a multidisciplinary team of partners and members distributed throughout the major tech hubs of São Paulo, Mexico City, Silicon Valley and New York, with solid experience in investing and providing mentorship and strategic support to startups.

IDB Lab's additionality is linked to: (1) providing the Manager access to IDB Lab platforms such as fAIrLAC (for the ethical and responsible adoption of artificial intelligence by companies in its portfolio), LACChain (the global blockchain alliance for Latin America and the Caribbean), the Corporate Impact Venturing initiative, WeXchange (for connection with potential investment opportunities co-led by women), Latitud R, etc.; (2) supporting the Fund's regionalization strategy by linking the deal-flow of nascent and emerging markets in the region that are directly aligned with VVF IV's thesis (via the new direct investment focus) and via funds in IDB Lab's portfolio operating in those markets (i.e. funds in Peru, Ecuador, Central America), thereby fostering closer ties between Brazil and other ecosystems in the region and channeling investment resources to companies in Group C and D countries; and (3) supporting the management team in deepening the integration of the impact approach & measurement (particularly in underserved populations, MSMEs, and the environment) and the gender/diversity lens both at the Fund Manager level (diverse representation in governing bodies, gender and diversity policies) and at the Fund's companies level (investment and monitoring strategy and process).

The project proposes an IDB Lab investment of up to US\$5 million in the Fund, with an expected final capitalization of US\$250 million.