

EXECUTIVE SUMMARY

IGNITING NASCENT ECOSYSTEMS: INVESTMENT IN THE ITHINK VC IGNITE FUND (RG-Q0090)

This project responds to IDB Lab's renewed approach to investment in venture capital funds and is specifically aligned with its focus on supporting funds that primarily invest in emerging or nascent ecosystems like Central America, the Caribbean, and select markets in South America such as Paraguay, Bolivia, Peru, Ecuador, and Uruguay. Under this approach, IDB Lab aims to develop local capacity in the above-mentioned ecosystems by investing in emerging/first-time fund managers with strong teams that have relevant operational and/or angel/early-stage investing experience, with a view to reducing financing gaps in countries and sectors where entrepreneurs have unmet demand for early-stage investments.

Between February and June 2021, IDB Lab received more than 130 proposals from its call for proposals for venture capital funds, including 19 funds that applied under the **funds focused on emerging and nascent ecosystems approach**. As a result of that exercise, IDB Lab selected **iThink VC, the first venture capital fund manager that is based in Paraguay and has a team in Bolivia**, which, through its first fund, **Ignite**, aims to invest in early-stage startups in Spanish-speaking Latin America with a particular focus on nascent ecosystems such as Bolivia and Paraguay (identified as "unactivated" ecosystems in IDB Lab's TecnoLatinas report¹) and emerging ecosystems like Ecuador, Peru, and Uruguay. Though these countries have entrepreneurial talent and a significant and increasing number of startups, startups still have very limited access to local smart capital for their development.²

The Ignite Fund will seek to support the growth, expansion, and impact generation of as many as 30 early-stage tech companies operating in sectors that not only have large market potential, but also are, in many cases, dominated by traditional players and thus offer an unparalleled opportunity for disruption and impact generation, namely: healthtech, agtech/foodtech, edtech, fintech, new forms of work, logisticstech/mobility, e-commerce, and business-to-business (B2B) software as a service (SaaS). The companies will receive between US\$50,000 and US\$500,000 in equity investments, with the possibility of additional funding in subsequent rounds, and strategic support through the process of viability testing, growth, and scaling up their business. More broadly, the Fund can play a key role in the creation and strengthening of the nascent venture capital ecosystems in Paraguay and Bolivia as the first local institutional fund serving those markets.

IDB Lab's additionality consists of: (1) as the first institutional anchor investor, leveraging other investors so the fund can reach its target capitalization and ensure a viable operation; (2) supporting the first Paraguay-based venture capital fund with knowledge (governance, best practices, environmental and social management systems, impact measurement, etc.); (3) serving as a connector, linking the Fund and its portfolio companies to IDB Lab's network of funds, entrepreneurs, and contacts in the region; and (4) giving the fund manager access to such platforms as: (i) fAIR LAC, for the ethical and responsible adoption of artificial intelligence; (ii) tools and standards developed by

¹ "TecnoLatinas 2021: The LAC Startup Ecosystem Comes of Age." IDB Lab/Surfing Tsunamis, March 2021. <https://publications.iadb.org/publications/english/document/TecnoLatinas-2021-The-LAC-Startup-Ecosystem-Comes-of-Age.pdf>

² The fund manager plans to invest at least 40% of the Fund's resources in companies from Bolivia, Paraguay, Ecuador, Peru, and Uruguay.

LACChain, the global blockchain alliance for Latin America and the Caribbean; and (iii) WeXchange, to connect with potential investment opportunities co-led by women.

iThink VC Ignite GP (“iThink VC” or the “fund manager”), a limited liability company that will be incorporated in Delaware, United States of America, and whose management team is based in Paraguay, will be the fund manager.

The project proposes an IDB Lab investment of up to US\$3 million in the Fund, which anticipates a final capitalization of US\$20 million.