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MULTILATERAL INVESTMENT FUND

ARGENTINA

VIRA VENTURES: BUILDING AN ECOSYSTEM FOR SOCIAL INNOVATION

(AR-T1196)

DONORS MEMORANDUM

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PROJECT SUMMARY

VIRA VENTURES: BUILDING A SOCIAL INNOVATION ECOSYSTEM

(AR-T1196)

The lower-middle-income and low-income segments of our region's populations, representing over half of its inhabitants, continue to face exclusion in terms of both quality basic services (health, education, and housing), and other goods and services supplied by the market. Nonetheless, recent years have seen an increase in social innovation and the use of technology to structure demand, make markets visible, and connect those with problems to those with the knowledge to solve them at a good cost-effectiveness ratio.

In Argentina, the social innovation ecosystem is still in its early stages, since the need for its creation and consolidation have only very recently been seen as priorities. Recent developments include the new Venture Capital Support Law and the emergence of private-sector initiatives to promote financing for social impact enterprises, such as the creation in March 2016 of the Impact Investment Task Force for Argentina, Paraguay, and Uruguay. This local momentum needs to be sustained and accelerated through the development of actors that support entrepreneurs at their earliest stages of ideation, incubation, and acceleration.

The project's core objective is to create and strengthen a scalable/replicable model capable of forging a generation successful technology firms that have a positive social impact at scale. The model to be supported, Vira, is a platform for nurturing social enterprises that leverage technology, acting as initial investor and supporting the enterprises from their inception.

By the end of the project, at least 108 entrepreneurs are expected to have participated in the Vira model to develop their technology-based enterprises that have a social impact; and that at least 25,000 poor or vulnerable people are expected to gain access to new and better solutions for their unmet basic needs. The executing agency for the nonreimbursable technical cooperation component, Vira Ventures S.A., is a leader in the local investor ecosystem. The project will be implemented in coordination with the IDB's Connectivity, Markets, and Finance Division (CMF).

ANNEXES

Annex I	Results Matrix
Annex II	Summary Budget

APPENDICES

Proposed resolution

**INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF THE
MIF PROJECT INFORMATION SYSTEM**

Annex III	Itemized budget
Annex IV	Diagnostic needs assessment (DNA) of the executing agency
Annex V	Project status reports (PSR), fulfillment of milestones, and fiduciary agreements
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ABBREVIATIONS

CMF	Connectivity, Markets, and Finance Division
DNA	Diagnostic needs assessment
MVP	Minimum viable product
Vira	Vira Ventures S.A.

ARGENTINA
VIRA VENTURES: BUILDING AN ECOSYSTEM FOR SOCIAL INNOVATION
(AR-T1196)

EXECUTIVE SUMMARY

Country and geographic location:	Argentina. The project will be executed at the national level.		
Executing agencies:	Vira Ventures S.A. and the Vira Fund ¹		
Focus area:	Knowledge Economy		
Coordination with other donors/IDB Group operations:	The project will be coordinated with the Connectivity, Markets, and Finance Division of the Institutions for Development Sector (IFD/CMF) as part of its activities to promote the investor ecosystem.		
Project beneficiaries:	The project's direct beneficiaries will be: (i) at least 108 entrepreneurs who will receive support to develop their technology-based enterprises with social impact; (ii) at least 25,000 poor or vulnerable people who will gain access to new and better solutions for their unmet basic needs; ² and (iii) the local social innovation ecosystem.		
Contribution to project:	Technical cooperation:	US\$500,000	13%
	Contingent recovery contribution:	US\$500,000	13%
	Total MIF contribution:	US\$1,000,000	
	Counterpart:	US\$2,800,000	74%
	Total project budget:	US\$3,800,000	100%
Execution and disbursement period:	48 months for execution and disbursements for nonreimbursable funds. 48 months for disbursements for the contingent recovery contribution, and 96 months for reimbursement.		
Special contractual conditions:	As conditions precedent to the first disbursement of nonreimbursable funds: (a) the Vira Fund (investment vehicle) will be established to the MIF's satisfaction; (b) a service agreement will be signed between Vira Ventures, S.A. and the Vira Fund. The conditions precedent for the contingent recovery component are described in Section II of this document and in Annex VII.		

¹ Investment vehicle to be created as indicated below. The final name of this investment vehicle may be changed.

² Areas where investments are planned include health, education, housing, transportation, food, financial inclusion, technological inclusion, workforce integration, access to basic services, entertainment/recreation.

**Environmental
and social impact
review:**

This operation was screened and classified according to the requirements of the Bank's Environmental and Safeguards Compliance Policy (Operational Policy OP-703) on 25 October 2017. Since the impacts and risks are limited, the proposed category for the project is "C".

**Unit with
disbursement
responsibility:**

MIF staff at the Bank's Country Office in Argentina (MIF/CAR).

I. THE PROBLEM

A. Description of the problem

- 1.1 The lower-middle-income and low-income population segments of Latin America and the Caribbean, representing over half of the hemisphere's inhabitants, continue to face exclusion in terms of both quality basic services (health, education, and housing), and other goods and services supplied by the market. Nonetheless, in recent years technology has made it possible to structure demand, make markets visible, and connect those with problems to those with the knowledge to solve them at a good cost-effectiveness ratio.³
- 1.2 Like other organizations, the IDB Group's experience has enabled it to empirically characterize social innovation and to support its generation, scaling, and measurement. Nonetheless, public policy is still needed to foster social innovation ecosystems, help structure and spur latent demand, and elicit private-sector interest in creating solutions that have a social impact. Social innovation also relies on the private sector ability to innovate, run, and scale up ventures that can meet the needs of more people cost-effectively.
- 1.3 In Argentina, the social innovation ecosystem is still in its early stages, since the need for its creation and consolidation have only very recently been seen as priorities. Recent developments include the new Venture Capital Support Law,⁴ which recognizes the entrepreneur's role in generating productive activities and promotes their formalization. The law also regulates and provides tax benefits to venture capital institutions and venture capital investors. Lastly, it creates a Venture Capital Development Trust Fund and regulates pooled systems for financing venture capital industrialists.
- 1.4 Also building on all these measures are fledgling private-sector moves to promote models that support and finance social impact enterprises. The Impact Investment Task Force for Argentina, Paraguay, and Uruguay, created in March 2016, has been a driver of this type of initiative. Entrepreneurs are working on solutions for inclusion, and many are already implementing their initiatives; others could also go down this path if properly inspired. This is bound to happen when a small number demonstrate that they can succeed using the social impact approach. Thus far, there are not enough tested/established models to prime the ecosystem. The MIF has supported some of these (such as Njambre⁵ and NXTP Labs⁶), but the fabric is still thin.
- 1.5 Social innovation entrepreneurs and their ventures generally face a number of constraints, so their real impact has thus far been very limited. The greatest constraints are: (a) limited ability to build and run an enterprise efficiently and effectively; (b) lack of management tools and skills needed to make the enterprise scalable; (c) lack of understanding of how to take advantage of the opportunities

³ Inter-American Development Bank (2016), La política de innovación en América Latina y el Caribe: Nuevos Caminos [Innovation policy in Latin America and the Caribbean: New paths].

⁴ <http://servicios.infoleg.gob.ar/infolegInternet/verNorma.do;jsessionid=204BCC0AD6A316187F77B9FB472CFAC4?id=273567> (April 2017).

⁵ Operation AR-M1071, Consolidation and Expansion of Njambre as a Group of Technology-based Social Enterprises, approved in May 2016.

⁶ Operation RG-T2996, NXTP Program to Accelerate FinTech and AgTech Startups, approved in June 2017.

offered by technology to address social problems in a disruptive manner; (d) little capacity for innovation to build products and systems that offer new solutions to longstanding problems; (e) the perpetuation of design errors in the initial stage of enterprises that, if uncorrected, stunt growth and delay maturity with consequences for assembling and scaling up the entrepreneurial team and for product design and business model identification; and (f) a weak ecosystem and lack of access to funding mechanisms that would enable these ventures to reach scale and have a genuine impact on the population.

- 1.6 The development of support models for social innovation entrepreneurs, including intermediaries targeting the early stages (accelerators, angel investors, and incubators) will increase the quantity and quality of ecosystem enterprises, thereby improving the pipeline available to the actors who will invest at later stages.

B. Beneficiaries

- 1.7 The project's main beneficiaries will be 108 entrepreneurs with technology-based business ideas that have a social impact, who will be able to access new support services provided by Vira Ventures S.A. This organization will focus particularly on identifying and supporting women entrepreneurs with the target that at least 25% of the entrepreneurial teams supported include women among their founding members. Moreover, given the investment vehicle's impact mission, all firms in the portfolio will have a neutral or positive environmental impact. Guidance and mentoring are expected to be provided to 108 social entrepreneurs. Of the resulting ventures, at least 12 will receive financing from the Vira Fund to develop and market test their viable minimum products (MVPs). Eight social enterprises are expected to be started and accelerated, at least four of these are expected to reach the seed capital round.
- 1.8 In terms of the target population of the enterprises to be supported, the goal is to provide new and better solutions to satisfy unmet basic needs⁷ for at least 25,000 poor or vulnerable people.
- 1.9 Also benefitting from the project will be accelerators, angel investors and other entrepreneurial ecosystem actors that identify new business opportunities for investment.

II. THE PROPOSED INNOVATION

A. Project description

- 2.1 The project's core objective is to create and strengthen a scalable/replicable model capable of forging a generation successful technology firms that have a positive social impact at scale. The Vira model is a platform for nurturing ventures that leverage technology to solve problems faced by the middle-income and lower-income segments of the population of Latin America and the Caribbean, acting as initial investor and supporting each entrepreneurial team from the inception of the enterprise through stages including its incubation and acceleration.

⁷ Areas where investments are planned include health, education, housing, transportation, food, financial inclusion, technological inclusion, workforce integration, access to basic services, entertainment/recreation.

- 2.2 The Vira model is thus far unique in Argentina's current ecosystem in employing this working methodology, underlying impact theory, and modality of financial support,⁸ setting out key processes or milestones in supporting entrepreneurs, namely:
- (i) Cast a wide net and select entrepreneurs with high impact potential.
 - (ii) Groom the entrepreneurial teams at the level of founders and key managers, and nurture the right organizational culture to achieve social impact.
 - (iii) Guide and contribute methodologies at the stages of: (a) empathy and study of the selected problem; (b) generation of social innovation solutions; (c) design, execution, and assessment of market testing/prototypes; and (d) identification and validation of strategies for growth/scaling.
 - (iv) Act as initial investor.
 - (v) Develop and implement an investment strategy that maximizes the chances of achieving returns in line with global venture capital industry benchmarks.
 - (vi) Mentor and guide entrepreneurs in general areas of running their businesses, and at subsequent stages of securing funding.
 - (vii) Connect entrepreneurs to potential investors and donors, to build on the financial support of Vira Ventures S.A. and the Vira Fund.
 - (viii) Inspire new impact entrepreneurs.
- 2.3 **Innovation.** The innovative features of this model include: (a) the focus on innovation and social impact pursued from the outset, i.e., when the call goes out to entrepreneurs; (b) consistency between a theoretical model of social impact and evaluation of the process, following specific criteria to assess both the social and economic/financial impact; (c) the use of a "carry allocation" criterion conditional on enterprises' impact, and the donation of surplus earnings at the discretion of the investors; and (d) the mobilization of impact investors through a model calling for assistance to startups on a long-term basis.
- Component I: Implementation of an impact startup assistance and investment model: Vira model (MIF nonreimbursable: US\$238,000; MIF contingent recovery: US\$500,000; Local counterpart: US\$2,214,000)**
- 2.4 The purpose of this component is to support a creation, assistance, and investment model startups that leverage technologies to generate disruptive business models that transform the realities of the most sensitive social problems in vulnerable/disadvantaged population segments of Latin America and the Caribbean, while creating extraordinary economic value. The model will use core social impact criteria reflecting the direct and indirect impact of the ventures on such variables as employment, climate change, gender equality, and inclusion. The evaluation system

⁸ The Vira model differs from other models supported by the MIF, such as Njambre, because it issues open calls to entrepreneurs and forms teams. In addition, Vira forms an investment fund for the different stages of the venture (Njambre does not have an investment fund). It differs from NXTTP Labs, also supported by the MIF, in that the Vira model supports early stage entrepreneurs and makes seed capital investments.

mentioned in Component II will be based on this theoretical model. As an expected outcome of this component, a model will be implemented and refined to work with impact entrepreneurs until at least 12 MVPs have been tested, and eight social impact enterprises that provide inclusion solutions will be started and accelerated, and seed capital investments will be made in four enterprises, successfully exiting at least one of them.

- 2.5 The model consists of four phases, on which the component's activities are based: (i) identification and selection of entrepreneurs; (ii) research/empathy; (iii) minimum viable product (MVP)/prototyping; and (iv) acceleration.

- (i) **Identification and selection phase.** Entrepreneurs with an interest in resolving social problems through impact investments will be recruited through a public call and selected using the core criteria of the social impact model. The commitment and intentionality of the entrepreneurs who apply to Vira Ventures S.A. will be assessed, along with the consistency among their investment decisions, dedication, willingness to partner, and other factors. Steps will be taken to ensure that their skill set is consistent with the challenge involved in the project to be undertaken. The aim is to have 36 applicants per year, and progress to the research phase with at least six entrepreneurial teams each year. Specific activities will be pursued with women during the recruitment phase, to increase their participation in the ecosystem and integrate them into the startup founder teams.
- (ii) **Research/empathy phase.** In this phase, a problem is chosen for targeting, in conjunction with the selected entrepreneurs, and the area is researched to determine, among other factors: the size of the opportunity, the general features of the problem, the competitive environment of available solutions, and the relevant regulatory framework. The next step is an empathy stage following a "human-centered design" methodology.⁹ After this study phase, possible business models are identified with potential to be prototyped and tested in the MVP/prototyping phase. At this stage, the business models must gain approval both as a potential business and in terms of expected impact. As a result of this stage, at least three groups each year are expected to arrive at scalable, potential solutions to tangible problems that can move to the MVP/prototyping market-testing phase. Given the scope of this stage, the assistance provided to entrepreneurs, and the higher risk involved in creating a portfolio, nonreimbursable funds will be allocated to these activities.
- (iii) **MVP/prototyping phase.** In this phase the entrepreneurs are supported, with resources from the Vira Fund, in designing and implementing a market test (prototype or MVP) to validate the product-market fit. The intent is to determine in the market, on a small scale, whether the proposed solution is permanently adopted by users

⁹ Human-centered design is a creative approach to problem solving, with the close involvement of the beneficiaries of the solutions. It has three phases: (a) an inspiration phase, where one learns from the people being designed for about their needs; (b) an ideation phase, where products/services are identified and prototyped; and (c) an implementation phase, where solutions are implemented and brought to market.

and whether they are willing to pay for the value delivered by this solution. This assessment will show whether the business model's impact generation hypothesis is borne out by the results of the market test. Based on the outcome, two of the three teams conducting an MVP market test are expected to advance to the acceleration phase each year. At the time of designing this project, there are three ventures in the MVP phase: (a) **Emi**, a technological product based on artificial intelligence that assists people in their efforts to join the workforce and advance in their employment. This product uses a chatbot platform which has already helped 15,000 people produce their résumé, and filters the information to firms seeking employees with the requested background and qualifications; (b) **Flexipag**, a financing platform that enables unbanked individuals, or those without a credit card, to buy a smartphone by installments; and (c) **Pueblos Originales**, a platform for marketing tourism experiences, all provided by indigenous communities in their own territory.

- (iv) **Acceleration phase.** In this phase the entrepreneurs focus on designing a set of possible strategies for scaling up the business. The objective is to find a way for the startup to grow quickly (effectiveness), while keeping costs consistent with the implicit business model. Thus, the ratio between efforts to gain a new user, and what that new user contributes, is healthy and consistent with the amounts that can be obtained in the market to fund future growth. Of the two startups entering the acceleration phase each year, one is expected to find a way to grow efficiently and effectively and obtain a seed round injection of approximately US\$1 million in the market, led by external investors, with the Vira Fund expected to co-invest US\$200,000. Impact objectives to assess the investment's impact performance will be set at the time this investment is approved by the Vira Fund. A system established in the Vira model will be used for this, where each startup identifies at least one quantitative variable, for which annual objectives will be set for a ten-year period. The status reports will track progress toward these targets for each startup/investment. At the exit stage, an assessment will be made, and 33% of the carry for Vira Ventures S.A. will depend on the degree to which the impact objectives have been met. The remainder will be donated to one or more impact entities, to be identified by the Vira Fund investors. This system of impact measurement and earnings retention tied to the attainment of impact objectives will make it possible to align all stakeholders with Vira's goal of generating economic return simultaneously with social change.

2.6 Under this component, counterpart funds will be used to support the structuring of the model and operating expenses (legal and accounting costs).

2.7 The contingent recovery contribution will have the following key terms:

Amount:	Up to US\$500,000
Executing agency:	Vira Fund, a limited liability (or equivalent) corporation to be established and incorporated in

	a jurisdiction acceptable to the MIF, and administered by Vira Ventures S.A.
Use of the funds:	Vira Fund will allocate the MIF resources wholly and exclusively for investment in the enterprises created and supported by Vira Ventures S.A..
Execution period:	96 months, running from the signature date of the agreement (the "Effective Date").
Disbursement period:	The first disbursement will be made within six months after the Effective Date, or the MIF's commitment will be canceled automatically. The period for subsequent disbursements will end in month 48 after the Effective Date. Any amount remaining undisbursed in this period will be canceled automatically.
Disbursement mechanism:	There will be four disbursements: an first disbursement of US\$200,000 followed three subsequent disbursements of US\$100,000 each. Each disbursement will only be released after the Vira Fund has satisfied all contractual requirements to the MIF's satisfaction as well as the corresponding conditions precedent, as specified below.
Conditions precedent to the first disbursement:	<ul style="list-style-type: none">(a) The Vira Fund has been established to the MIF's satisfaction;(b) 40% of the total amount subscribed by the Vira Fund partners has been capitalized, along with the MIF disbursement;(c) The legal opinion is satisfactory to the MIF; and(d) The nonreimbursable technical cooperation agreement between Vira Ventures S.A. and the MIF has been signed and executed to the MIF's satisfaction.
Conditions precedent to subsequent disbursements:	<ul style="list-style-type: none">(a) For each disbursement, 20% of the total amount subscribed by the Vira Fund partners has been capitalized, along with the MIF disbursement; and(b) The nonreimbursable technical cooperation has been executed satisfactorily with no milestones unfulfilled.
Contingency for reimbursement:	During the execution period, whenever the Vira Fund realizes cash income as a result of the sale of shareholdings in the companies in its portfolio, or realizes income in any other form, the Vira Fund

will reimburse the amount thus realized to the MIF account within 60 calendar days after such event. This reimbursement modality will continue until: (i) the cumulative amount of reimbursements reaches the amount that the MIF has disbursed to Vira Fund, or (ii) the execution period ends, whichever occurs first. The Vira Fund will make no distributions to its partners/shareholders until one of these two events has occurred.

Once the MIF reimbursement has been completed as defined in the previous paragraph, the Vira Fund's obligation to reimburse the MIF will cease. However, for three years after full and final discharge of its financial obligations to the MIF, independent of the execution period, if the Vira Fund makes earnings enabling its partners to reach a distributed to paid-in ratio (DPI) of at least seven times, the MIF will be entitled to request a distribution from the Vira Fund of the amount equivalent to the opportunity cost of its disbursed resources, derived from applying the U.S. inflation rate for the period in which the MIF ran an unreimbursed balance.

Key Person:

Mr. Pablo Simon Casarino, President of Vira Ventures S.A. The Key Person will not start any commercial activity (except for the activities currently performed by the Key Person) without written consent from the MIF, including investing on his own behalf or advising any other entity or group of investors, until such time as: (i) at least 70% of the total resources contributed to the Vira Fund by its partners and the MIF have been invested in portfolio companies, used to pay expenses, or reserved for follow-on investments in portfolio companies; and (ii) the investment period (four years, running from the Effective Date) has expired, whichever occurs first. Until then, the Key Person will devote substantially all of his time to the affairs of the Vira Fund.

Monitoring and supervision:

The MIF will be entitled to attend meetings of the Shareholders Assembly, the Board of Directors, and any Vira Fund committee as it sees fit, as an observer without the right to vote, with access to the same materials and reports as the other members of those bodies.

Component II: Dissemination of outcomes and strengthening of the ecosystem (MIF nonreimbursable: US\$203,500).

- 2.8 The core objective of this component is to contribute to the development of the local ecosystem for social impact enterprises. The focus is increasing the quantity and quality of entrepreneurs who decide to address the social problems facing the middle-income and low-income segments of the population, leveraging new technologies and large-scale models.
- 2.9 This objective will be pursued by developing the impact assessment module of the Vira model, based on the theoretical model containing social impact variables, as described in paragraph 3.1. This assessment model will be used to:
- (i) Evaluate previous ventures at the MVP/prototyping stage, to determine whether the startup will proceed to the MVP phase;
 - (ii) Identify quantitative impact variables and criteria for setting impact objectives in the investment approval phases of the seed capital round;
 - (iii) Produce annual status reports on progress toward impact objectives by the firms in the portfolio, along with the report on financial/economic progress and results;
 - (iv) At the exit stage, the system will produce the final impact assessment report and establish the degree to which the impact objectives have been met. This will be used to calculate the Vira Fund administrator's total carry (contingent on impact) and the amount to be donated.
- 2.10 An annual program will also be implemented that includes a combination of motivational talks, technical panels, problem/idea competitions, workshops on specific problems, activities targeting women entrepreneurs, and similar activities. Special attention will be paid to disseminating the model among potential women entrepreneurs, coordinating actions with established entities/events that support women, such as WeXchange, Sustainable Brands, Endeavor conferences, etc. Another area of contribution is through studies under the Global Social Impact Investment Steering Group and National Advisory Board for Argentina and Uruguay, which collaborates in developing the impact investment ecosystem. Vira will participate in these events both locally and globally, with the aim of attracting additional entrepreneurs and more impact investors to the system.

B. Project results, measurement, monitoring, and evaluation

- 2.11 The effectiveness of a successful impact investment model is expected to have been proven by the end of the project, encouraging the growth of the startups chosen for investment, and indirectly strengthening Argentina's fledgling impact investment ecosystem. The main expected outcomes of the project are as follows: (i) the Vira model to provide early-stage support to entrepreneurs has been created, strengthened, and replicated; (ii) 20 key players in the investment ecosystem adopt new tools and technologies; (iii) 25,000 poor or vulnerable people access new and better solutions to meet their basic needs; and (iv) at least two firms achieve scale and receive funding from other investors.
- 2.12 **Monitoring and evaluation.** The monitoring and evaluation strategy will involve the following activities: (i) development of the system for monitoring and evaluation of the Vira model, encompassing both the business and impact dimensions (impact

indicators will be considered in the main dimensions,¹⁰ followed by specific impact indicators depending on the type of firm supported by the investment); (ii) regular reports to the MIF and investors; (iii) documentation of the main outcomes and learnings in a study of the Vira model and its impact on the local ecosystem (to be done as an external evaluation twelve months before project-end); and (iv) dissemination of the knowledge generated through events, a website, and other media. The key questions to be answered by the external evaluation will be: (a) Can a model to support and finance impact entrepreneurs be profitable, both socially and from a business perspective? (b) Was there an increase in number of similar models that help strengthen the impact enterprise ecosystem? (c) Are there more and new impact investors? and (d) Are there more and better impact startups vying for investment?

III. ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND PROJECT RISKS

A. Alignment with the IDB Group

- 3.1 A major focus area of the IDB Group's Institutional Strategy is to promote productivity and innovation by providing effective know-how and innovation ecosystems. The project responds to the challenge of low levels of productivity and innovation identified in the "Update to the Institutional Strategy 2010-2020: Partnering with Latin America and the Caribbean to Improve Lives." Specifically, this project is aligned with the Corporate Results Framework's regional indicator 5, "Global Innovation Index;" and contributes to country development results indicators 14, "Jobs created by supported firms;" 16, "Micro/small/medium enterprises financed;" and 17, "Micro/small/medium enterprises provided with nonfinancial support."
- 3.2 The project is aligned with the IDB Group's country strategy with Argentina (2016-2019),¹¹ especially in terms of positioning the private sector in global value chains through the development of business services to boost innovation and entrepreneurial development in export sectors. The project will be coordinated with the Bank's Connectivity, Markets, and Finance Division (CMF) as part of its activities to promote the local investment ecosystem. It is also consistent with the Renewed Vision of IDB Invest, particularly its priority areas of: (i) increased access to finance and technical assistance for entrepreneurial activities; and (ii) support for innovation and technological development.
- 3.3 In terms of the current MIF strategy, this project fits into the Knowledge Economy area, since it promotes the creation of technology-based enterprises with high growth potential. Within the Knowledge Economy strategy, the project operates firstly at the ecosystem level, offering an innovative model for promoting entrepreneurship with innovation and impact, and secondly at the firm level by supporting the growth of tech startups.

¹⁰ The methodologies that may be employed include: GIIRS (<http://www.b-analytics.net/giirs-funds>); Impact Management (<http://www.impactmanagementproject.com/understand-impact/>; <https://iris.thegiin.org/metrics>), or similar methodologies.

¹¹ Document GN-2870-1.

B. Scalability

- 3.4 Vira Ventures S.A. and the Vira Fund were created with a mission of achieving scale, so that it can reinvest in funds to be established with local and/or foreign investors. If the Vira model is successful, the activities to document and disseminate knowledge are expected to inspire new investors and ecosystem actors to channel financial services and technical assistance to impact entrepreneurs. Coordination with CMF's work to promote the investment ecosystem in Argentina will be especially relevant in that regard.

C. Project and institutional risks

- 3.5 **External risks.** The difficulty of identifying the investable portfolio in line with the model's projections has been identified as risk. This will be mitigated by holding dissemination and recruiting events with universities and key ecosystem actors. The Vira Ventures S.A. team will also be strengthened to support entrepreneurs with new impact investment analysts and a consulting impact investment monitoring specialist. Lastly, the contingent recovery disbursement modality will match the capital contributions of the investors on a pari-passu basis.
- 3.6 **Institutional risks.** The concentration of decision-making functions in the current director of Vira Ventures S.A. has been identified as a risk of the model. Mitigation measure: As a condition of the contingent recovery contribution, if the key person ceases to participate actively in business and affairs of Vira Ventures S.A., the investment vehicle (Vira Fund) must notify the MIF immediately in writing and submit a succession plan to the MIF for consideration and approval within 30 days after this individual's departure. If this is not done to the MIF's satisfaction, any pending disbursement will be suspended.

IV. INSTRUMENT AND PROPOSED BUDGET

- 4.1 The project has a total cost of US\$3.8 million. Of that amount, US\$500,000 (13%) will be contributed by the MIF as nonreimbursable technical cooperation, and US\$500,000 (13%) as contingent recovery contributions. The counterpart contribution will be US\$2.8 million (74%). The counterpart funds will come from the fund of the investors, which include: the Román Organization, Alta Ventures, Guillermo Cerviño, and Harold Wiener.¹²
- 4.2 **Retroactive recognition of counterpart funds.** Counterpart funds of up to US\$70,000 may be recognized as from the date of the project analysis mission.

¹² The investors have a track record in social investment, and include entities such as the Román Organization (<http://www.organizacionroman.com/>), and Alta Ventures (<http://altaventures.com/>), with which the MIF has worked previously. Other investors have extensive experience in the venture capital market and are making their first forays into impact investment.

	MIF		Counterpart	Total
	Nonreimbursable contribution	Contingent recovery contribution		
Project components				
Component 1: Impact startup assistance and investment model	238,000	500,000	2,214,000	2,952,000
Component 2: Dissemination of outcomes and strengthening of the ecosystem	203,500		0	203,500
Execution	42,500		586,000	628,500
Ex post reviews ¹³	16,000		0	16,000
Grand Total	500,000	500,000	2,800,000	3,800,000
% of Financing	13%	13%	74%	100%

V. EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE

A. Description of the executing agency

- 5.1 The executing agency for the nonreimbursable funds will be Vira Ventures S.A. in Argentina. Vira Ventures S.A. is a firm established in 2016 with the objective of advising and investing in enterprises. The Vira Ventures S.A. team includes specialists in social innovation and impact investment, who have been associated with various technology-based ventures for over 20 years. Its Director is Pablo Simón Casarino, a well-known entrepreneur in the region's ecosystem (Officenet between 1997 and 2004), and founder of Quasar Company Builders from 2010 to 2016, where enterprises, such as Restorando, Avenida, Trocafone, Sirena, and Snapcar were nurtured and developed. Vira invested in these firms in the early stages (angel and seed capital rounds) and collaborated in later rounds (series A, B, and C). Complementing this experience is an awareness of social problems and a conviction that available technologies can be used to address those problems in an innovative way. Vira Ventures S.A. is a member of the Sistema B Argentina Enterprise Council, a member of the National Advisory Board for Argentina under the Global Social Impact Investment Steering Group, and a mentor in the Endeavor Argentina mentoring network. It is currently pursuing the impact startup support model and has an early-stage portfolio of investable enterprises, as described in paragraph 2.5 (iii)
- 5.2 The executing agency for the contingent recovery contribution will be the Vira Fund, to be established and incorporated in a jurisdiction acceptable to the MIF. The investment vehicle will be run by Vira Ventures S.A. or its subsidiary, as fund administrator, under a service contract between Vira Ventures S.A. and the Vira Fund.

¹³ The contribution funds for ex post reviews will be administered by the Bank.

- 5.3 **Integrity review.** Pursuant to IDB policies (document OP-474-1), the Project Team conducted an integrity review of the entities and individuals involved in this operation and found no irregularities associated with the entity.

B. Structure and implementation mechanism

- 5.4 The investment vehicle, Vira Fund, will have a director appointed by Vira Ventures S.A. as fund administrator, who will be Mr. Pablo Simón Casarino. The investors will make investment decisions above US\$175,000 (in the seed capital or investment stages), as well as decisions related to the number of firms chosen for investment, when there are more than nine each year. The vehicle's corporate governance mechanism is described in the attached term sheet.
- 5.5 The administrator will deliver quarterly reports to the investors and the MIF with information on the economic/financial performance and impact of each supported enterprise/firm. The investors and the MIF will meet quarterly, with least one face-to-face meeting required per year, to review the information provided by the fund administrator. The MIF will participate in these meetings as an observer. Other rights and authority of the investors and the MIF are specified in the term sheet, subject to MIF approval.

VI. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 6.1 **Results-based disbursements and fiduciary arrangements.** The executing agency will commit to the standard MIF arrangements related to results-based disbursements and the Bank's procurement¹⁴ and financial management¹⁵ policies, as specified in Annexes V and VI.
- 6.2 The contributions made to the entrepreneurs in the model's different phases will be documented as a convertible note, or equivalent instrument, to be executed at the time the enterprise is established. These convertible notes, together with the records of the seed capital investments made, will be considered sufficient supporting documentation for expenditures for both the contingent recovery and nonreimbursable contributions.

VII. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 7.1 **Access to information.** This document contains confidential information relating to one or more of the ten exceptions of the Access to Information Policy and, therefore, shall not be disclosed to external Bank audiences. It is available only to Bank employees.
- 7.2 **Intellectual property.** Intellectual property rights to the model are transferred to Vira Ventures S.A. under the terms of the Creative Commons BY-NC-ND 3.0 IGO license (<http://creativecommons.org/licenses/by-nc-sa/3.0/igo/legalcode>).

¹⁴ [Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank.](#)

¹⁵ [Operational Guidelines for IDB-financed Projects.](#)