

IDB Lab Funds of Funds Investments Application Guidelines

NOTICE AS TO DISCLAIMERS AND RESERVATION OF RIGHTS

This Call for Proposals is not an offer or a contract. In addition, it does not constitute an invitation to invest, solicitation to invest, nor a commitment to invest, including by IDB Lab or any other potential investor in the Fund. IDB Lab or any other potential investors are not advisers, administrators, underwriters or guarantors of the Fund described herein, and their potential roles are limited, respectively, to acting as prospective Limited Partners (IDB Lab along with prospective investors), which is subject to:

- (a) the Fund being established with the criteria of and key terms to be determined in the Fund's documentation;
- (b) a due diligence review to determine compliance with each institution's policies and procedures;
- (c) obtaining internal approvals, including an approval from the IDB Lab Donors Committee, and approval committees of the other investors; and
- (d) execution and delivery of documentation in form and substance satisfactory to IDB Lab and other investors, in their sole discretion.

No representation or warranty, expressed or implied, is made, or responsibility of any kind accepted by, IDB Lab or other investors with respect to the completeness or accuracy of information included herein.

Neither IDB Lab or any other investors is under any obligation to consider, shortlist, or select any of the firms/consortia or persons who submit Proposals or other documentation. Fund managers who participate in the selection process acknowledge that (i) nothing in this call for proposals shall operate to restrict, limit, or defeat any rights, privileges, or immunities granted to the Bank under any treaty, or domestic or international law; and (ii) the Bank has policies against fraud, corruption and other Prohibited Practices (as defined by the Bank). Any finding on the part of the Bank of such Prohibited Practices may result in Sanctions by the Bank and other international organizations, in accordance with the Bank's Sanctions Procedures (for additional information, refer to <http://www.iadb.org/en/topics/transparency/how-corruption-allegations-are-investigated,8629.html>).



Thank you for your interest in having IDB Lab as a partner.

IDB Lab, the innovation laboratory of the Inter-American Development Bank Group, is one of the most active early-stage fund investors in Latin America and the Caribbean (LAC), having **invested in over 90 Venture Capital (VC) funds since 1996**.

Our current portfolio is composed of over **50 funds that in aggregate have an active portfolio of over 500 companies**. Through its investment in VC funds, IDB Lab seeks to contribute to tackling critical barriers for greater development impact and social inclusion with **a special focus on poor and vulnerable populations across LAC**, bridging key financing gaps in countries, sectors and business models in which there is an unsatisfied demand for investments from early-stage entrepreneurs.

IDB Lab launched a Call for Proposals for investment management firms seeking IDB Lab's **equity financing for venture capital funds with focus on Latin America and the Caribbean**. With this renewed sourcing mechanism, aligned with the growth and evolution of the VC industry in the region, IDB Lab looks to expand its outreach of interested fund managers, while adopting a more systematic approach for the selection process.

For all other questions related to IDB Lab Call for Proposals, please feel free to contact us at vcfunds@iadb.org.



FUNDS INVESTMENT THESIS

Fund Managers willing to participate in the process must be aligned with IDB Lab's Funds of Funds Investment Thesis

IDB Lab seeks to invest in VC funds aligned with at least one of the following three approaches:

- ▶ **Nascent and Emerging Ecosystems:** Funds investing primarily in nascent or emerging early-stage ecosystems such as Central America, Caribbean, and selected markets in South America -such as Peru, Ecuador, Paraguay, Bolivia, and Uruguay.
- ▶ **Regionalizing Funds:** Funds with regional strategy, which in addition to targeting more developed early-stage ecosystems include nascent or emerging ecosystems to promote regional integration and knowledge transfer from more mature to emerging VC markets within LAC.
- ▶ **Sector Specific Funds:** Funds specializing in high-impact investments and sectors with pronounced structural capital gaps resulting from unmet demand by early-stage entrepreneurs, such as Health/Biotech, Edtech/Workertech, Agtech/Foodtech and Climatetech, among others.

CRITERIA FOR ELIGIBILITY

IDB Lab invests in **tech-focused VC Funds** that comply with:

- ▶ **GEOGRAPHIC FOCUS:** Mandate must be to invest at least 80% of the fund in companies in LAC.
- ▶ **STAGE OF TARGET INVESTMENTS AND MINIMUM FUND SIZE:** Early-stage investment funds (Preseed to Series B investments) with a minimum size of USD 20M. Funds classified under the “Nascent and Emerging Ecosystems” investment thesis, require a minimum fund size of USD 10 M.
- ▶ **TEAM:** Qualified management team with: Track record or experience in making and managing early-stage investments; Experience and presence in LAC region; Full or significant time dedication to the fund; Complementary skills in management team (financial, operational, entrepreneurial, etc); Expertise in eligible sector-related projects and/or companies; Demonstrated ability to source deals from LAC countries, with a relevant pipeline of potential investments; Presence of at least one female member in the GP or relevant committees of the Fund (e.g. Board, Investment Committee or Advisory Committee).
- ▶ **IMPACT MAINSTREAMING AND MEASUREMENT:** Fund manager following a transformational or impact-oriented mission clearly incorporated into the fund’s investment strategy.
- ▶ **GENDER AND DIVERSITY:** Strong commitment or intentions to advance gender and diversity both at the fund manager and portfolio company level.



APPLICATION REQUIREMENTS (1/2)

Investment management firms interested in being considered for IDB Lab's investment should apply through an online form and submit the firm's investment deck including the following information:

- ▶ A **brief description of the firm**, containing: Management team's track record (financial performance, operational experience, sectorial expertise, impact track record, etc.), key responsibilities and time commitment to the fund as well as other investment team members' key qualifications, relevant experience and time commitment to the fund.
- ▶ Fund's **investment thesis**: i) target markets (primary and secondary), ii) focus sectors & rationale/opportunities, iii) stage of target companies, iv) range of investment amounts, v) Investment instruments, vi) key areas for value creation, vii) other relevant parameters.



APPLICATION REQUIREMENTS (continued)

Investment management firms interested in being considered for IDB Lab's investment should apply through an online form and submit the firm's investment deck including the following information:

- ▶ Fund's **impact thesis and measurement**. Demonstration of how fund's investments may have a positive and sustainable impact on: i) vulnerable population's access to essential goods and services , ii) the increased digitalization, productivity and income growth of micro, small and medium sized companies with, iii) environmental benefits and iv) approach for gender and diversity. Present proposed KPIs for all mentioned areas.
- ▶ Fund's **key data**, including: target size, target dates for first & final closing, fund term/investment period, management fee and carry structure, legal structure/jurisdiction and key governance bodies.
- ▶ **Sourcing strategy**, indicative pipeline of potential investments and fundraising status (committed/due diligence process)
- ▶ **Cost structure** of the management firm, estimated annual budget to manage the fund, and compensation structure.



SELECTION PROCESS

All received applications will be analyzed following:

- ▶ **INITIAL SCREENING**

Each proposal will be reviewed by a committee of professionals from IDB Lab utilizing the outlined key criteria as well as IDB Lab's internal policies and procedures. The selection process is very competitive, and IDB Lab may receive proposals from many highly qualified applicants. Regrettably, IDB Lab may not have the capacity to support all of the worthy candidates that apply. Those applicants not selected for eligibility and further due diligence review will be notified via email.

- ▶ **ELIGIBILITY AND DUE DILIGENCE**

A project team will be assigned for those candidate firms selected for further consideration. Upon IDB Lab's internal eligibility, the project team will conduct a comprehensive due diligence (on-site and/or virtual) of each candidate's firm.

- ▶ **APPROVAL**

Upon the successful completion of due diligence, final approval of the investment will be subject to the decision of IDB Lab's Donors Committee.



Thank you!

Questions? Please contact vcfunds@iadb.org
Interested? Please send us your application at
<https://airtable.com/shrOSXLxefvNWDOAi>



Annexes



- ▶ **ANNEX 1. CONFIDENTIALITY.** While applicants may desire to attach confidentiality requirements to some of the information presented in the Proposal, participants making submissions of Proposal or sending follow-up information must understand that information received will be subject to information disclosure requirements of the lead sponsors, and potential investors; for instance, under the Freedom of Information Act of the United States, and the IDB information disclosure policy. The lead sponsors and potential investors will not treat as confidential, or proprietary, any general ideas, strategies and concepts contained within any Proposal or any follow-up documentation submitted.
- ▶ **ANNEX 2. PROHIBITED ACTIVITIES (Exclusion List).** Please follow this link https://indesvirtual.iadb.org/pluginfile.php/40739/mod_resource/content/0/recursos/EN/M2/exclusion_list.pdf