

Excerpts from Impact of Early Stage Equity Funds in Latin America



PROGRESA
CAPITAL

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<http://ssrn.com/abstract=2778640>

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The Multilateral Investment Fund is the innovation lab for the Inter-American Development Bank Group. It conducts high-risk experiments to test new models for engaging and inspiring the private sector to solve economic development problems in Latin America and the Caribbean. The MIF addresses poverty and vulnerability by focusing on emerging businesses and smallholder farmers with the capacity to grow and create economic opportunities.

What we do

The Multilateral Investment Fund (MIF), a member of the Inter-American Development Bank (IDB) Group, is the largest provider of technical assistance for private-sector development in Latin America and the Caribbean. Our core beneficiaries include micro and small businesses, small farms, and poor and vulnerable households.

We design and finance pilot projects to test pioneering approaches to building economic opportunity and decreasing poverty. We evaluate the results and the impact of our projects to identify replicable solutions that can be scaled up by the public and private sectors.

We are committed to sharing the lessons learned from our work so that others can benefit.

Using small projects, we have achieved sustainable transformation in the thinking and behavior of people, policymakers, organizations, and businesses in areas such as microfinance, remittances, venture capital, and training for youth.

Who we are

The MIF was created in 1993 by 21 donor countries. Sixty-five percent of the financing we provide is in the form of grants, 25 percent is equity, and 10 percent is loans. We provide the loan and equity alone or in combination with grants—as well as expert advice. With this wide variety of tools and more than 20 years of experience in the field, we have the flexibility required to tailor solutions to the unique challenges in Latin America and the Caribbean.

We have financed more than \$2 billion in grants and investments for private sector development projects. In all, we have funded more than 1,800 MIF projects with various partners.

Funds for our activities come from contributions made by our member countries—now totaling 39—in Latin America and the Caribbean, North America, Europe, and Asia.

Where and how we operate.

We work on the ground and in partnership—with local, mostly private partners—to help fund and carry out pilot projects. Altogether, we have worked with more than 2,000 local partners, most of which had never previously worked with a development bank. Our partners contribute both a significant portion of the project costs and on-the-ground resources to implement operations.

We also work with global partners that share our goals, such as corporations, foundations, and other multilateral organizations. They pool their financial and other resources with ours to jointly solve development challenges.

In addition, we invest in private financial institutions, which lend the resources to micro and small businesses, and in the rapidly developing venture capital and impact investment industries in Latin America and the Caribbean. Nearly half our staff works out of IDB Group offices in 26 countries in the region. We monitor each project throughout its active stages, perform a thorough evaluation once it is complete, and share lessons learned. Once each pilot is completed, we provide knowledge and tools for the IDB Group or others to scale it up, or to adapt and replicate it for different communities and sectors.

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I. Summary

In 2009, Promotora, the investment banking affiliate of Colombian conglomerate Grupo Sura, founded the Progresa Early Growth Capital Fund (Progresa). Based on its experience providing project finance and strategic consulting to Colombian start-up companies, Promotora believed the Colombian private equity and venture capital (PEVC) ecosystem had matured enough to support a dedicated VC fund. At that time, only a handful of small, government-backed funds provided any sort of financing to small-scale startups; Progresa was thus the first full-fledged VC fund managed by a local team to emerge in Colombia.⁴

Initially, the fund planned to raise at least \$15 million⁵ to make between eight and 10 investments in the information and communications technology (ICT), life sciences, and applied engineering sectors with a target deal size of \$500,000 to \$3 million. Progresa sought minority equity stakes of 30-49% and a gross shareholder return of 16.6%. Prospective investees needed to have annual sales of at least \$200,000 at the time of investment. Progresa ultimately raised \$21 million and invested in seven companies, completing two full exits and one partial exit by August 2015.⁶ Pleased with Progresa's results, Promotora and the Progresa team started fundraising for Progresa's successor, the Early Growth Fund II (EGF II), in 2015.

II. Background & Fund Formation

The Economy and Demographics of Colombia

Colombia's modern history began with the end of Spanish colonial rule in the early 19th century followed by decades of civil war and regional conflict. The Colombian constitution, modern day Colombia's founding document, was ratified in 1886.⁷ In the late 20th and early 21st centuries, Colombia became known for its violent internal strife, as guerrillas of the Fuerzas Armadas Revolucionarias de Colombia (FARC) established control over most of the southern and eastern jungle provinces where much of Colombia's coca crop was cultivated.⁸ This situation, however, has improved in recent years. In 2012, the Colombian government began peace talks with the

⁴ LAVCA, "MIF Supports Colombian Venture Capital Fund," Sept. 3, 2009.

<http://lavca.org/2009/09/03/mif-supports-colombian-venture-capital-fund/>, accessed Sept. 10, 2015.

⁵ LAVCA, "MIF Supports Colombian Venture Capital Fund," Sept. 3, 2009.

<http://lavca.org/2009/09/03/mif-supports-colombian-venture-capital-fund/>, accessed Sept. 25, 2015. All dollars USD.

⁶ Cecilia Alvarez-Correa Glen, Maria Del Mar Palau, and Luis Fernando Castro, *Private Equity and Venture Capital Funds Colombia*, Bogota: Bancóldex Capital, 2014.

https://www.bancoldex.com/documentos/4208_Cat%C3%A1logo_Fondos_de_Capital_Privado_en_Colombia_-_ING.pdf, accessed Sept. 5, 2015.

⁷ *The Political and Legal System in Colombia*, Minneapolis: University of Minnesota Human Rights Library, <http://www1.umn.edu/humanrts/iachr/indig-col-ch3.html>, accessed Sept. 26, 2015.

⁸ Theo Farrell and Olivier Schmitt, *The Causes, Character and Conduct of Armed Conflict, and the Effects on Civilian Populations, 1990-2010*, Geneva: UNHCR Legal and Protection Policy Research Series, April 2012, <http://www.unhcr.org/4f8d606d9.pdf>, pp. 17-19, accessed Sept. 26, 2015.

FARC in Havana. By mid-2015, the parties had reached agreements on a number of key issues and set a deadline of March 2016 for a final agreement.⁹

Between 2011 and 2015, Colombia's economy grew 4% or more annually, and as of 2015 the major bond rating agencies listed Colombia's government debt as investment grade.¹⁰ Foreign direct investment, which primarily targeted the country's oil, natural gas, and mining sectors, grew from \$2.5 billion in 2001 to \$16.8 billion by 2013.¹¹ Heavily dependent on resource extraction, Colombia was the world's fourth-largest exporter of coal and 18th-largest exporter of oil in 2014.¹² As of July 2015, the country's population stood at 48.3 million,¹³ and the International Monetary Fund (IMF) estimated 2015 gross domestic product based on purchasing power parity at \$683.0 billion, or \$7,780 per capita.¹⁴

Colombia has long been the focus of domestic and international efforts to address problems such as poverty and inadequate infrastructure. Among international development finance institutions (DFIs) that have sponsored efforts to address these issues are the United States Agency for International Development (USAID) and the Agencia Española de Cooperación Internacional para el Desarrollo (AECID, the international development agency of the Spanish government), which have invested in social impact programs and funds, among them Progres.

Colombia's PEVC Ecosystem

One interviewee acknowledged that Colombia could be a difficult environment for PEVC investors: "There are big macroeconomic challenges for Colombia as a country, including achieving and maintaining political stability, and facing the fluctuations in the price of oil and the value of the local currency against the dollar, which can severely depress IRRs measured in US dollars."

Nevertheless, Colombia has a small but growing PEVC ecosystem. In a 2014-2015 report, Bancóldex, the Colombian state-run bank that provides funding to entrepreneurs, identified a

⁹ BBC News, "What is at stake in the Colombian peace process?" Sept. 24, 2015.

<http://www.bbc.com/news/world-latin-america-19875363>, accessed Oct. 28, 2015.

¹⁰ Central Intelligence Agency, "South America: Colombia," *The World Factbook*, Dec. 15, 2015.

<https://www.cia.gov/library/publications/the-world-factbook/geos/co.html>, accessed Sept. 15, 2015.

¹¹ Adriaan Alsema, "Colombia FDI statistics," *Colombia Reports*, June 20, 2012.

<http://colombiareports.com/colombia-fdi-statistics/>, accessed Sept. 11, 2015.

¹² Central Intelligence Agency, "South America: Colombia," *The World Factbook*, Dec. 15, 2015.

<https://www.cia.gov/library/publications/the-world-factbook/geos/co.html>, accessed Aug. 31, 2015; Index Mundi, "Country Comparison: Oil exports," Jan. 1, 2014.

<http://www.indexmundi.com/g/r.aspx?c=co&v=95>, accessed Sept. 12, 2015.

¹³ Departamento Administrativo Nacional de Estadística, "Poblacion Colombia Ahora".

http://www.dane.gov.co/reloj/reloj_animado.php, accessed Sept. 4, 2015.

¹⁴ Central Intelligence Agency, "South America: Colombia," *The World Factbook*, Dec. 15, 2015.

www.data.worldbank.org/country/colombia, accessed Sept. 12, 2015

International Monetary Fund, *World Economic Outlook Database*, "Report for Selected Countries and Subjects," October 2014.

<http://www.imf.org/external/pubs/ft/weo/2014/02/weodata/weorept.aspx?sy=2015&ey=2015&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=68&pr1.y=8&c=233&s=NGDPD%2CNGDPDPC%2CPPPGDP%2CPPPPC&grp=0&a=>, accessed Sept. 7, 2015.

total of 46 PE and VC funds that were either actively investing or engaged in fundraising in Colombia.¹⁵ The 30 funds that had completed fundraising at that time had combined capital commitments of \$4.3 billion.¹⁶ Among these were three active VC funds with total combined committed capital of \$76.9 million: Inversor, FCP Innovacion SP, and Progresa.¹⁷ In 2013, private equity and venture capital investment in Colombia increased by 155%, rising from \$413 million in 2012 to \$1.1 billion (it is worth noting that this figure is heavily influenced by a single transaction, Advent's purchase of a 22% stake in Ocesa, Colombia's largest oil pipeline operator).¹⁸ Colombia accounted for 12% of the total PEVC investments made in Latin America in 2013, placing it ahead of Chile (8%) and Mexico (7%). Brazil dominated the region's PEVC landscape, with 72% of total PEVC investments.¹⁹

Two firms, Latin America Enterprise Fund Managers LLC (LAEFM) and Small Enterprise Assistance Fund ("SEAF") had pioneered the sector in 2005.²⁰ That same year, Colombia's financial regulatory agency enacted Resolution 470, which for the first time enabled pension funds to make private equity investments. The passage of this resolution set the stage for a decade of impressive growth in Colombia's PEVC ecosystem.

By 2015, there was even a fledgling alumni network of general partners. Velum Ventures, founded in 2012 by Esteban Velasco, a Progresa alumnus, closed on \$10 million of its \$20 million target in May 2014 and plans a final close in May 2017.²¹ Like Progresa, Velum is a VC investor targeting small companies with promising technology in development or early implementation, and has also received MIF funding. As of September 2015, Velum's portfolio included 13 companies.²²

¹⁵ Cecilia Alvarez-Correa Glen, Maria Del Mar Palau, and Luis Fernando Castro, *Private Equity and Venture Capital Funds Colombia*, Bogota: Bancóldex Capital, 2014: 3-4.

https://www.bancoldex.com/documentos/4208_Cat%C3%A1logo_Fondos_de_Capital_Privado_en_Colombia_-_ING.pdf, accessed Sept. 5, 2015.

¹⁶ Cecilia Alvarez-Correa Glen, Maria Del Mar Palau, and Luis Fernando Castro, *Private Equity and Venture Capital Funds Colombia*, Bogota: Bancóldex Capital, 2014: 5.

https://www.bancoldex.com/documentos/4208_Cat%C3%A1logo_Fondos_de_Capital_Privado_en_Colombia_-_ING.pdf, accessed Sept. 5, 2015.

¹⁷ Cecilia Alvarez-Correa Glen, Maria Del Mar Palau, and Luis Fernando Castro, *Private Equity and Venture Capital Funds Colombia*, Bogota: Bancóldex Capital, 2014: 4.

https://www.bancoldex.com/documentos/4208_Cat%C3%A1logo_Fondos_de_Capital_Privado_en_Colombia_-_ING.pdf, accessed Sept. 5, 2015.

¹⁸ Reuters, "PE firm Advent to buy Ocesa oil pipeline stake for \$1.1 billion-WSJ," Nov. 13, 2013.

<http://www.reuters.com/article/2013/11/14/ocensa-offer-advent-idUSL4N0IZ0W320131114>, accessed Sept. 21, 2015.

¹⁹ Cecilia Alvarez-Correa Glen, Maria Del Mar Palau, and Luis Fernando Castro, *Private Equity and Venture Capital Funds Colombia*, Bogota: Bancóldex Capital, 2014: 5; LAVCA, "LAVCA Releases 2013 Industry Data and Analysis Highlights," New York: March 5, 2013.

<http://lavca.org/2013/03/05/lavca-releases-2013-industry-data-and-analysis-highlights/>, accessed Sept. 26, 2015.

²⁰ Ernst & Young, "Navigating through the Colombian Economy," 2015: 2.

<http://en.calameo.com/read/0041520203ce064145bf6>, accessed Dec. 18, 2015.

²¹ Preqin, *Fund Managers database*, www.preqin.com, accessed September 25, 2015.

²² Cecilia Alvarez-Correa Glen, Maria Del Mar Palau, and Luis Fernando Castro, *Private Equity and Venture Capital Funds Colombia*, Bogota: Bancóldex Capital, 2014: 140; Preqin, *Fund Managers database*, accessed

Government agencies, particularly in Antioquia— home to Promotora and Progresa, Colombia’s third-largest state by population, and one of the nation’s hubs of entrepreneurial activity—have taken steps to support the PEVC industry. For example, RutaN, which is based in Antioquia’s capital city of Medellín, functions as an incubator, investor, and accelerator for entrepreneurs, and is now moving into becoming an investor in funds. There are a number of other organizations in Colombia, including iNNpulsa, an accelerator for Colombian small and medium enterprises (SMEs) and the Asociación Nacional de Empresarios de Colombia (ANDI) that are working to improve the PEVC ecosystem, particularly in Medellín and Antioquia. “The VC sector has a lot of traction nowadays; five years ago it was very different,” observed Miguel Duque Posada, the head of Promotora’s investment banking unit. Nevertheless, challenges remain. Said Mr. Posada, “Colombia needs to adjust a lot of policies to address the challenges posed by the VC and entrepreneurial ecosystem, especially the complex regulatory environment for fund formation.”

While significant advances in the PEVC environment are underway in Colombia, much work remains to be done. In its 2015-2016 scorecard, the Latin American Venture Capital Association (LAVCA) awarded Colombia’s PEVC ecosystem an overall score of 60 on a scale of 1-100, placing it fourth among its Latin American peers, after Chile (74), Brazil (72), and Mexico (65). Colombia’s overall rating has risen significantly since 2006, when it was 42, but it fell one point from 2014-2015 due to unfavorable legislation on fund formation.²³ On the individual metrics LAVCA uses in its ratings, Colombia generally received above average scores. On a scale of 0-4, with 4 representing the highest possible score, LAVCA rated Colombia above average on “Protection of minority shareholder rights” (3); “Corporate governance requirements” (3); and “Entrepreneurship” (3). Other indicators received average ratings, but the country received a rating of 1 for corruption, indicating high levels of perceived corruption.²⁴

Interviewees largely concurred with LAVCA’s assessment of the Colombian PEVC ecosystem. One practitioner noted a distinct improvement, from a personal assessment of “one or two” on a scale of 1-10 in 2012, to “five or six with the potential to grow” in 2015. A concerted effort by fund managers, investors, and other stakeholders to expand their capabilities contributed to this improvement.

The improvement in Colombia’s PEVC ecosystem is not limited to Medellín or Antioquia. Different cities in Colombia have excelled in different sectors. Medellín, Progresa’s headquarters, has traditionally seen itself as a future hub for Pan-American entrepreneurship. The PEVC ecosystem in the country’s capital, Bogotá, has also grown, especially in terms of the advanced research and development pursued by its large academic community. In addition, Cali

September 25, 2015; LAVCA, “Velum Ventures Portfolio Increased to 13 Businesses,” New York: September 14, 2015.

<http://lavca.org/2015/09/14/velum-ventures-increased-their-portfolio-to-13-businesses/#more-24268>, accessed Sept. 25, 2015.

²³ LAVCA, *Scorecard 2015/2016*, pp. 4-5.

<http://lavca.org/wp-content/uploads/2015/07/Scorecard-2015-16-hirez.pdf>, accessed Sept. 15, 2015.

²⁴ LAVCA, *Scorecard 2015/2016*, p. 5.

<http://lavca.org/wp-content/uploads/2015/07/Scorecard-2015-16-hirez.pdf>, accessed Sept. 15, 2015.

is known for talent in the ICT sector, and Barranquilla's university is an important hub for biotechnology.

As a number of interviewees noted, one of the challenges for the PEVC industry is Colombia's complex regulatory environment. "For example, there isn't a clear precedent in taxing the financial gains made by Colombian funds," said Patricia Ospina Campo, a member of Progresa's investment team. As a pioneer in the field, Progresa has encountered a number of difficulties as it navigated Colombia's regulatory space. "Even the government agencies can't answer all the questions [we have] posed," she observed. "Potential LPs see this as a problem." Another issue involves the requirement that the accounting for a PE or VC fund be done by an outside trustee.²⁵

Despite the overall progress observed by our interviewees, the general awareness of private equity and venture capital seems to have remained low in the wider Colombian business community. One interviewee, for instance, noted that venture capital and private equity were not taught at the country's business schools and universities. Progresa's investment team claimed that it often had to explain basic PEVC concepts to prospective investors and portfolio companies. Part of the problem seems cultural, as even in 2015, some Colombian entrepreneurs seem resistant to the idea of selling a part of their company to outsiders in return for an investment.

Progresa's Origins and Fund Formation

In 2006, Promotora, under the leadership of Francisco Mira, the company's CEO since 2000, developed a program to promote investment in new businesses throughout Antioquia. Promotora ultimately raised USD \$23 million for the initiative, dubbed the Integra de ProAntioquia (Integra) program. This initiative enabled Promotora to gain insights into the Colombian entrepreneurial ecosystem, and its success ultimately led to the formation of two funds in 2009: the later stage Escala Growth Equity Fund (Escala) and Progresa, its VC counterpart.²⁶

The founding of Escala and Progresa was the next logical step for Promotora, an investment bank that had always operated with a private equity mindset. Founded in 1987 by Grupo Sura, a conglomerate with operations that span banking, insurance, food processing, and cement, Promotora provided investment banking and structured finance services to corporate clients throughout Colombia and acted as an incubator and accelerator for companies in and around Medellín. Prior to the formation of Escala and Progresa, Promotora had been a financial services provider for some of Colombia's most prominent corporations, including aeronautic, automotive,

²⁵ In 2013, the Colombian Ministry of Finance, the nation's securities regulator, issued Decree 1242, which required general partners to employ an independent "fund administrator," essentially a trustee, to hold assets and handle disbursements to both the GP and its LPs. Colombian banking giant Bancolombia's trust company, Fiduciaria Bancolombia, fulfills this role for both Promotora funds, Escala and Progresa. Under this arrangement, Promotora remains responsible for Progresa's investment decisions, including their execution and monitoring. As the financial administrator, Fiduciaria Bancolombia is responsible for handling disbursements to the fund's LPs and GPs.

²⁶ FOMIN, "MIF invests in new Colombian venture capital fund," Sept. 17, 2014.

<http://www.fomin.org/en-us/Home/News/PressReleases/ArtMID/3819/ArticleID/2582/MIF-invests-in-new-Colombian-venture-capital-fund.aspx>, accessed Sept. 5, 2015.

industrial, and logistics and transportation companies. As of 2015, Promotora had 145 shareholders, with Grupo Sura retaining the largest ownership stake in the firm (45%).²⁷

After Integra was established, Mr. Mira recalled, “Promotora’s employees were essentially working as CFOs or project managers in [the Integra program’s] companies for nothing. We were doing exactly the same work private equity firms do, but we didn’t get any fees or carry.” This realization prompted Mr. Mira to create Escala and Progresa.

The catalyst for Progresa was a 2009 event hosted by Bancóldex, the state-owned entrepreneurial and export-import bank that specializes in supporting Colombian SMEs, attended by prospective private equity founders and investors, including representatives from the Multilateral Investment Fund (MIF). Mr. Mira, who attended the meeting, credited it as the beginning of Promotora’s relationship with a number of important investors.

Although other organizations were active in the private equity space in Colombia, Progresa was the country’s first full-fledged, homegrown VC fund. In addition to his ongoing role at Promotora, Mr. Mira serves as Progresa’s fund director, while a dedicated team of four investment professionals—Juan Andres Vasquez, Diego Quintero Vasquez, Patricia Ospina Campo, along with Agostinho Joao de Almeida Ramalho, who joined the team in 2014—serve as Progresa’s investment managers.

Progresa sources deals through a number of channels, including current and former portfolio companies and its network of industry contacts, pitches at incubators, and occasional in-bound cold calls from companies looking for investment. Progresa avoids cold-calling potential investees, instead preferring an introduction by a third party.

Progresa seeks to provide financial returns to its investors along with support for innovative portfolio companies and sustainable development in the region. The fund charges an annual management fee of 3%, of which 2.39% goes to the GP, while Fiduciaria Bancolombia, Progresa’s fund administrator, receives the remaining 0.61%. The carried interest rate is 20% with an 8% hurdle. Proceeds are distributed using the European waterfall method through which the LPs receive their entire committed capital and the hurdle before carry is paid to the general partners. The carried interest structure is intended to compensate Progresa’s employees fairly while aligning their long-term interests with the fund’s. Specifically, 50% of the carry is available immediately to the Progresa team, and 50% is put aside as the GP contribution to the subsequent fund, EGF II. “This keeps our long-term interests aligned and deters one from competing with the firm and starting a new fund,” noted Mr. Mira.

The relationship between Promotora, which continues to operate its separate, standalone investment banking unit, and Progresa remains close, as seen in the executive overlap between the two entities and an intertwined decision-making process. Promotora’s quality committee, for instance, which is composed of the director, the managers of the investment banking unit, and the investment managers from Escala, the growth fund, prescreens potential deals before passing them along to Progresa’s five-member investment committee for a final decision. Ms. Ospina,

²⁷ Grupo SURA holds a 45.5% stake in Promotora, while Grupo Argos holds 30.1%.

one of Progresa's investment managers, believes this process is important: "Here, a proposal can be openly discussed and criticized by people who were not directly involved in its creation."

Our interviewees understand that Progresa's multi-step deal-vetting process and the close involvement of Promotora's investment bankers and Escala's investment team is unusual. At the same time, they believe the arrangement is an asset to the fund due to the expertise and fresh perspective provided by these financial professionals.

Indeed, both Progresa and its sister fund, Escala, were initially staffed with professionals from Promotora's investment banking team. As Mr. Posada, the head of Promotora's investment banking group, said, "We in the investment banking unit collaborate a lot in terms of knowledge sharing with the VC team, though we never work on the investments."

Progresa's LPs include Suramericana (the insurance and pension fund investment affiliate of Grupo Sura), the MIF, Bancóldex, and AECID.²⁸ The fund's LPs also play a role on its investment committee, a reflection of their desire not only to retain oversight of their capital, but also to provide guidance to the pioneering VC fund. As of September 2015, Progresa's five-member investment committee consisted of four LP representatives and the director of Escala. According to our interviewees, the composition of the investment committee for Progresa's successor fund, EGF II, will be somewhat different, with three members from Promotora and two independent members who will not come from among the fund's LPs.

Although few LPs serve on investment committees of VC funds in developed markets, such activity is much more common in Latin America and other parts of the developing world.²⁹ As Leamon, Lerner, and Garcia-Robles observed in a 2012 paper:

In [Latin America], LPs tend to have more governance power than in most of the developed markets—in part because the industry is so new...New or young funds with scant track records can hardly dictate terms to their investors. Instead, the relationship at its best becomes an education process through which the DFIs or other experienced LPs teach both the less experienced LPs and the GPs how to participate in venture capital.³⁰

It appears that the relationship between Progresa and its LPs tends toward the "best" end of the LP-GP spectrum described above. Promotora used its connections in the national, regional, and international financial communities to help Progresa establish key early partnerships with a number of domestic and international institutions. Promotora also helped Progresa form partnerships with universities in Antioquia, through which it was able to source deals. AECID provided early technical assistance as well as €4.4 million to Progresa. Finally, the MIF provided

²⁸ "AECID respalda la creación de Progresa Capital, el primer fondo de capital de riesgo colombiano," *Europa Press*, Bogotá: June 23, 2008, <http://www.europapress.es/internacional/noticia-colombia-aecid-respalda-creacion-progres-capital-primer-fondo-capital-riesgo-colombiano-20080623135003.html>, accessed Sept. 12, 2015.

²⁹ In the US, for instance, such involvement can strip an LP of its limited liability status.

³⁰ Ann Leamon, Josh Lerner, and Susana Garcia-Robles, "The Evolving Relationship Between LP & GPs," *HBS Working Paper 09-12*, Sept. 5, 2012: 8.

crucial early technical support to Progresa, including a \$300,000 grant, along with a \$3 million contribution (14% of the total) to the fund.³¹

Progresa's largest LPs, including Suramericana's parent, Grupo Sura, assist Progresa's portfolio companies in other ways. With its broad geographical reach, Grupo Sura is particularly helpful in establishing regional contacts with clients and partners in Mexico, Argentina, and Brazil. Progresa's LPs viewed an investment in the fledgling VC fund as, among other things, an investment in the future of the PEVC sector in Colombia. Pablo Arroyave, the managing director of the M&A group at Grupo Argos, said, "We decided to invest for two reasons. First, we knew that our presence would encourage other potential LPs. Second, our goal was to serve as an anchor investor. We wanted to play an important role in the development of the Colombian SME sector."

Development was not the only motivation for Progresa's LPs. "We care about returns," said Mr. Arroyave. He noted that healthy returns and the prospect of raising a successor to Progresa were equally important: "If the funds don't perform well, the probability of raising new funds is very low. Therefore we are very involved in Promotora as an entity and in the fund management side [Progresa]."

By August 2015, Progresa had completed two full exits and one partial exit out of its seven total portfolio companies, for a multiple of invested capital of 2.44x on exited investments and a gross IRR close to 40%. Among the fund's remaining portfolio companies, Mr. Mira, Promotora's CEO, expects Ecoflora Cares, a manufacturer of colorants for the global food industry that is in the process of seeking FDA approval for its flagship product, and PrimeStone, which provides smart metering solutions to the utility industry, to be the most successful.

III. Portfolio Overview

As of September 2015, Progresa's portfolio of investments consisted of Ubiquo Telemedicina, Ecoflora Cares, Brainz, PrimeStone, and HelpPeople. The full exits were from Easy Solutions, in May 2013 (2.5x), and Hybrytec, in March 2014 (1.67x). The partial exit in September 2011 (3.14x) was from Ecoflora Agro, the biopesticides unit of Ecoflora. Progresa's portfolio companies and exits are discussed in more detail below.³²

Progresa's investments target early stage companies principally in the information and communications technology (ICT), life sciences, and applied engineering industries, although its portfolio also includes a gaming company and a manufacturer of food and cosmetics ingredients. Thumbnail descriptions of the companies can be found below, listed by date of investment, and are followed by descriptions of the fund's financial results and impact.

³¹ <http://www.iadb.org/en/news/news-releases/2009-08-06/mif-supports-colombian-venture-capital-fund,5549.html>, accessed Sept. 5, 2015.

³² All data are from the June 2015 private placement memorandum and accompanying slide deck for EGF II, which was collected by Progresa in December 2014.

Individual Company Thumbnails

Ubiquo Telemedicina

Progresa invested in Ubiquo Telemedicina (Ubiquo) in August 2009 and remained invested as of September 2015. The company specializes in software solutions for the digitization and management of diagnostic imaging, a product with immense potential to improve the lives of citizens in Colombia and throughout the world who live in areas with limited access to well-equipped clinics and medical specialists.

Ecoflora

Founded as a grower and supplier of cut flowers to Colombia's large export market, Ecoflora's focus soon shifted to the commercialization of products made from Colombia's native plants. To obtain many of its raw materials, which often grow in heavily forested terrain in remote areas of Colombia, the company works with indigenous peoples to develop environmentally responsible supply chains. Progresa invested in the company in November 2009. In 2011, Ecoflora's biopesticide unit, Ecoflora Agro, was spun out in a partial exit via strategic sale to Arizona-based Gowan Company. Progresa's IRR on the partial exit was 3.14x.

The resulting entity became Ecoflora Cares and remained in Progresa's portfolio as of September 2015. In 2008, the company began the FDA pre-submission process for Jagua Blue, a novel blue colorant for use in foods and cosmetics made from the fruit of the jagua tree. As of September 2015, FDA approval was still pending.

Easy Solutions

In April 2010, Progresa invested in Easy Solutions, a software company that develops and sells fraud protection tools through its offices in the U.S. and the United Kingdom. Progresa's investment enabled the company to expand, creating new jobs for skilled labor in Colombia. Easy Solutions won a number of international technology awards and professional recognition for its products. In 2011, *Inc.* ranked Easy Solutions 210th on its list of the 500 fastest-growing private companies in the U.S., based on its three-year growth of 1,480%.³³ The fund exited its position in May 2013 with an IRR of 2.5x.

Brainz

Progresa invested in Brainz, a developer of strategy video games for mobile devices, in February 2011. As of September 2015, Progresa remained fully invested in Brainz and anticipated an exit in 2016.

Established in 2000 as a digital animation studio by Alejandro Gonzalez and two university friends, Brainz moved from producing television commercials, websites, and customized

³³ Easy Solutions, "Easy Solutions Named to Inc. List of Fastest Growing Companies," 2011. <http://www.easysol.net/inc-500-list-of-fastest-growing-companies>, accessed Sept. 25, 2015.

applications for clients in the real estate industry to mobile game development. In the wake of the Global Financial Crisis and the collapse of the real estate market in 2009, the digital animation operation was spun off as ZIO Studios. Mr. Gonzalez remained with Brainz and refocused his company on gaming. Shortly after the spin-out, Progresa invested in Brainz, viewing it as a promising company that was pioneering the mobile gaming industry in Colombia.

As of September 2015, Brainz was the largest Colombian game developer in terms of headcount and had three titles, *Mark of the Dragon*, *Audio Ninja*, and *Vampire Season*. According to the International Game Developers Association, the Colombian chapter of which Brainz founded, there were 47 start-ups and/or established companies in Colombia actively developing products as of 2015.³⁴ The gaming industry in Colombia, however, remains small relative to countries in North American, Asia, and Europe.

Brainz' flagship product, *Mark of the Dragon*, was downloaded approximately 500,000 times in its first week of release and reached almost 2 million downloads by August 2015. Some of the company's other games received awards and critical praise. For example, *Vampire Season* was selected as an "editor's choice" by Apple.

Hybrytec

In August 2011, Progresa invested in Hybrytec, a designer, retailer, and installer of photovoltaic energy systems. Among Hybrytec's projects were installations for clients—including hospitals and schools—that were either too remote to connect to Colombia's power grid or had unreliable access to electricity. A solar-powered refrigeration system, installed in an isolated fishing community, enabled its 1,500 residents to store and sell their catch more effectively. Among other contributions, Progresa helped the company establish a five-member board of directors, featuring an independent member who was an expert in the photovoltaic power industry. Progresa exited its investment in March 2014 with a multiple of 1.67x.

PrimeStone

Progresa invested in PrimeStone, which manufactures and sells sophisticated meter data management (MDM) equipment and applications for use in the utilities sector, in December 2013.

As of September 2015, PrimeStone was among the most mature companies in Progresa's portfolio. The investment team expected its revenues to grow by roughly 40% in 2016, with almost half of the total from sales in the U.S. market. PrimeStone has healthy margins thanks to exchange rate advantages (PrimeStone is paid in dollars but compensates its Colombian employees in pesos). The company has a strong presence in Alabama, Georgia, and Mississippi, and the investment team believes the firm is on track for Series B financing from a large, reputable U.S. private equity fund.

³⁴ IGDA Colombia, "Directorio de Empresas," <http://igdacolombia.co/desarrolladores/>, accessed Dec. 18, 2015.

HelpPeople Software

In April 2014, Progresa invested in HelpPeople Software, which provides solutions for the management and support of enterprise IT service desks. As of September 2015, Progresa remained invested in HelpPeople.

Progresa's investment team views HelpPeople as a sound company with a viable, successful product. The company's challenge will be to create and implement the roll-out proposition and go-to-market strategy for its products. Said one member of the team, "We need to find channels to penetrate the market; the company needs to be visible for the global buyer." The investment team and Promotora are helping the company develop plans for taking these critical steps.

Financial Results and Impact

Measuring the effectiveness of a private equity or venture capital investment is an important and often complex endeavor. As the first VC fund focused on Colombia and founded and managed by a local Colombian firm, Progresa faced a number of challenges, many of which stemmed from its status as a pioneer. Colombia's regulatory environment, for instance, while it continues to improve, posed a host of uncertainties for Progresa's investment team, including the tax treatment of its investments. Moreover, establishing a systemized approach to monitoring investments and reporting to LPs is time-consuming and resource-intensive even for VC funds in developed economies. As the VC pioneer in Colombia, Progresa had to build these systems from the ground up.

The research team's August 2015 interviews were conducted with the executives from the companies that remained in Progresa's portfolio at that time. As mentioned earlier, these companies are still growing and the results of this assessment can only be considered indicative, rather than conclusive. For an overview of key facts regarding Progresa's portfolio, please see Table III-1, below.

Table III-1: *Progresa Portfolio Key Dates and Figures*³⁵

Company Name	Date Founded	Description	Date Invested	Amount Invested	Current Status
Ubiquo	2003	Telemedicine solutions	Aug. 2009	COP 1.6 billion	Invested
Ecoflora	1998	Biologically derived chemicals	Nov. 2009	COP 6.9 billion	Partially exited³⁶ Sept. 2011 (3.14x)
Easy Solutions	2007	Fraud protection software	April 2010	COP 3.0 billion	Exited May 2013 (2.5x)
Brainz	2000	Mobile gaming	Feb. 2011	COP 5.0 billion	Invested
Hybrytec³⁷	2007	Photovoltaic power systems	Aug. 2011	COP 0.8 billion	Exited March 2014 (1.67x)
PrimeStone	1990	Smart metering solutions	Dec. 2013	COP 8.0 billion	Invested
HelpPeople	2000	IT help desk solutions	April 2014	COP 2.0 billion	Invested

Table III-2 summarizes additional information on Progresa's exits of Ecoflora Agro (the biopesticides division of Ecoflora that was spun off in 2011); Easy Solutions (developer of fraud protection software); and Hybrytec (manufacturer of photovoltaic energy solutions).

³⁵ The data in this table are from the June 2015 private placement memorandum and accompanying slide deck for EGF II, which were collected by Progresa in December 2014.

³⁶ Progresa partially exited its investment in Ecoflora when the company's biopesticides unit was spun off into a separate entity, Ecoflora Agro, and Gowan Company, an Arizona-based supplier of agricultural chemicals, bought Progresa's stake. As of August 2015, Progresa remained invested in the biologically-derived home and personal care products division of Ecoflora, which was rechristened Ecoflora Cares in the wake of the spin-off.

³⁷ Hybrytec was a co-investment with ECOS, a sustainable development consultancy headquartered in Switzerland, and its Sustainable Equity Fund.

*Table III-2: Progresa Exits*³⁸

Company Name	Date Invested	Amount Invested	Date of Exit	Type of Exit	MOIC
Ecoflora Agro	Nov. 2009	COP 6.9 billion	Sept. 2011	Strategic sale (Gowan Company)	3.14x
Easy Solutions	April 2010	COP 3.0 billion	May 2013	Sale to GP (Medina Capital)	2.5x
Hybrytec	Aug. 2011	COP 0.8 billion	March 2014	Co-investor acquisition (ECOS Sustainable Equity Fund)	1.67x

The research team assessed the impact of Progresa’s investments in its portfolio companies in two categories, direct impact and indirect impact. Quantitative information provided by Progresa and its portfolio companies was combined with the qualitative data that the research team gathered during interviews with Progresa’s investment team, executives at its LPs, and the entrepreneurs and decision-makers at its portfolio companies, to form the foundation for this analysis. Again, it is worth noting that these results should be considered indicative rather than exhaustive, particularly the assessment of indirect impacts. It is also important to highlight two aspects of the impact analysis. First, the research team analyzed only those five companies that remained in the Progresa portfolio as of mid-2015. Companies from which Progresa had exited (Hybrytec, Easy Solutions, and Ecoflora Agro) were not considered. Secondly, the question of attribution invariably arises, as it is often difficult to determine with any certainty the impact—direct or indirect—of a given fund’s investment in a portfolio company (e.g., the company may have multiple investors, and the indirect impacts are often influenced by many extraneous forces). Although the impact of a single investment may be debated, for simplicity throughout this study it is assumed that the fund manager’s investment implies that it has had an impact on the company’s performance.

In reviewing the following material, it is also important to keep in mind the significance of Progresa’s successful exits and their effect on the VC ecosystem in Colombia. As a homegrown pioneer of that country’s VC space, Progresa has demonstrated the viability of local venture capital investing both within Colombia and, arguably, Latin America ex-Brazil more broadly.

³⁸ Through August 2015.

Subsequent VC funds, while not guaranteed of success, may look to Progresa’s successful track record as an indication of the possibilities of investing in the region’s dynamic entrepreneurs.

Direct Impact

The most important direct impact a VC investor can have, particularly in emerging and frontier markets, is often the most basic: the provision of risk capital to otherwise capital constrained companies. Globally, bank loans to SMEs are estimated at about 13% of GDP, but that figure is dramatically lower in emerging markets, where SME bank loans are estimated to comprise only 3% of GDP.³⁹ Concerns about the barriers to finance and the importance of access to finance would be less urgent were it not for the role that SMEs play in creating jobs. With the critical need for job creation in emerging markets, and the fact that SMEs create 78% of the formal sector jobs in low-income countries,⁴⁰ greater access to finance is commonly regarded as directly linked to job creation. Table III-3, below, displays the aggregate performance of Progresa’s portfolio along six metrics from the date of investment in the individual portfolio company through December 2013.

*Table III-3: Progresa Portfolio Performance*⁴¹

Increase in Employment	Increase in Female Employment	Increase in Wages	Increase in Revenue	Increase in Payments to Suppliers	Increase in Taxes Paid
35%	5%	61%	63%	241%	93%

The research team evaluated direct impact as of mid-2015 across four criteria, the first and most basic of which was the effectiveness of committed capital to portfolio companies. The fund was also evaluated on its effectiveness in assisting portfolio companies with networking opportunities and the provision of business training. Finally, the fund was evaluated on its effectiveness in improving investees’ environmental, social, and governance (ESG) practices. The research team rated investments across these four criteria on a scale of 0 (little to no impact) to 4 (considerable impact).

Examining the direct impact of Progresa on its portfolio companies, the research team found that the committed capital provided by the fund was of particular importance, a finding that in part reflects the scarcity of other sources of risk capital for early stage companies in Colombia.

³⁹ Peer Stein, Oya Pinar Ardic and Martin Hommes, “Closing the Credit Gap for Formal and Informal Micro, Small, and Medium Enterprises,” (Washington, D.C.: International Finance Corporation, 2013).

⁴⁰ International Finance Corporation, IFC Jobs Study: Assessing Private Sector Contributions to Job Creation and Poverty Reduction, (Washington DC: IFC, January 2013): 5.

⁴¹ Note that these figures include Ecoflora Agro, from which the fund exited in 2011, but do not include PrimeStone and HelpPeople, investments made after the December 2013 internal analysis that was the source of these figures.

Progresa also provided crucial networking support, having helped its portfolio companies, for example, secure additional funding for key projects and form relationships with key partners and customers. The Progresa team's ability to provide such assistance was significantly enhanced by its close relationship with Grupo Sura and Grupo Argos, the two large Colombian conglomerates with wide and deep networks across the region. Progresa's business training was also of great value, and the investment team encouraged its entrepreneurs to take classes on topics such as financial analysis, strategy, marketing, sales, corporate finance, and basic negotiations. The classes, taught by third-party consultants, were highly regarded by the portfolio company attendees. Finally, Progresa provided training and guidance to its investees around their environmental, social, and governance (ESG) practices, particularly Ecoflora Cares, whose ecologically responsible supply chain generated significant beneficial ESG externalities. Progresa's parent, Promotora, has incorporated an express ESG mandate into Progresa's successor fund, the Early Growth Fund II.

Indirect Impact

Along with direct impacts, a VC fund's investments also have indirect impacts—that is, the impact on a community and/or a region due to the investment in a given company. By their very nature, indirect impacts are even more difficult to measure than direct impacts; they often do not emerge clearly for months or even years. Using existing data and interviews with relevant actors, the research team assessed the role Progresa's companies have played in their communities and regions. As noted earlier, however, the question of precise attribution is not addressed in this study, and for simplicity purposes it is assumed that Progresa's investment in the company was instrumental in creating these indirect impacts. The indirect impacts considered for Progresa included ancillary growth and job creation that occurred in the greater community in response to growth in the portfolio company; promotion of innovation; improved quality of life for BoP citizens; and the company's impact on the country's VC ecosystem.

Progresa's indirect impact varied, although the research team found that the relatively larger and more mature companies in the portfolio—Ecoflora Cares and PrimeStone—tended to have more pronounced effects on the broader community. With its labor-intensive supply chain that reaches into some of the poorest areas of Colombia, Ecoflora Cares had the largest impact on ancillary growth and job creation, while Brainz, a mobile gaming company with a small number of large outside suppliers, had the smallest. Innovation—from smart metering technology to a potentially revolutionary new food colorant—was an important aspect of each portfolio company's business, and Progresa's high average rating on innovation reflects this. The developer of the new food colorant, Ecoflora, received the highest innovation rating, while companies with technology that had been developed and in use in other geographies received much lower ratings. In terms of their beneficial impact on Colombia's BoP population, Progresa's portfolio companies occupy both ends of the indirect impact spectrum. Two companies, Ecoflora and Ubiquo, the telemedicine solutions provider, had the greatest impact, while Brainz had the least. Finally, as the first homegrown Colombian VC fund to achieve successful exits, Progresa's effect on Colombia's VC ecosystem has been profound. Through its two full exits and one partial

divestiture, Progresa proves that the larger Colombian entrepreneurial and VC ecosystem could function across the investment cycle of fundraising, investing, and exiting.

IV. The Early Growth Capital Fund II

As of September 2015, Promotora was raising money for the Early Growth Capital Fund II, the successor to Progresa. With the new fund, Francisco Mira, Promotora's CEO, seeks to focus on the same general sectors and company stages as had Progresa. Mr. Mira acknowledged that this approach was likely to be more challenging than investing in companies with tested concepts, but he was confident his investment team would find enough suitable investments for EGF II.

Colombia's unique comparative advantages—including its immense biodiversity resources and highly trained life sciences workforce—guided Mr. Mira as he charted a course for EGF II. “There are a number of Colombian healthcare and life sciences experts who studied and lived abroad and want to return to Colombia,” he said. “They have the know-how, the experience, the capital, and the networks to start successful businesses here.”

Another of Colombia's advantages, in Mr. Mira's view, was its suitability as a testing ground for small, promising companies with regional and even global ambitions. “We have learned that Colombia is a good place to test the initial commercial proof of concept or for adjusting product and process,” he said. “Then you are ready to jump into the U.S. or E.U., but first you have to do it here.”

Mr. Mira was optimistic about EGF II's ability to source deals, thanks to the increasingly robust entrepreneurial ecosystem in Colombia, which had evolved considerably since Progresa's first investments in 2009. “The ecosystem has matured a bit in the last few years, local entrepreneurs have become more reasonable with their expectations, and angels and investors have become more sophisticated,” he said. There was still room for improvement, however, and Mira hoped that EGF II would be able to bridge what he viewed as a significant gap between local angel financing and Series B funding from international players.

Building on lessons learned from Progresa, Mr. Mira envisioned EGF II as a larger overall fund with a target size of COP 75-100 billion (USD \$25.8-35.8 million) and a first close of COP 30 billion. In addition, EGF II would do larger average deals: \$2.5-3.0 million up to 20% of the fund, as opposed to Progresa's average of around \$1.5 million. The holding period for investment would be three to five years with target stakes of 30-49%. As of August 2015, Promotora had raised nearly all of its first close goal from early investors that included Progresa's LPs: Promotora itself, the MIF, Bancóldex, Bancolombia, Grupo Sura, and Grupo Argos.

In terms of performance, EGF II is targeting an IRR of 15-20% and a multiple of invested capital of 2.0-2.5x across 9-12 investments. The management fee would be 2.5%, to be split between Promotora and Fiduciaria Bancolombia, which would serve as the new fund's administrator. The carry is set at 20% with an 8% hurdle rate, with distributions to be made using the European

waterfall method. As of August 2015, EGF II's deal pipeline was substantial, with 76% of prospective investments in the ICT sector, 13% in life sciences, and 11% in applied engineering.

Promotora is looking beyond Colombia and intends a regional focus for EGF II. Mr. Mira confirmed that the team had already begun evaluating potential investments in Peru, Chile, and Mexico. Like Progresa, EGF II is looking for a combination of financial return, truly innovative portfolio companies, and a significant impact on sustainable development in the region. The fund plans to implement the Global Impact Investment Rating System (GIIRS) to better track its effectiveness in meeting its development goals.

Our interviewees largely agreed that Promotora should focus on the VC space, as opposed to growth equity, the focus of Promotora's Escala fund. The principal reason given was size. Escala was not big enough to make single investments of \$10-15 million—the requirement to be competitive at the “next level,” as one interviewee put it—but was too big (with an average investment of approximately \$5 million) to participate in the disruptive innovation opportunities at the smaller end of the scale. Another reason was competition from larger firms with well-established international presences. “We are competing with big, reputable funds in the growth equity space,” said one interviewee. “For example, we were competing for one deal with Advent, and we cannot win in that race.”

Mr. Mira was sanguine about Promotora's prospects for raising even a third VC fund, a process that he believes will be underway within five years. He acknowledged that continued success in the VC space would depend on the track record of Progresa and EGF II. “We expect at least one home run from Progresa,” he said.

V. The Future

Despite the interviewees' largely favorable outlook for Promotora's future as a player in Colombia's entrepreneurial and venture capital ecosystem they noted some challenges, including a cash shortfall at Ecoflora, and the relatively slow pace of growth at the four companies that remained in Progresa's portfolio as of August 2015. One interviewee expressed disappointment at what he viewed as the slow progress of fundraising for EGF II, the successor fund to Progresa. He assumed the fund would be up and running by year-end 2014 and noted that some of Progresa's LPs had yet to decide on a commitment.

One of the biggest challenges facing the Progresa team was increasing the rate of co-investment, which was mentioned as a potential solution to Ecoflora's cash shortfall. At least one interviewee speculated that the PEVC ecosystem in Colombia was not yet mature enough to support co-investment activity. “The prerequisite for [increased levels of co-investment] is growth in the number of angel investors and VC funds,” said one interviewee. The business culture in Colombia with respect to company growth and development was cited as another potential obstacle. “Ubiquo's founders and initial investors are very good businesspeople,” said one member of Progresa's investment team, “but they are accustomed to organic growth over a 20-year period. VC sector industries need to grow far more rapidly.”

Homegrown competition from Colombian conglomerates—including Progresa LPs such as Grupo Sura and Grupo Argos—represented another potential challenge. “These firms are building in-house innovation and investment departments,” noted one interviewee. “They have a different philosophy and are interested in much earlier stage investments, but there is the potential for a collision with Promotora’s VC funds.” There was also, however, the potential for Progresa or its successors to establish co-investment relationships with such groups as well.

Promotora’s tripartite structure—with its investment banking, structured finance, and PEVC arms—might be viewed as suboptimal, given the disparate revenue models of the three businesses. “Investment banking is highly dependent on success fees, which means that earnings fluctuate significantly,” said Mr. Mira, noting that there is the possibility that the investment banking arm could be spun off in the future and that Promotora may one day focus exclusively on VC investing.

Ultimately, it is perhaps too soon for Promotora to focus exclusively on fund management while its first forays into PEVC remain active. “It’s still too early to definitively evaluate the performance of Escala growth fund, or write it off as ‘unsuccessful,’” said Mr. Mira. By the same token, it was also too early to conclude that Progresa had been an unequivocal success, because it could still be sidetracked by unlikely but possible events like the FDA’s rejection of Ecoflora’s Jagua Blue application.

The ever-present difficulties surrounding fundraising as well as exit were exacerbated by the conservative nature of Colombia’s institutional investors, and one interviewee believed this state of affairs would persist into the medium-term. “Domestic investors, such as pension funds, hesitate to put the money in this relatively new asset class in the Colombian market.” There was also a limited number of Colombian strategic buyers. “Most exits were made to foreign investors and buyers,” he commented

Progresa’s most impressive accomplishment is arguably its very existence. Founded as Colombia’s first full-fledged venture capital fund in the midst of the Global Financial Crisis in 2009, the fund was nevertheless able to raise \$21.3 million. In the intervening years, the investment team sourced and negotiated seven promising deals and, by September 2015, had led Progresa to three successful exits: Ecoflora Agro in September 2011 (exit multiple of 3.14x), Easy Solutions in May 2013 (2.5x), and Hybrytec in March 2014 (1.67x). For a pioneering VC fund in an emerging market country where the business community was still largely unfamiliar (or uncomfortable) with the private equity model, Progresa’s achievements are remarkable. Although it was too soon to tell in September 2015 precisely how the fund had changed the entrepreneurial and VC ecosystem in Colombia, it appeared likely that its impact would be significant and lasting.

VI. Acknowledgements

A study such as the one presented in this report requires the willing participation of many actors across the Latin American VC landscape. Numerous individuals generously volunteered their time, stories, data, and insights to contribute to this endeavor. Without their support, the research team could not have investigated the many aspects of VC investments and their developmental impacts that are explored in this study.

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