Fundraising for Venture Capital Funds in Latin America and the Caribbean

2024 Report

IDB | LAB

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Acknowledgements

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Information used in this report has been authorized pursuant to IDB Lab's Venture Capital Funds Investment Program - Guidelines for Applicants or pursuant to other authorizations granted by the providers of the information.

Learning About Venture Capital Fundraising

IDB Lab is the innovation and venture capital (VC) arm of the Inter-American Development Bank Group. Its mission is to discover new ways to drive social inclusion, environmental action and productivity in Latin America and the Caribbean (LAC). It leverages financing, knowledge and connections to support early-stage entrepreneurship, foster the development of new technologies, activate innovative markets and catalyze existing sectors.

IDB Lab is one of the most active early-stage fund investors in LAC: it has invested in over 110 VC funds as a limited partner (LP) since 1996. Its current fund of funds portfolio comprises more than 50 VC funds, which in turn provide indirect exposure to over 900 active companies. Through its investments in VC funds, IDB Lab seeks to address critical barriers to achieving greater development impact and to bridge key financing gaps in countries, sectors and business models in which there is an unsatisfied demand for investments from early-stage entrepreneurs.

To broaden and diversify its portfolio, IDB Lab hosts an annual call for VC fund proposals, accessible to the public year-round. These calls encourage widespread participation and inclusivity among investment management firms seeking equity financing for VC funds. They also allow IDB Lab to maintain transparency in its investment strategies while gathering valuable insights into the state of VC fundraising from the perspective of fund managers across the region.

IDB Lab presents this report on the state of VC fundraising as part of its ongoing commitment to strengthening the VC ecosystem in LAC. The report draws on data from its most recent calls for proposals, supplemented by insights from its fund of funds portfolio. This inaugural edition offers a unique contribution to the region's VC knowledge base, providing valuable insights for aspiring and experienced fund managers, limited partners and other key stakeholders in the ecosystem.

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I. Introduction

Methodology

DATA SOURCE: A CALL FOR PROPOSALS FOR VENTURE CAPITAL

- In 2021 IDB Lab launched an annual call for proposals for investment management firms seeking equity financing for VC funds. A fund applying for IDB Lab's call for proposals is evaluated for potential investment in the year following their application. Thus, throughout this document, the year of potential investment serves as the basis for analysis. This report covers the applicant funds for the most recent potential investment years: 2022, 2023 and 2024. It should be noted that, when applying, the funds in this study are in the fundraising stage and may experience substantial changes throughout the period. Many might not reach their intended final closing; in fact, in some cases they may not reach a final closing at all.

- IDB Lab seeks to invest in VC funds aligned with at least one of the three categories of the IDB Lab's Funds Investment Thesis. (i) "Nascent Ecosystems": funds with a primary focus on nascent or emerging ecosystems, such as Central America and the Caribbean, and selected markets in South America, such as Ecuador, Paraguay, Bolivia and Uruguay. (ii) "Regional Funds": funds with a regional strategy; in addition to targeting more developed ecosystems, such as Argentina, Brazil, Chile, Colombia and Mexico, these funds also target nascent or emerging ecosystems to promote regional integration and knowledge transfer from more mature to emerging VC markets within LAC. (iii) "Sector-specific Funds": funds specializing in high-impact sectors or sectors with pronounced structural capital gaps such as Health/Biotech, Edtech/Workertech, Agtech/Foodtech and ClimateTech, among others.

- The minimum eligibility requirements include: (i) alignment with at least one of the IDB Lab's Funds Investment Thesis verticals; (ii) geographic focus on LAC (at least 80% of investable capital allocated to companies from LAC); (iii) focus on early-stage companies (initial tickets at pre-seed to series B rounds); (iv) minimum fund size of $20M (or $10M for nascent ecosystems funds); (v) management team with experience in early-stage investing in LAC; and (vi) a transformational or impact-oriented mission clearly incorporated into the fund's investment strategy.

- The complete "Guidelines for Applicants" can be found at https://www.iadb.org/en/home/calls-proposals/venture-capital-funds.

DATA SET: THE APPLICANT POOL

- IDB Lab reviewed a total of 168 applications for potential investment in 2022, 93 applications in 2023 and 139 applications in 2024.

- From the total number of applicants, 83 funds met the minimum eligibility requirements in 2022, 65 in 2023 and 87 in 2024. These funds were considered for deeper analysis during their respective years, and they constitute the annual observations (n) for the report's analysis, unless otherwise indicated. Sections specifically referencing 2024-only data are denoted in footnotes or figure captions.

- All monetary data are in United States dollars, denoted as $, M for million and Bn for billion.

Acronyms

AUM	Assets under management
DEI	Diversity, equity and inclusion
GP	General partner
IC	Investment committee
IDB	Inter-American Development Bank
IRR	Internal rate of return
LAC	Latin America and the Caribbean
LP	Limited partner
LPAC	Limited partners advisory committee
PSU	Project status report
Series-A/B/C	Sequential investment rounds obtained by a startup
VC	Venture capital

Overview of 2024 Applicant Funds

The LAC VC esosystem is taking off

87
early-stage VC funds focused on LAC

52%
of funds have a regional geographic focus

43%
of funds are sector-specific (as opposed to sector-agnostic)

47%
of funds invest first tickets at the pre-seed stage

LAC VC shows significant value creation

$4.6 bn
target fundraising (aggregate, by all funds)

$53M
average target fund size

27
average target number of investees per fund

40%
median follow-on reserve

VC funds offer attractive returns and impact

23%-30%
expected net IRR

76%
have an impact strategy

70%
have women participation in Investment committees

47%
have women partners

Note: Data in this slide pertains only to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024.

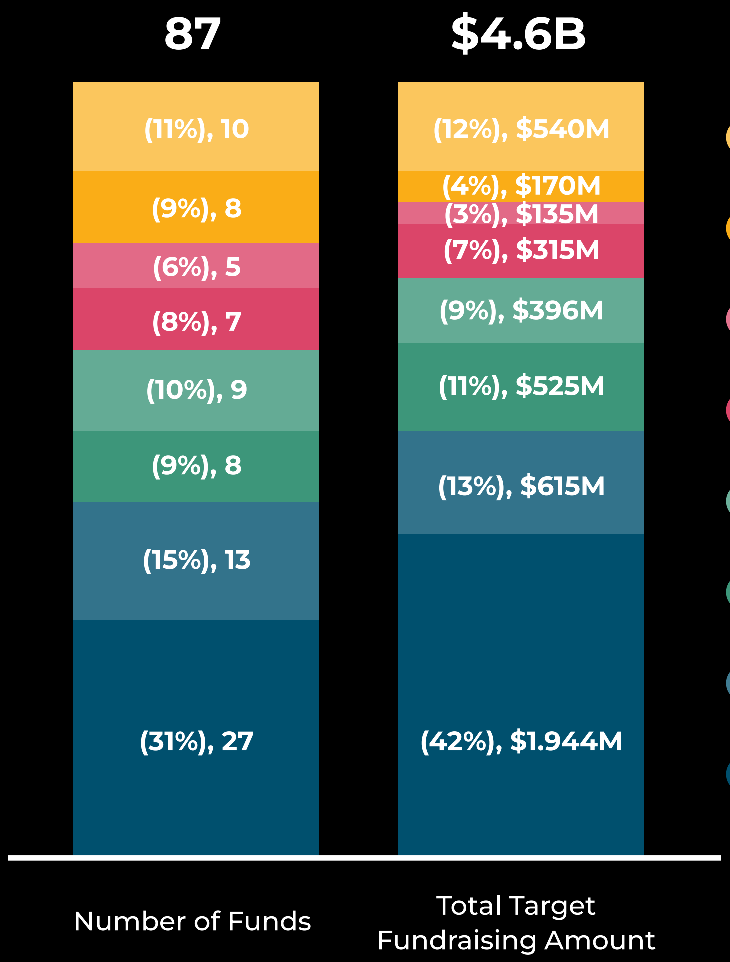
II. Insights from Applicant Funds

Chapter 1

Investment Theses and Strategies

Geographic focus: Fund Manager HQ (2024)

Graph 1. Number of Funds and Total Target Fundraising amount by HQ Country



Graph 2. Average Target Fund size by HQ Country

In 2024 IDB lab analyzed 87 funds meeting the minimum eligibility requirements . The average target fund size was $53M, targeting a total fundraising amount of $4.6B.

Fund managers with targeted investments in LAC hailed mostly from Brazil (31%) and Mexico (15%).

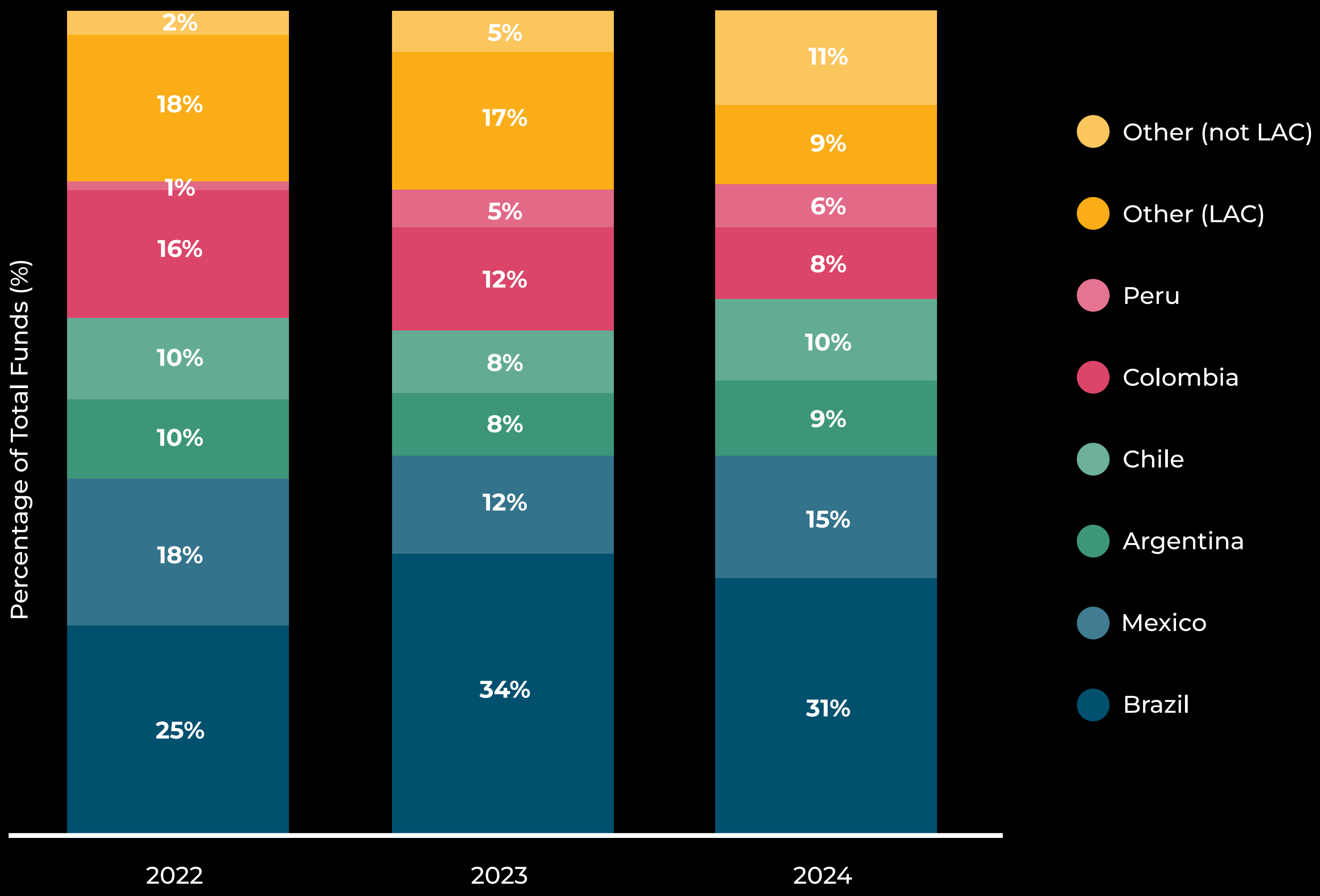
A comparatively low number of fund managers were headquartered in nascent ecosystems, such as Central America and the Caribbean.

North America and Europe-based fund managers were also looking towards the region for investments.

Note: Data in this slide pertains only to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024.

Fund Manager HQ: Evolution over time

Graph 3. Evolution of Fund Managers by HQ Country



In recent years, **Brazil and Mexico have emerged as the top destinations for fund managers** raising new funds, affirming their dominance in the LAC market. They comprised 43% of funds in 2022 and 46% in both 2023 and 2024.

There has been an uptick in new funds emerging from Peru. The percentage of funds based there rose from 1% in 2022 to 6% in 2024, highlighting Peru's growing presence in the regional VC landscape.

In contrast, **there has been a relative decline in new funds originating from nascent ecosystems**, such as Central America and the Caribbean, reflecting the slower pace of growth in these sub-regions.

Geographic focus: Regional vs Country-specific (2024)

Graph 4. Regional vs Country-specific Breakdown (by number of Funds)

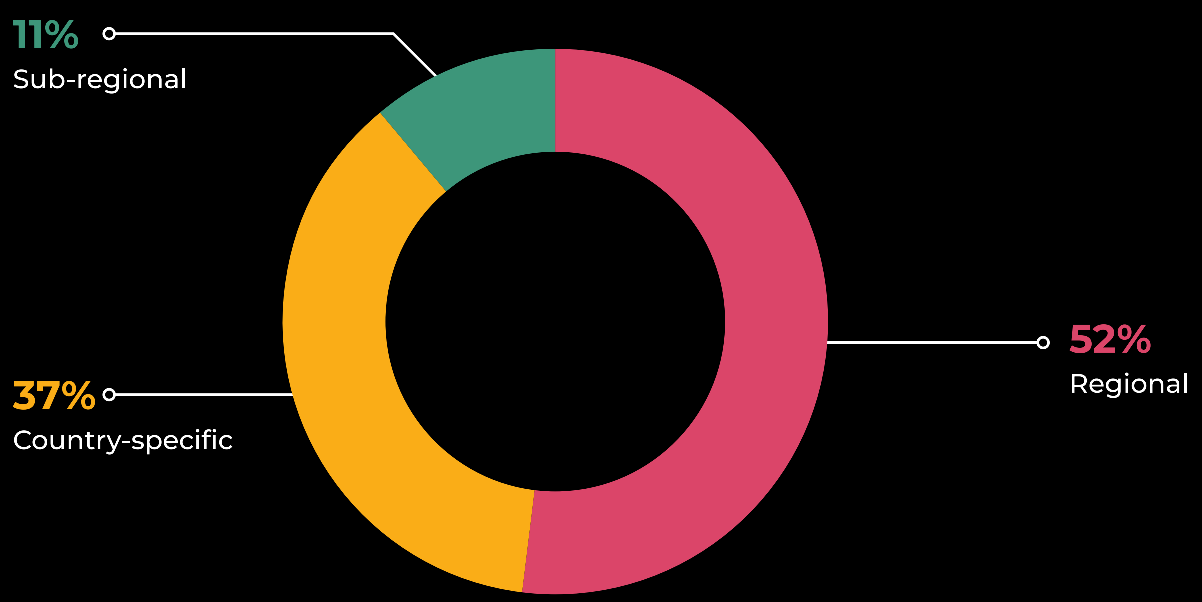


Figure Note: The “Regional” category encompasses all of LAC, while the “Sub-regional” category covers nascent ecosystems in the Andean, Caribbean, Central American and Southern Cone sub-regions.

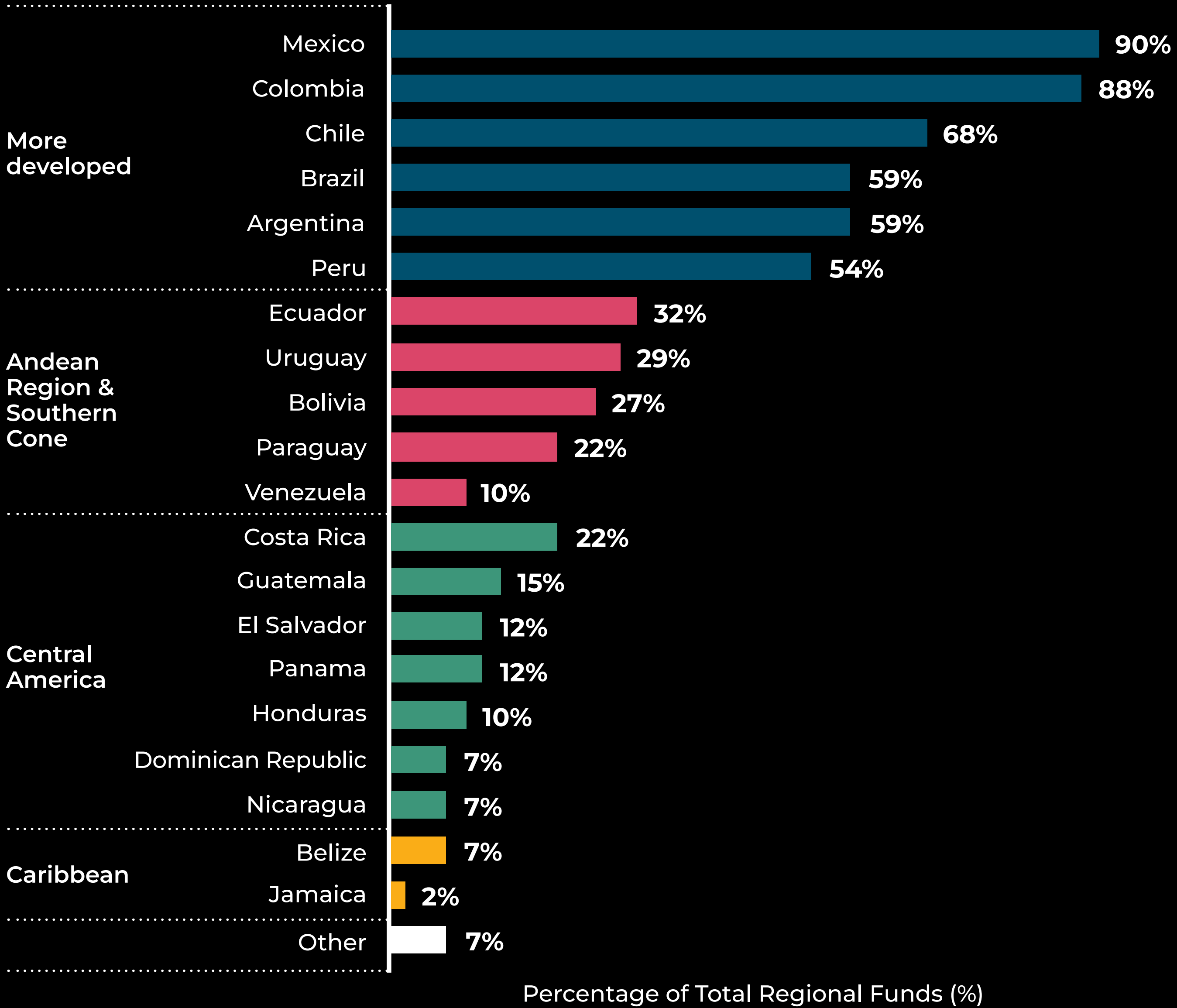
As of 2024, there was a significant concentration of fund managers headquartered in a few countries, but **52% of the funds had a regional focus**, actively seeking investment opportunities throughout LAC.

Country-specific funds primarily concentrated on the largest markets in the region, with a significant emphasis on Brazil (69%), followed by Chile (13%), Mexico (6%), Colombia (6%) and Argentina (6%).

Note: Data in this slide pertains only to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024.

Geographic focus: Regional Funds (2024)

Graph 5. Distribution of Primary Target Countries for Investment by Regional Funds



The top countries targeted for investments by regional funds in LAC in 2024 were Mexico, Colombia, Chile, Brazil, Argentina and Peru (in that order). Among more nascent VC ecosystems Ecuador and Uruguay were the leading target markets for regional funds.

In Central America investors raising new funds were particularly interested in Costa Rica, Guatemala, El Salvador and Panama. In contrast, regional funds had a considerably lower interest in the Caribbean.

Note: Data in this slide pertains only to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024.

Geographic focus: Nascent Ecosystems (2024)

Graph 6. Breakdown of Sub-regional Funds by Geographic Focus (Percentage of Total Sub-regional Funds)

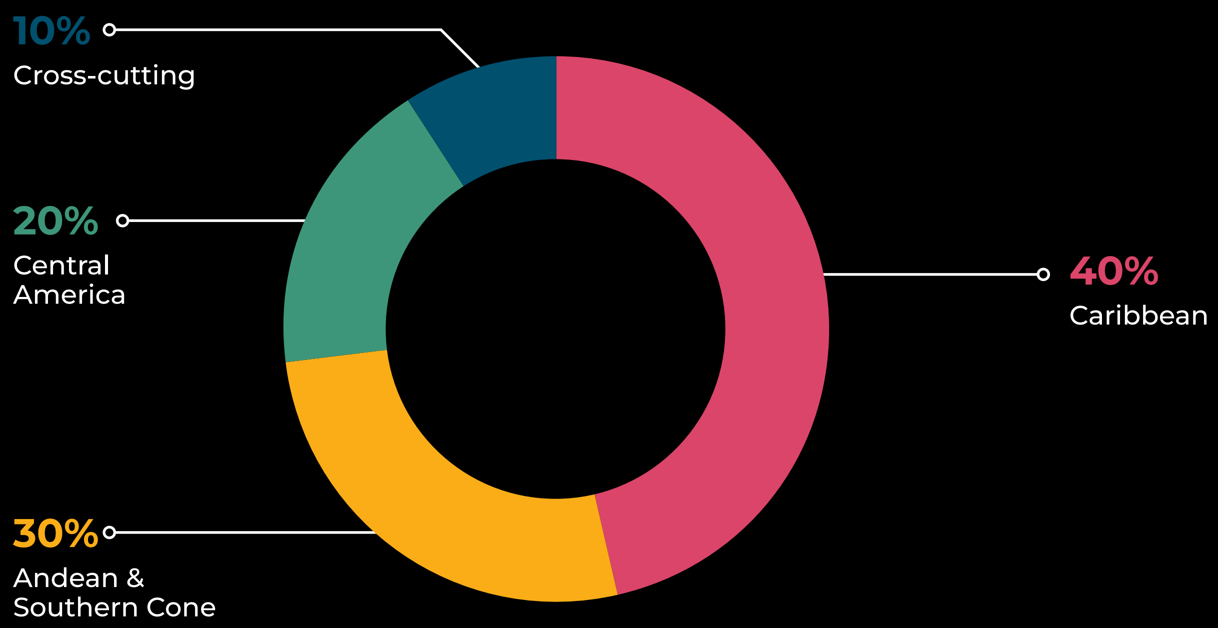


Figure Note: The "Cross-cutting" category refers to a target market including both Central America and the Caribbean.

In nascent ecosystems, given the smaller market size of individual countries, funds tended to adopt sub-regional theses.

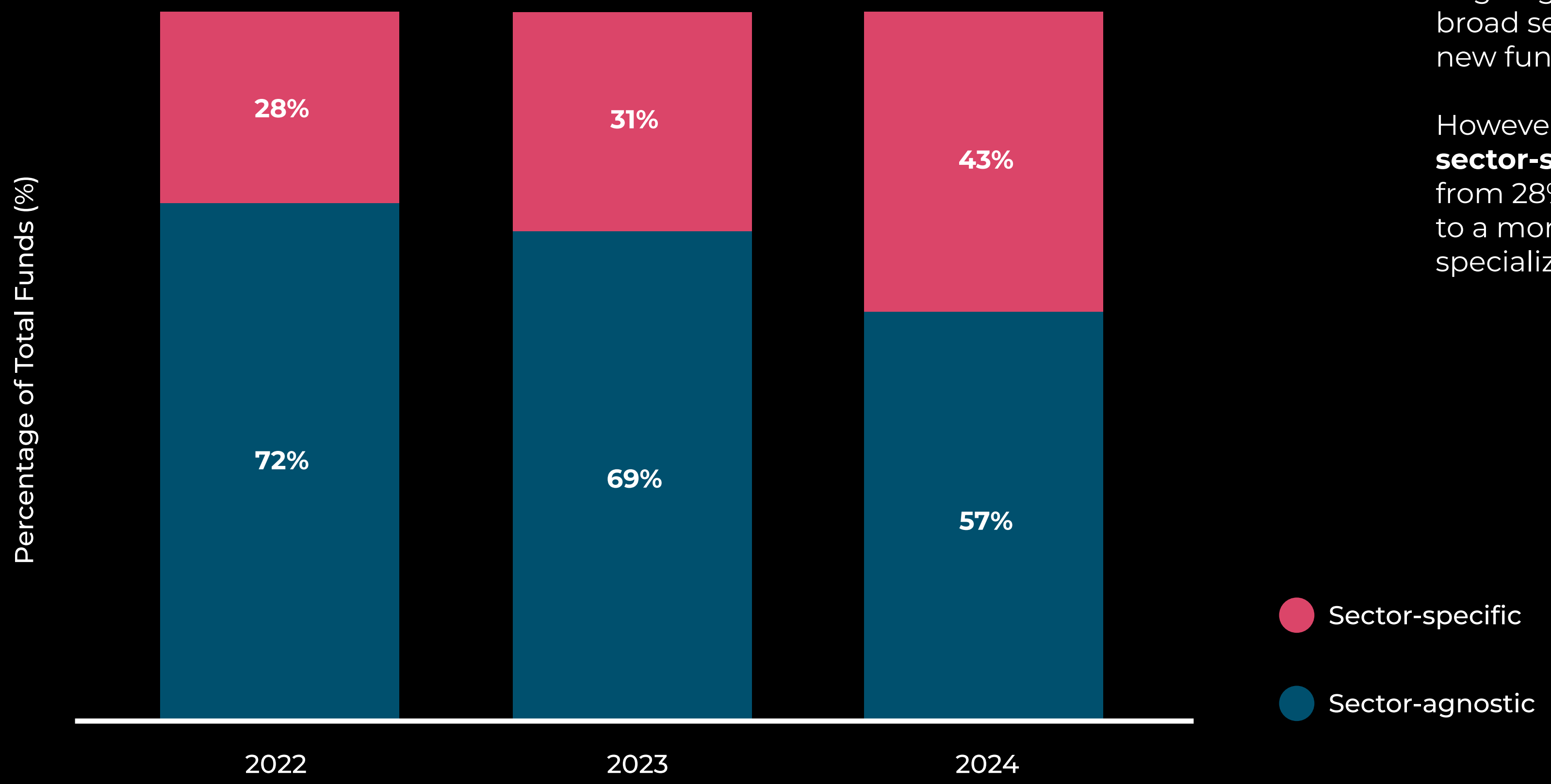
The most common geographic areas targeted were the Caribbean, Andean & Southern Cone and Central America.

In 2024 the average target fund size in nascent ecosystems ($27M) was 49% smaller than the market average, but still highly ambitious considering the current fundraising environment.

Note: Data in this slide pertains only to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024.

Sectoral focus: Sector-agnostic vs Sector-specific

Graph 7. Evolution of Sectoral Focus Among Funds

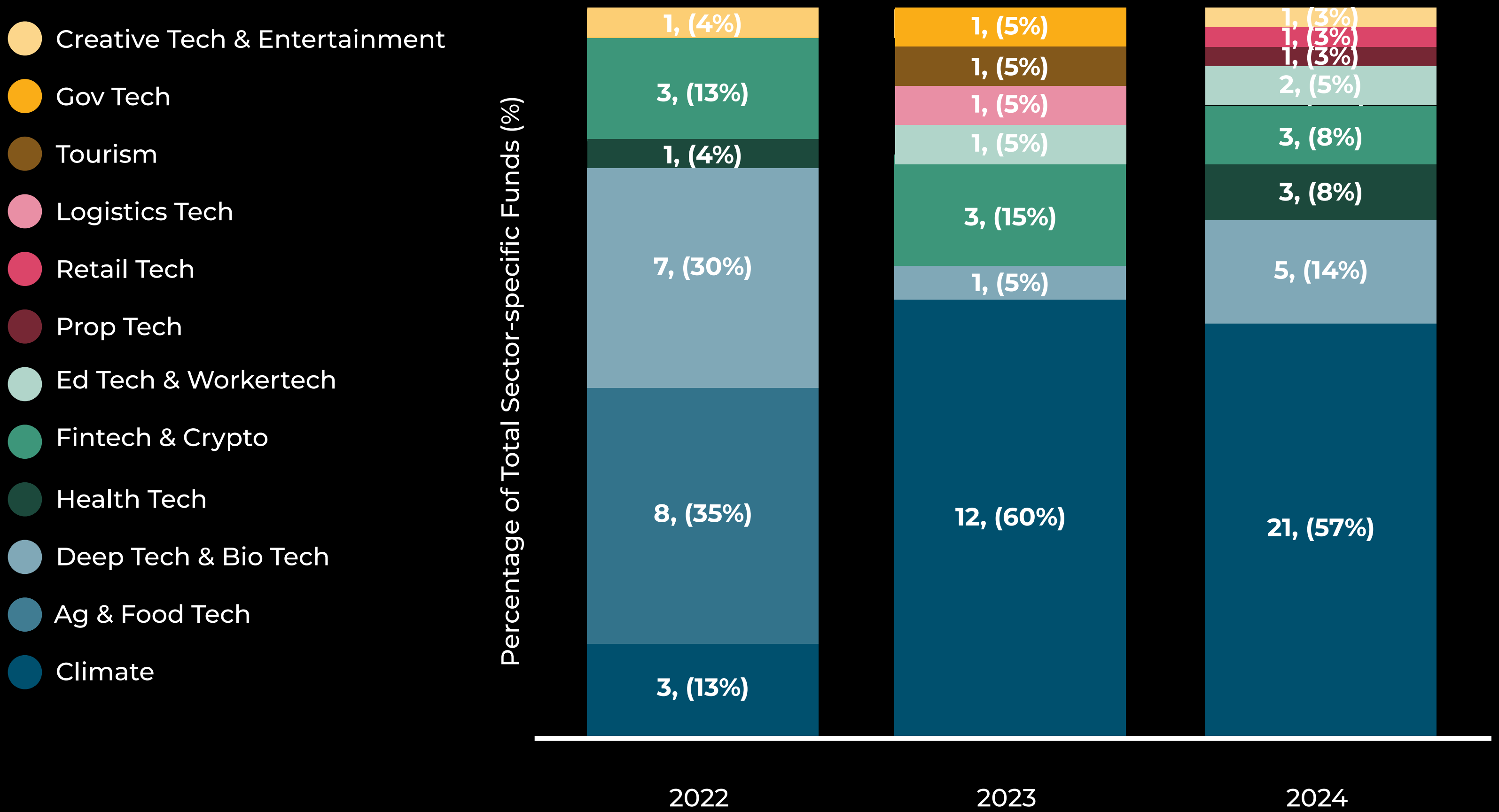


In 2024 sector-agnostic funds continued to dominate the market (57%). This reflects an ongoing preference among fund managers for broad sector diversification strategies when raising new funds.

However, **a significant portion (43%) of funds were sector-specific.** In fact, this category has grown from 28% in 2022 and 31% in 2023. This trend points to a more developed VC ecosystem with increasingly specialized actors and tailored value-add strategies.

Sectoral focus: Evolution over time

Graph 8. Evolution of Sector-specific Funds by Sectoral Focus



Among sector-specific funds, climate stands out as the dominant cross-cutting theme (57% in 2024). These funds invest in various verticals with a primary emphasis on climate-related activities (at least 50% of the investable capital), including ag and food tech, deeptech and nature-based solutions, among others. While climate investing is gaining momentum, much of the expertise is still developing.

Stage of First-ticket investments (2024)

Graph 9. Percentage of Funds investing 1st tickets per stage

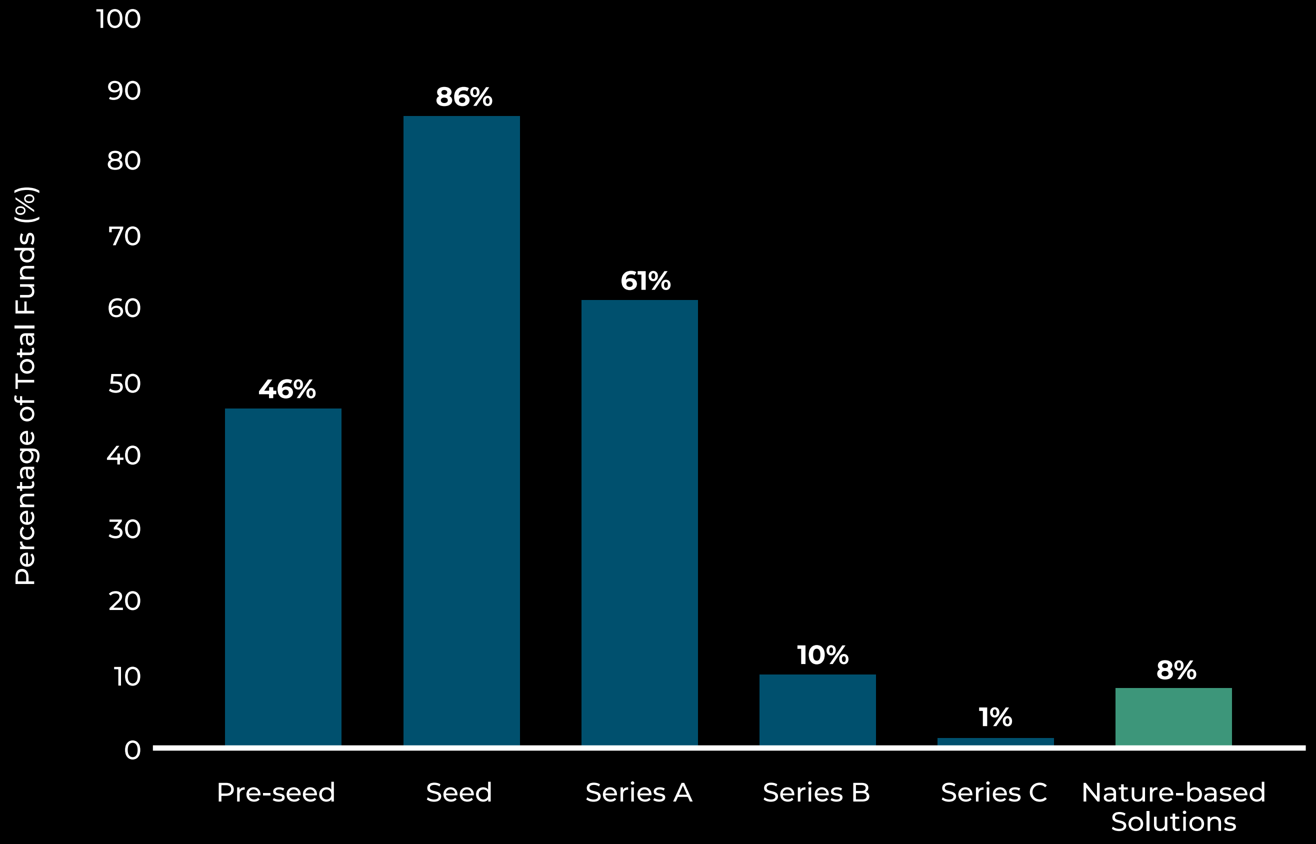


Figure Note: Funds can invest first tickets at multiple stages. This graph excludes follow-on investments. Funds focused on nature-based solutions may not adhere to the typical venture capital stage definitions.

Funds strategically allocate first ticket investments across various stages of the investment lifecycle. Early-stage funds predominantly deploy first tickets between the pre-seed and series A stages.

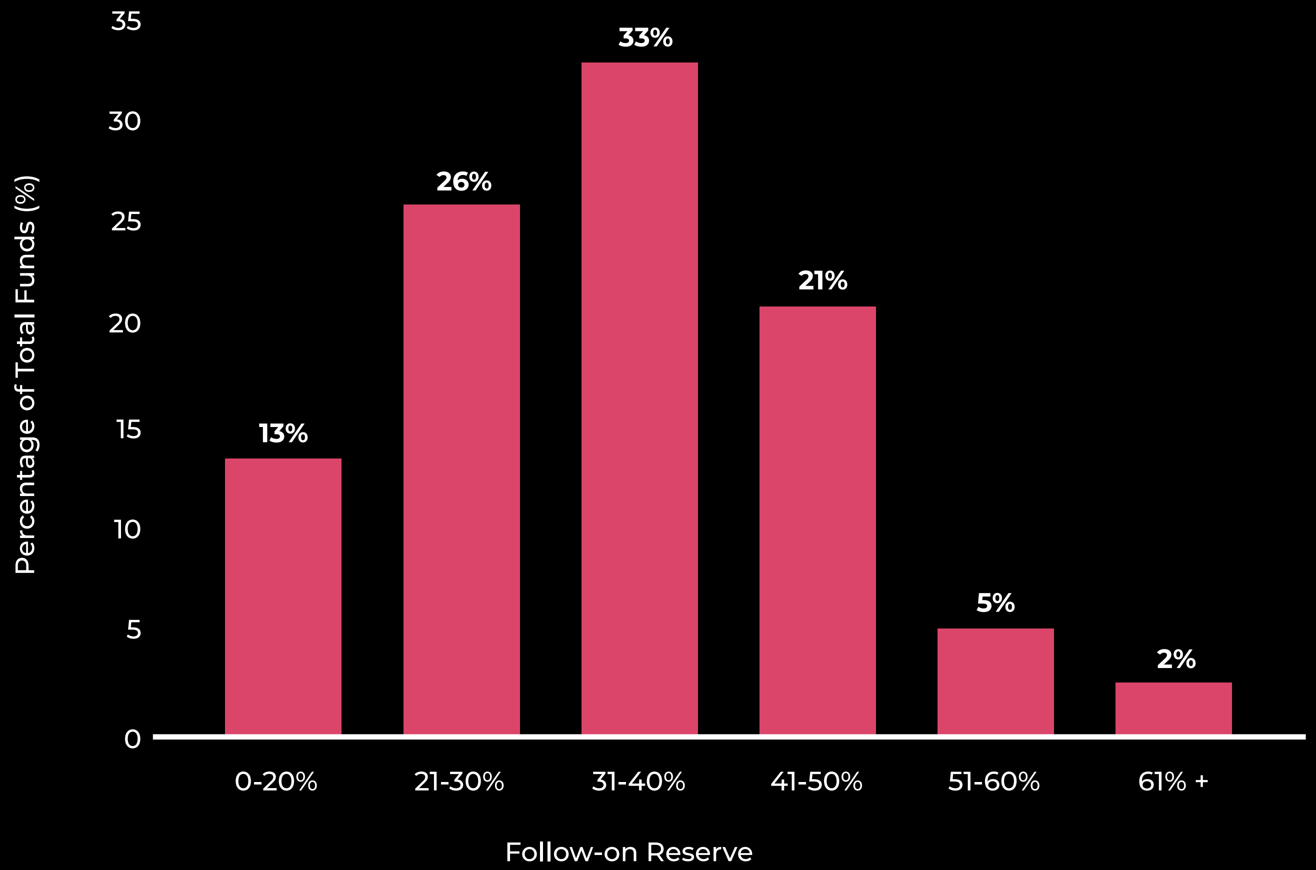
In 2024 46% of funds expected to invest as early as pre-seed, 86% expected to invest at seed level and 61% of funds expected to make investments at series A.

First ticket investments at later stages, such as series B and beyond, are expected to be considerably less frequent, and primarily occurring as opportunistic ventures.

Note: Data in this slide pertains only to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024.

Follow-on Reserve (2024)

Graph 10. Distribution of Funds by Follow-on Reserve



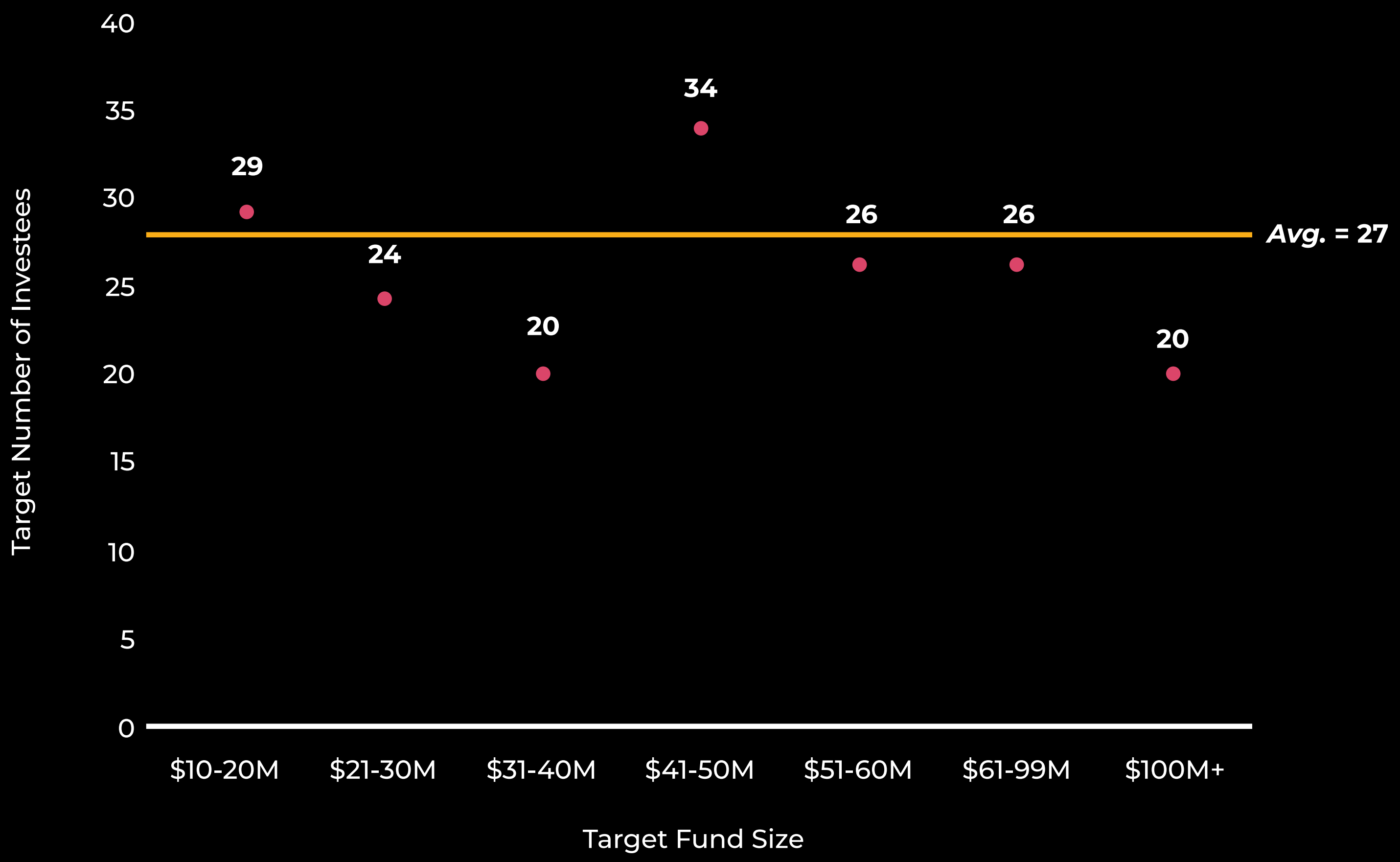
Funds typically allocate a portion of deployable capital as reserves for follow-on investments in the most promising portfolio companies.

In 2024 most funds (59%) expected to reserve between 21% and 40% of deployable capital for this type of investments; only a few (7% of funds) expected to allocate more than 50% as follow-on reserves.

Note: Data in this slide pertains only to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024. The data presented in the follow-on reserves graph is based on a sample size of 82 funds, as 5 of the 87 funds did not have available data for this specific metric.

Target Number of Investees (2024)

Graph 11. Target Number of Investees Across Target Fund Size Ranges



There is no evident correlation between target fund size and target number of investees.

In building their portfolios, fund managers typically increase their exposure to later stages and aim for larger allocations as their assets under management (AUM) grow.

On average, in 2024 funds aimed to construct a portfolio of 27 investees.

Note: Data in this slide pertains only to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024.

Chapter 2

Impact and Diversity, Equity, and Inclusion

Funds' Impact Strategies & KPIs (2024)

Graph 12. Distribution of Funds by Impact and DEI Metrics

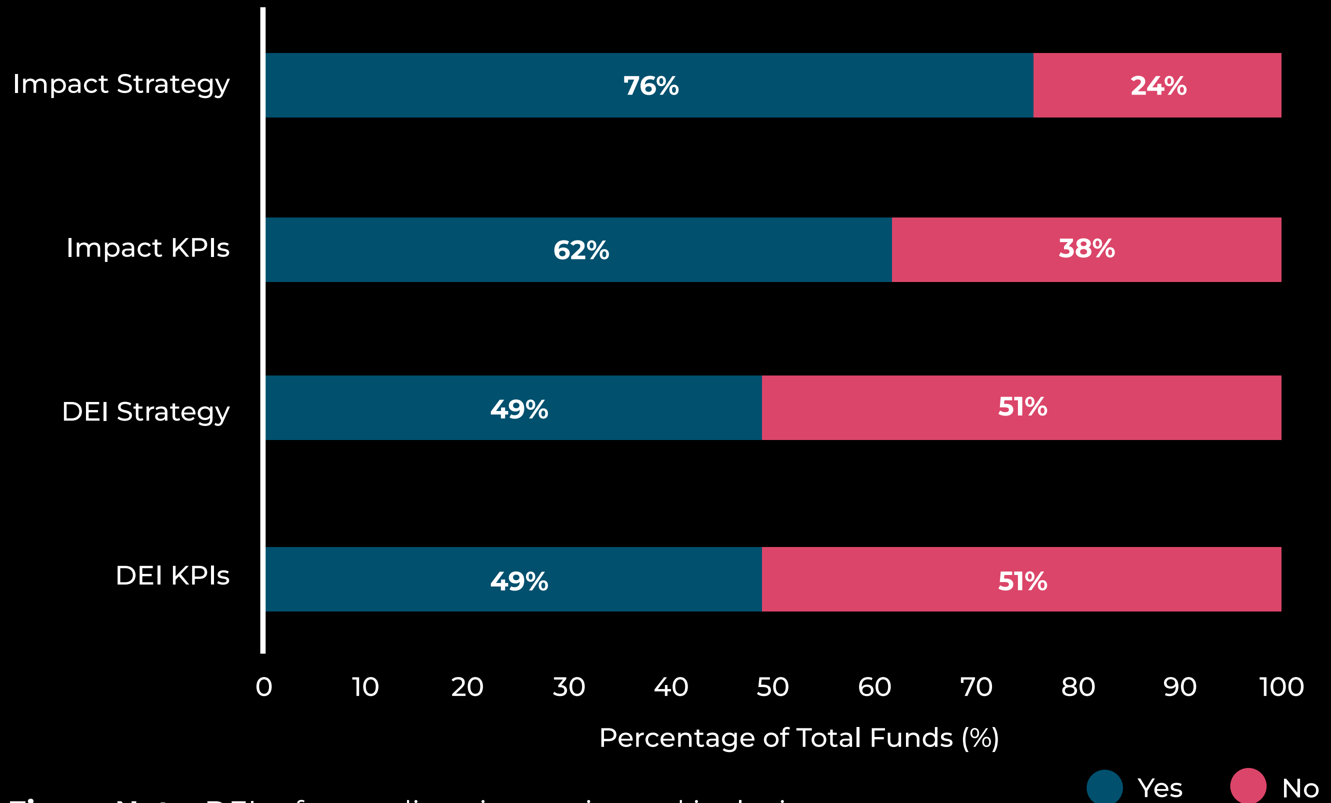


Figure Note: DEI refers to diversity, equity and inclusion.

76% of funds adopted impact strategies. This signals a shift in the investment landscape: managers increasingly recognize the need to align financial goals with positive social and environmental outcomes.

However, **many funds lack effective frameworks for measuring their impact**, often merely aligning their investments with sustainable development goals (SDG), without clear indicators to assess their effectiveness.

One common dimension of impact strategies is diversity, equity and inclusion (DEI). **49% of funds have DEI strategies, but their KPIs tend to narrowly focus on women's participation** as co-founders. This approach overlooks more comprehensive metrics for women's leadership and fails to consider the representation of minorities such as afro-descendants and LGBTQ+ communities, among others.

Note: Data in this slide pertains only to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024.

Gender Equity (2024)

Graph 13. Women Participation across Fund levels

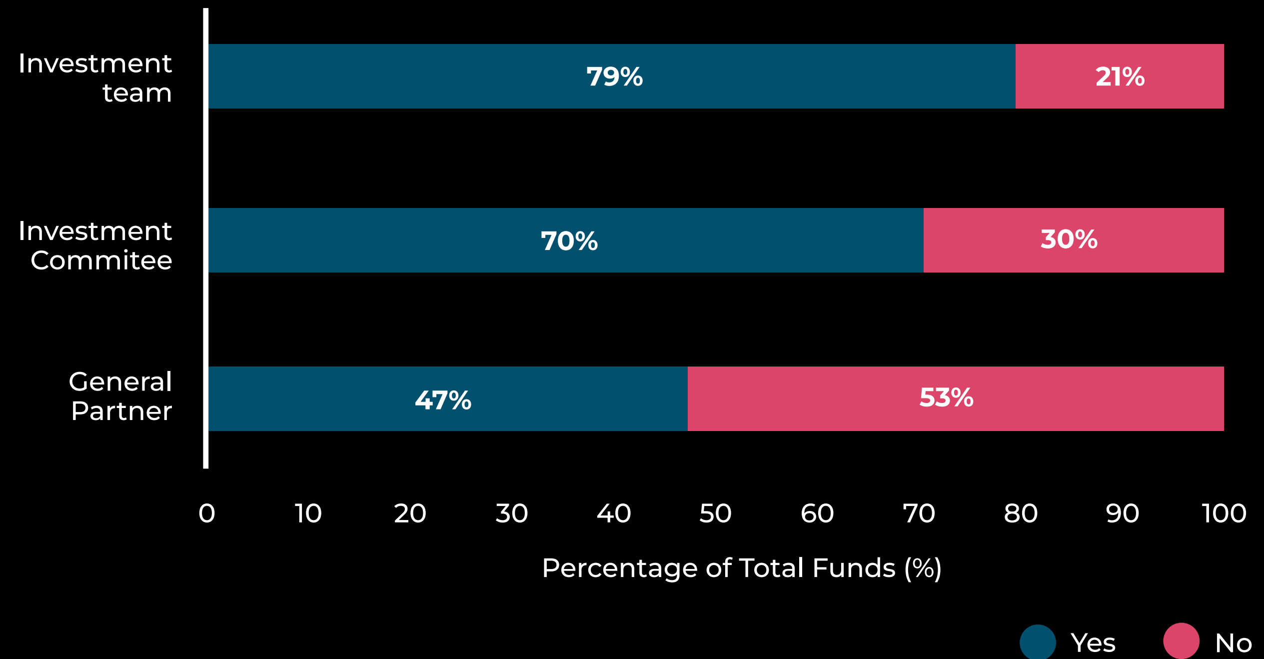


Figure Note: Women participation is defined as the presence of one or more women at the investment team, IC or GP levels. The sample predominantly includes funds with 2 to 6 GPs and IC members, while investment teams typically have up to 10 members.

Fund managers are increasingly focused on incubating and retaining female talent: 79% of funds in 2024 had women on their investment teams.

Clearer career paths and greater exposure to decision-making roles are enabling women to advance into leadership positions: **70% of funds included women on investment committees (ICs) and 47% as general partners (GPs).**

Women demonstrating strong performance are being fast-tracked into leadership roles within a meritocratic framework, as fund managers prioritize building more diverse cultures.

Note: Data in this slide pertains only to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024.

Gender Equity (2024)

Graph 14. Target Fund size by Women Participation

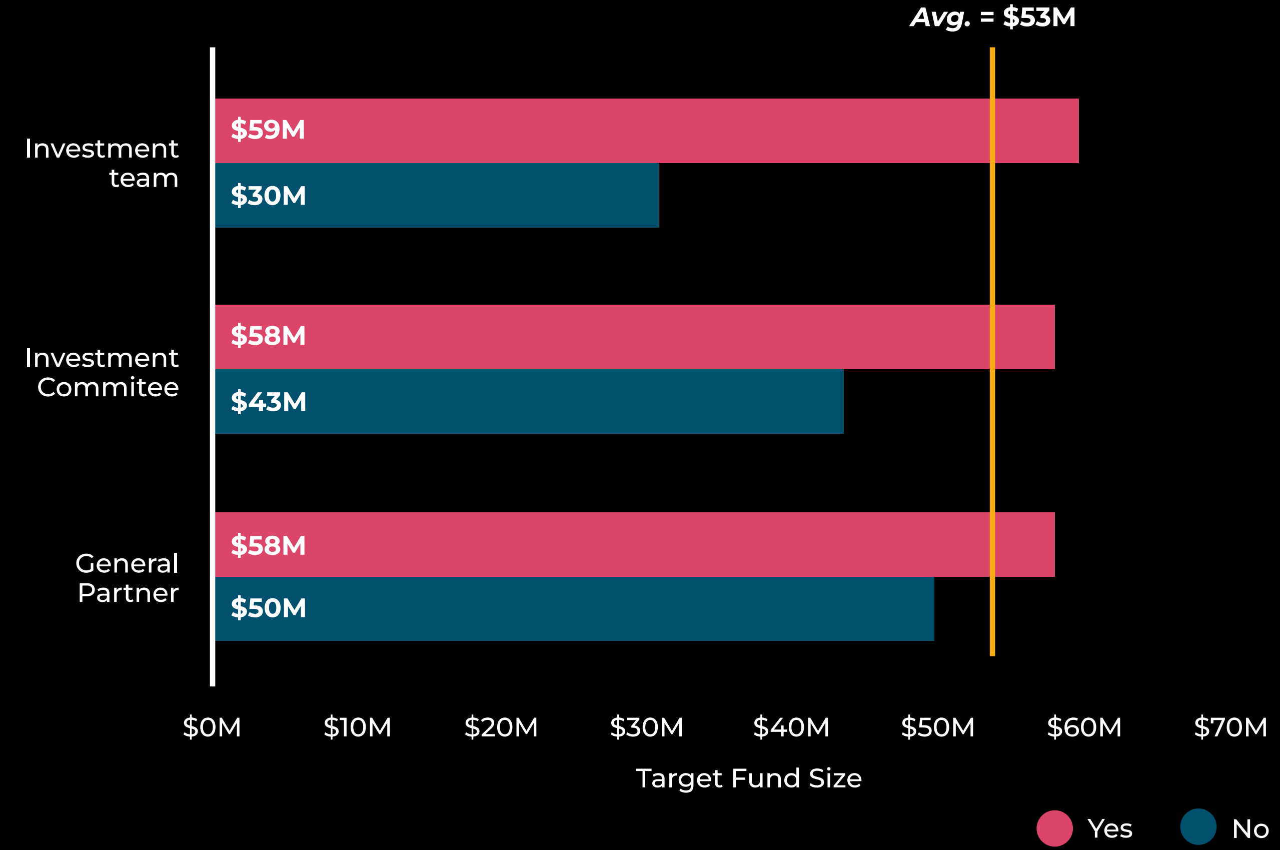


Figure Note: Women participation is defined as the presence of one or more women at the investment team, IC or GP levels. The sample predominantly includes funds with 2 to 6 GPs and IC members, while investment teams typically have up to 10 members.

Data suggests that **funds led by teams with women participation were targeting significantly larger fund sizes in 2024**. Funds with women as general partners or members of investment committees aimed for fund sizes that were 16% to 34% larger than those without.

At the most fundamental level, funds lacking women in investment teams show the greatest disparity; funds with women participation targeted 95% larger sizes compared to men-only counterparts.

Note: Data in this slide pertains only to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024.

Gender Equity: Evolution over time

Graph 15. Evolution of Target Fund size by Women Participation

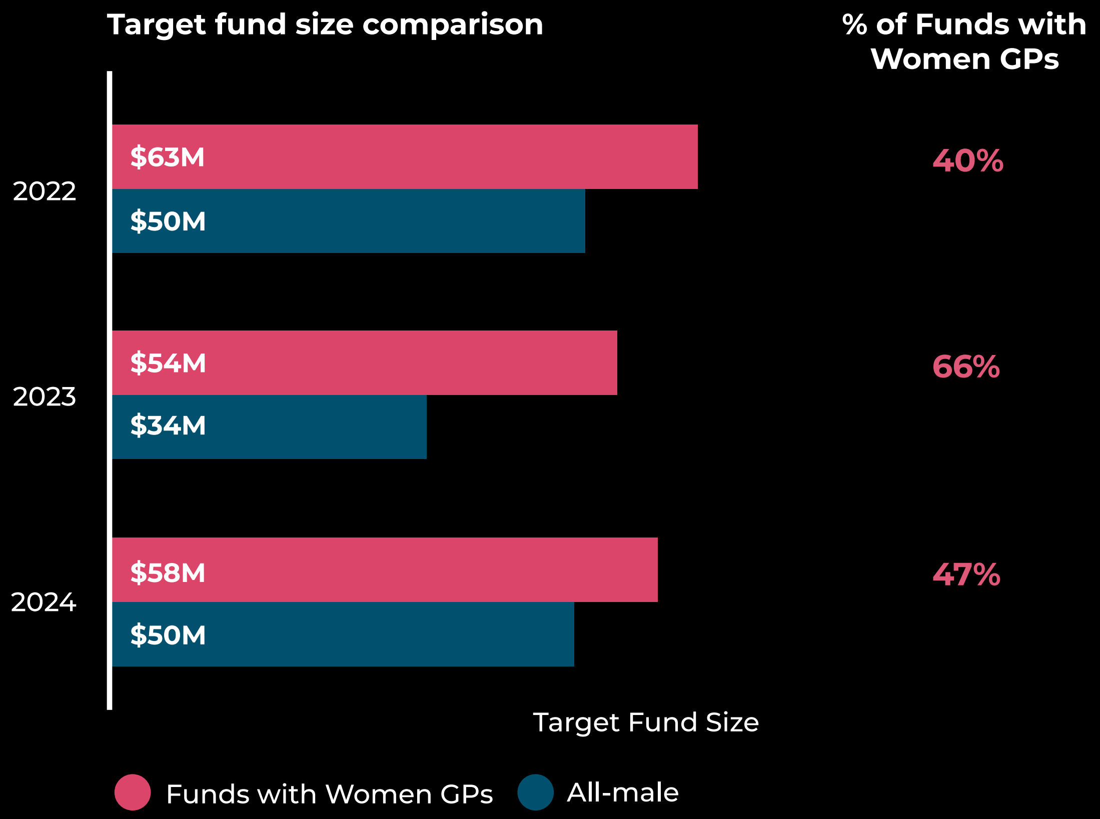
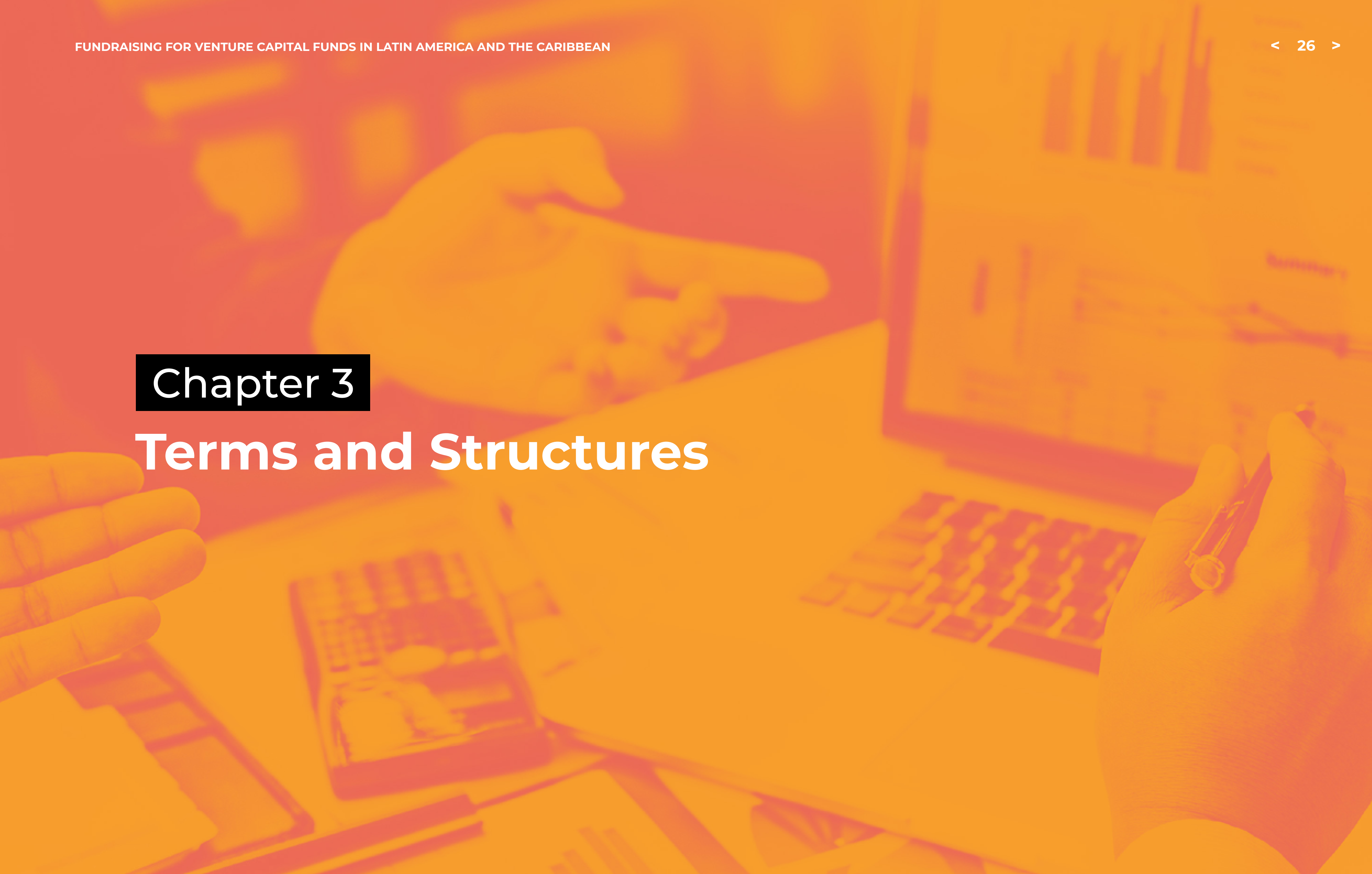


Figure Note: Women participation at the GP level is defined as the presence of one or more women as GPs. The sample predominantly includes funds with 2 to 6 GPs.

Limited partners are paying closer attention to how fund managers incorporate a gender lens at both the fund manager and portfolio company levels, recognizing its potential positive impact on financial performance.

Over the past three years, **funds with women as general partners have consistently targeted larger fund sizes** compared to all-male led funds, with the positive difference ranging from 16% (2024) to 58% (2023).

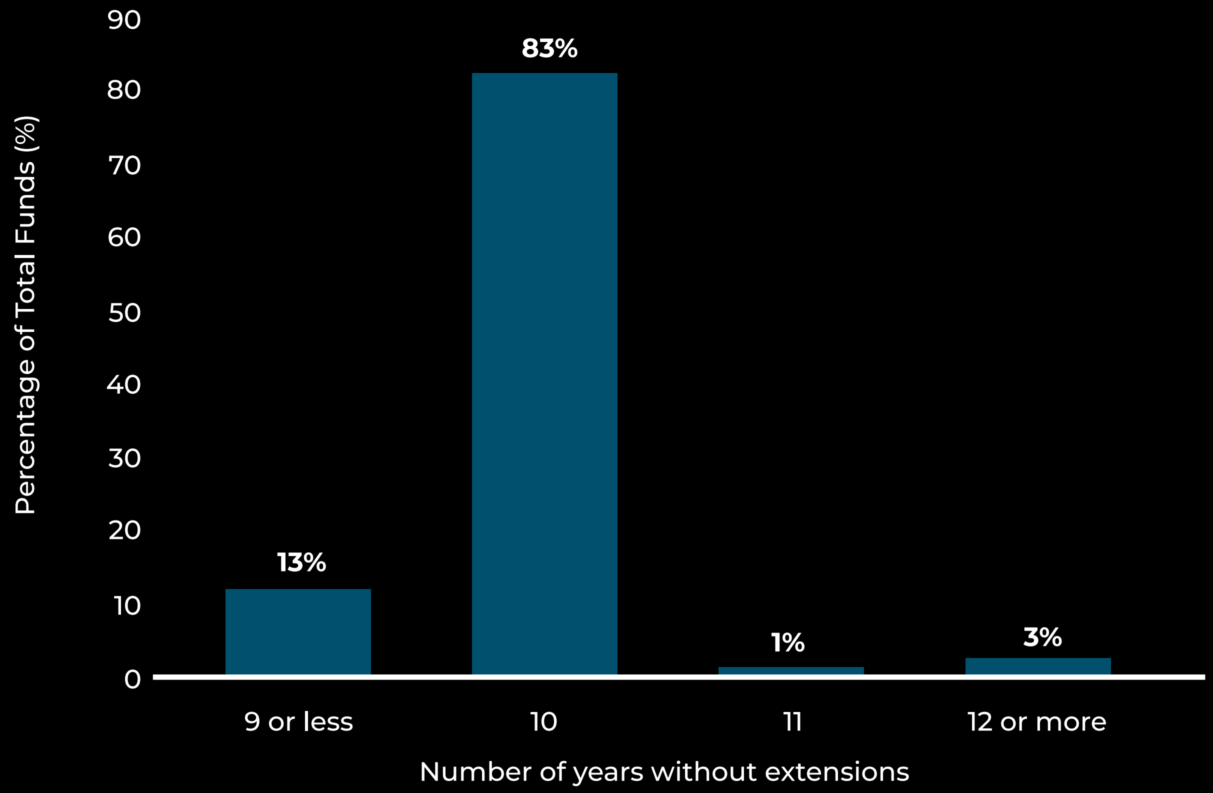


Chapter 3

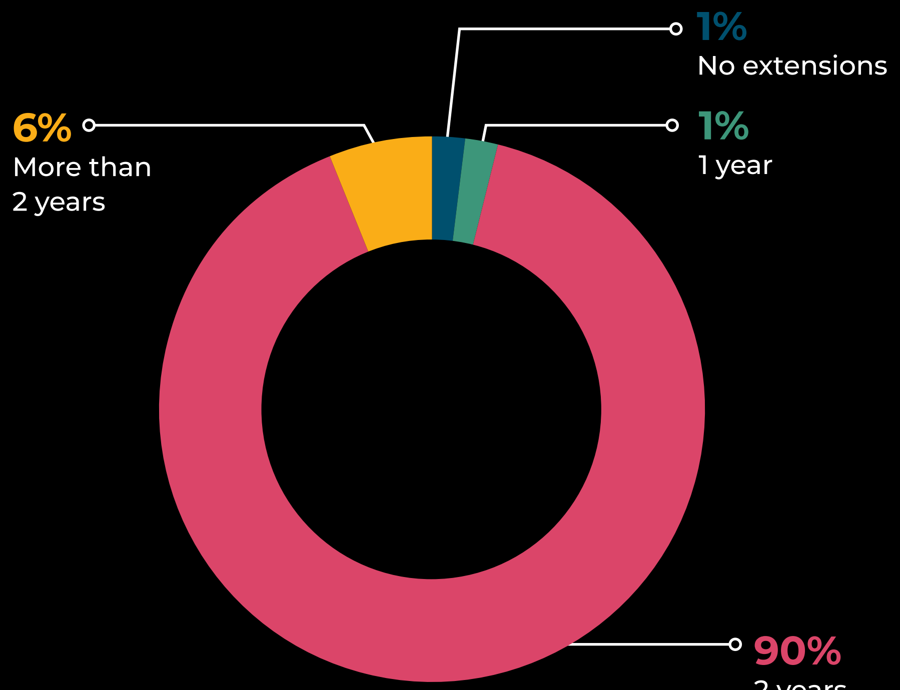
Terms and Structures

Fund Life (2024)

Graph 16. Term of the Fund



Graph 17. Potential Term Extensions by Number of Years (Percentage of Total Funds)



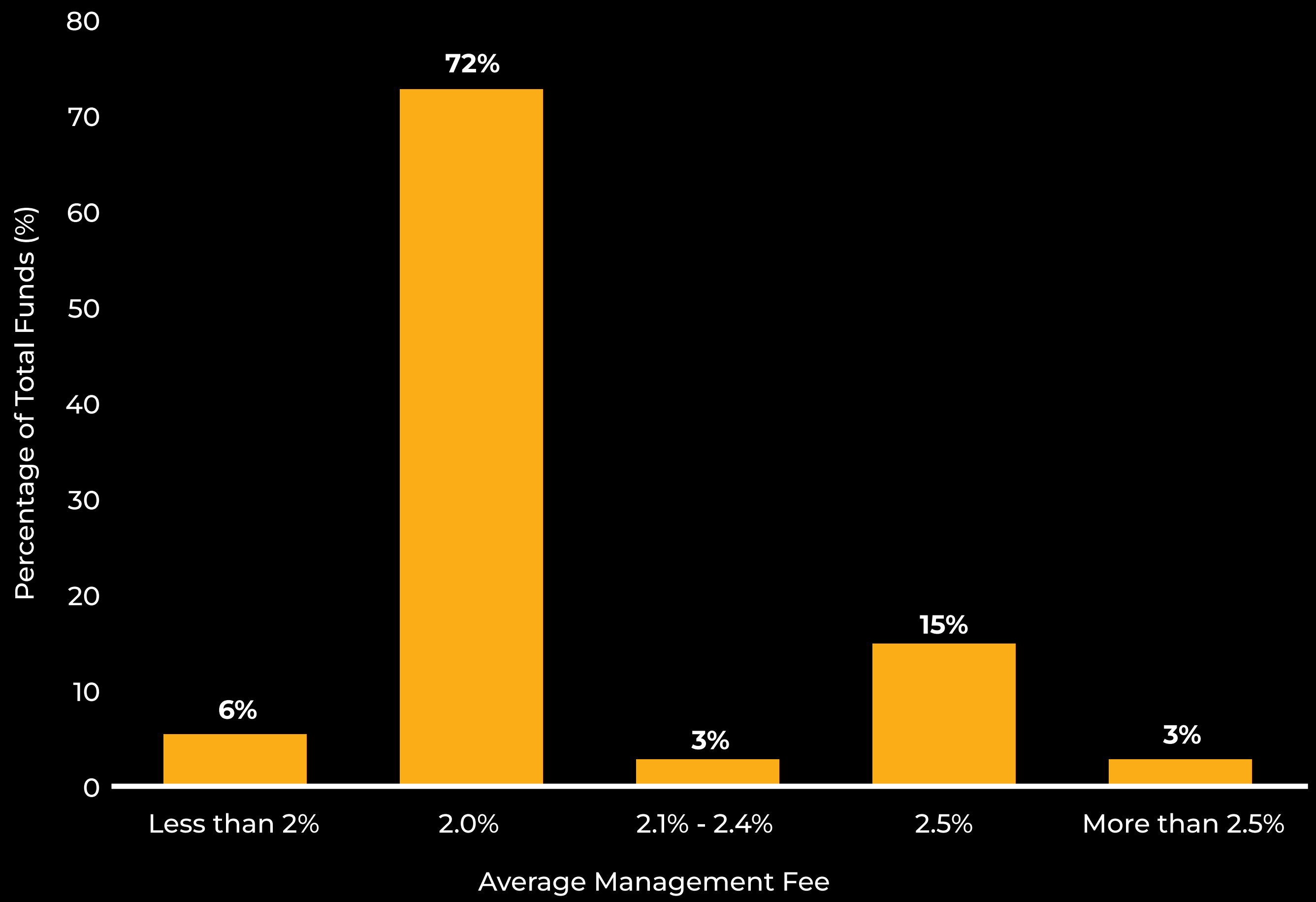
Most funds targeted a 10-year fund life, typically allowing for up to two one-year extensions, which must be approved by the limited partner advisory committees (LPAC). This reflects a common industry standard that aligns with investor expectations globally.

Potential extensions provide the flexibility needed to optimize exit timelines, as startup investments may require additional time to mature and maximize exit value.

Note: Data in this slide pertains only to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024.

Management Fees (2024)

Graph 18. Distribution of Average Management Fees (annual)



The average annual management fee for funds in formation was predominantly set at 2.0% (median), with a notable 72% of funds adhering to this benchmark.

Many funds adopted a tiered fee structure, planning to charge higher fees during the investment period that gradually decline as the fund matures.

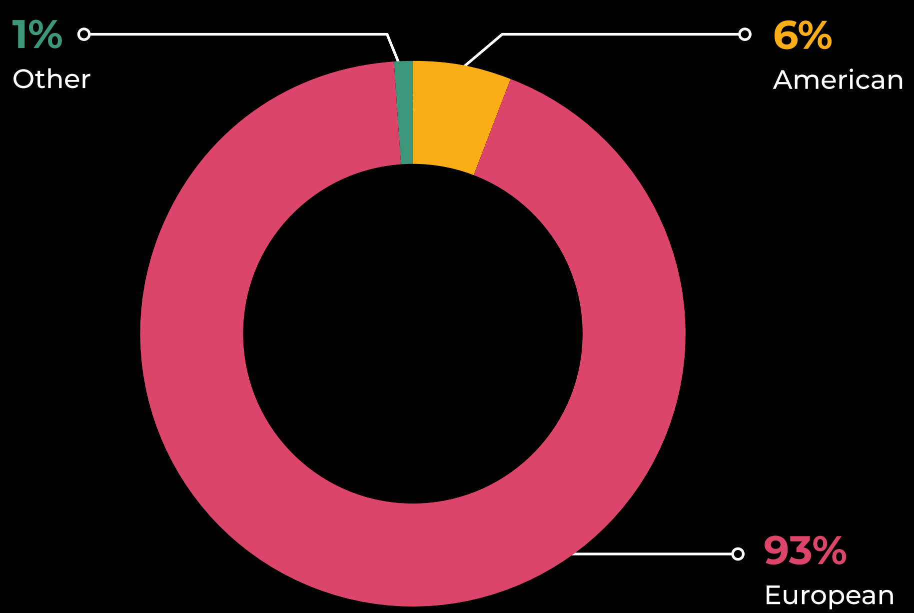
Funds in nascent ecosystems may deviate from these norms and maintain higher management fees throughout the funds' lives due to budgetary constraints stemming from smaller fund sizes. On average, funds focused on nascent ecosystems expected to charge an annual management fee of 2.3%.

The average management fee for IDB Lab's active fund of funds portfolio is 2.17%.(1)

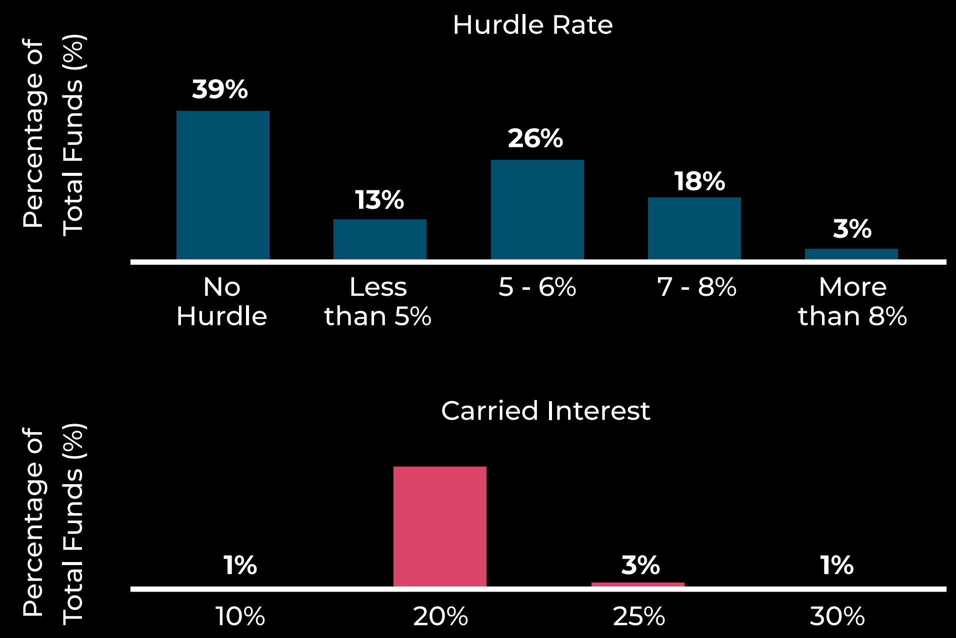
Notes: (1) IDB Lab's Project Status Report as of end of 2023.
(2) All other data in this slide pertains to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024.

Waterfall Structure (2024)

Graph 19. Breakdown by Distribution Model (Percentage of Total Funds)



Graph 20 & 21. Hurdle Rate (annual) & Carried Interest



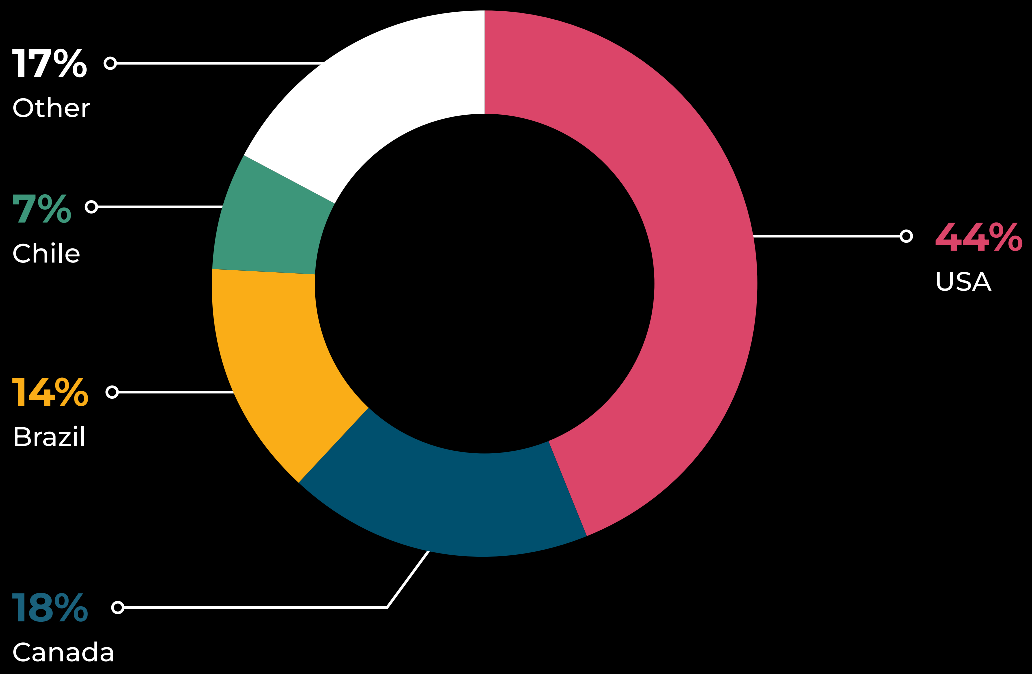
Most funds were designed to follow the European distribution model, wherein carried interest is paid to fund managers only after the full return of capital plus any applicable hurdle rate. Notably, 39% of funds targeted not having a hurdle rate; among those that expected to include one, the median rate was 6% and the average rate was 6.3%: 6.6% for first-time funds and 6.1% for more experienced ones. Additionally, funds typically aimed to implement a standard flat carried interest rate of 20%, which mirrors the usual success fee structure within the global industry.

In IDB Lab's active fund of funds portfolio, about 50% of funds have a hurdle rate ranging between 6% and 10%, while the remaining 50% do not have a hurdle rate[(1)].

Notes: (1) IDB Lab's Project Status Report as of end of 2023.
(2) All other data in this slide pertains to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024. The data presented in the carried interest graph is based on a sample size of 86 funds, as the full sample of 87 funds did not have available data for this specific metric.

Jurisdiction (2024)

Graph 22. Breakdown by Country of Jurisdiction (Percentage of Total Funds)



Analyzing fund managers' jurisdictions highlights a varied geographical landscape, with a strong concentration in established financial hubs.

Delaware (USA) stood out as a popular location for registration (44%) due to its business-friendly legal environment and robust corporate law framework.

Additionally, a substantial share of funds were registered in Canada (18%) and Brazil (14%).

Note: Data in this slide pertains only to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024.

Chapter 4

Fundraising Strategies

Fundraising Timeline (2024)

Graph 23. Distribution of Funds by Expected Timeline for Final Closing

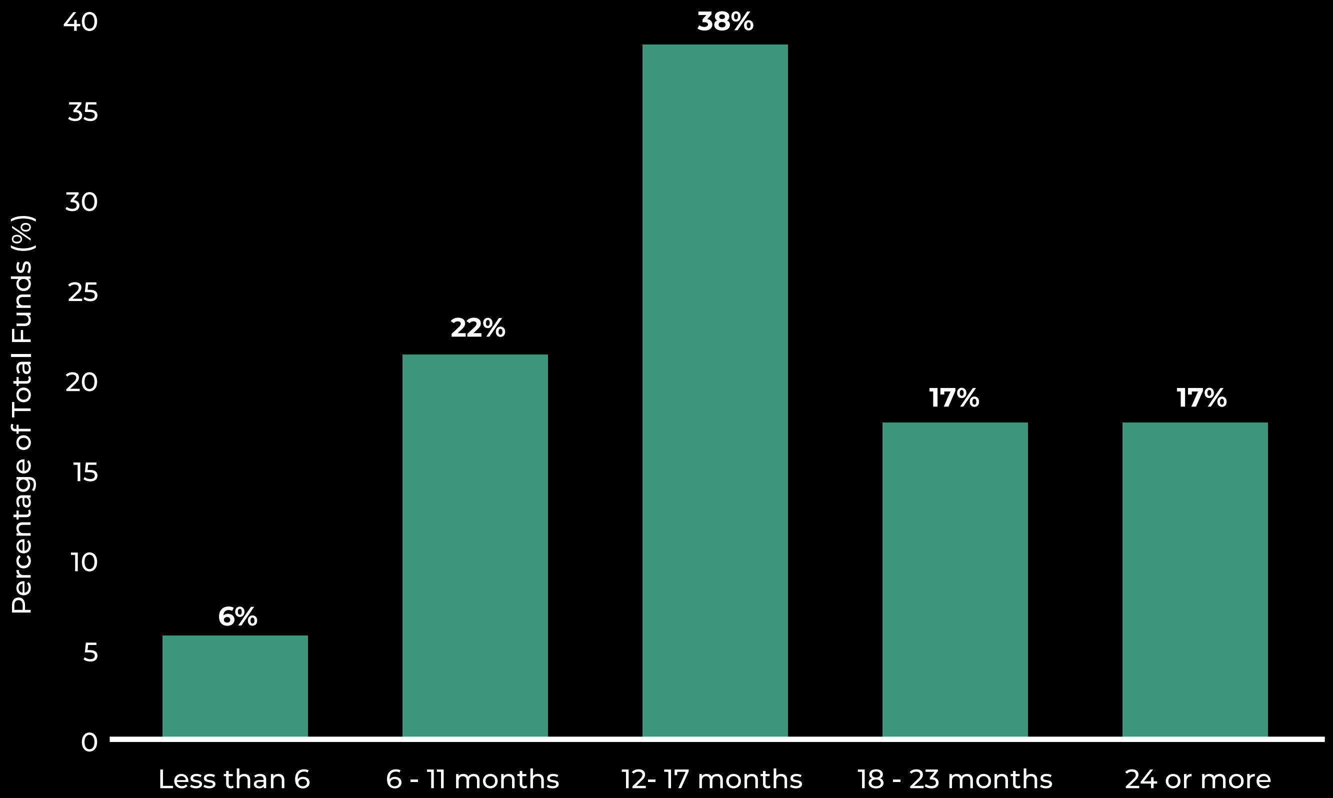


Figure Note: Proxy estimated based on target final closing date (self-reported) and date of application to call for proposals.

72% of LAC funds expected their fundraising cycle to last 1 year or more, with 38% anticipating timelines between 12 and 17 months and 34% expecting their fundraising efforts to last 18 months or more.

Shorter timeframes were less common; only 6% of funds expected to close their funds within 6 months and a further 22% planned to close them between 6 and 11 months.

Note: Data in this slide pertains only to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024.

Chapter 5

Track Records

Number of Previous Funds (2024)

Graph 24. Distribution of Fund Managers by Experience Level

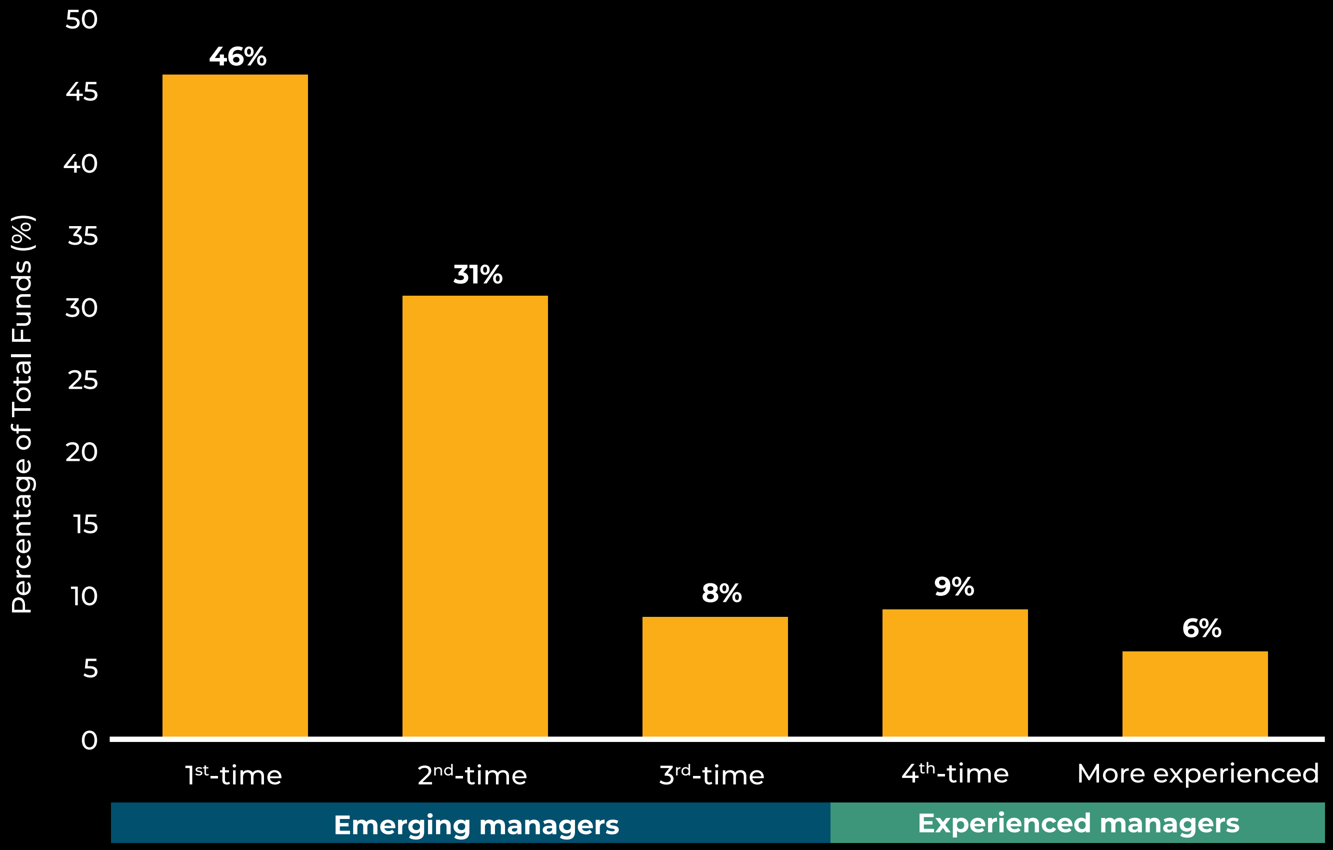


Figure Note: Emerging managers consist of those that have launched fewer than four funds. Experienced managers have launched four or more funds (NVCA).

The LAC venture capital ecosystem primarily consists of emerging managers: **85% of funds were actively fundraising for their 1st to 3rd time.**

46% of the funds were being raised by first-time fund managers, indicating a significant entry of new players into the market. Only a small percentage consisted of managers with lengthy track records (15%).

Note: Data in this slide pertains only to applications from funds meeting the minimum eligibility requirements for potential investment from IDB Lab in 2024.

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