



## **REQUEST FOR EXPRESSION OF INTEREST**

### **Fund Manager**

#### **Latin America and Caribbean (LAC) - Korea Startup Fund**

##### **The Opportunity**

Startups in Latin America received just under US\$2b in VC funding in 2018, almost doubling what it was invested in 2017 (US\$1.1b). With a record 463 transactions, total deal count grew 86% in 2018 compared to 2017 (249). Momentum continued as SoftBank Group committed \$5 billion for the SoftBank Innovation Fund, or what it described as “the largest-ever technology fund focused exclusively on the fast-growing Latin American market.” The news was validation that investors are starting to take the region more seriously. Global players are a key part of LAC growth in tech investing. Co-investments between global and Latin American investors were on the rise during 2018, representing 59 percent, or \$1.2 billion worth, of VC investment dollars. Asian investors are playing an increasingly important role in financing Latin American startups, co-investing alongside local and global investors across a range of sectors and stages.

On the other hand, Korea’s venture investment hits record high in 2018. A total of 3.43 trillion won (US\$3.04 billion) was invested in startups last year, up 43.9 percent from the previous record high of 2.38 trillion won in 2017, according to the data from the Ministry of SMEs and Startups. The latest surge in venture investment is in line with the government’s push to develop new growth engines and support smaller firms. The ministry plans to allocate 1 trillion won in venture funding this year.

Even though there is a strong presence of Korean industrial conglomerates in LAC, there is no significant number of Korean tech companies in the LAC markets, and vice versa. On a positive note, there are some initial collaborations between relevant players from both ecosystems: Angel Ventures Pacific Alliance Fund was the first LAC VC Fund in receiving commitments from the Korea Venture Investment Corporation (KVIC). Additionally, early stage funds such as Carao Ventures and Vulcano have signed collaboration agreements with Korea’s national research university KAIST, to foster tech transfer from Korean to LAC startups.

Annex 1: [Information on Latin American VC Markets](#)

Annex 2: [Information on Korean VC Markets](#)

##### **The proposed Fund**

The LAC-Korea Startup Fund will provide early stage financing to startups and scaleups in LAC as well as support to penetrate other markets beyond the LAC region, in particular Korea/Asia. The fund is also expected to support Korean startups and scaleups operating in LAC or looking to expand to LAC markets. Some of the expected key outputs of this potential fund are increasing cross-regional investments -with

an active participation of Limited Partner (LPs) from Korea and LAC, as well as cross-regional partnerships between startups, accelerators, company builders and other ecosystem actors.

IDB Lab will be one of the Fund's anchor investors in its first closing. IDB lab, as lead sponsor of the LAC-Korea Startup Fund, along with interested co-investors, seeks to identify a dedicated Fund Manager with proven expertise with tech startups and scale up in LAC and/or Korea.

**General Partner:** The General Partner of the Fund (GP) will be a management company with proven experience with startup investing and presence in countries either in the LAC region or Korea. The GP should have a track record as a fund manager and will be selected by a group of professionals from IDB Lab and other independent experts through a competitive process. The GP will be responsible for making all financial decisions for the Fund.

IDB Lab will consider any of the following structures for the LAC-Korea Startup Fund:

- (i) **Co-GP structure**, where a LAC GP and Korean GP partner work together to look for the best investment opportunities across both markets.
- (ii) **Global GP** with track record and current operation/offices both in LAC & Korea.
- (iii) **Single GP with Venture Partners:** LAC or Korean GP partnering with a Venture Partner (preferably a VC fund) on the other market, who would assist with deal sourcing, investment analysis and due diligence, and management of the startups invested overseas.

*For modalities (i) and (iii), it will be a pre-requisite that connections/partnerships between GPs, as well GPs and Venture Partners from both markets are directly arranged among the interested parties applying to this Request for Proposals. Please explicitly state, in your proposals, the name and contact of the partner fund (either co-GP or Venture Partner) that you plan on working with. You must also present a brief collaborative plan, drafted in agreement with your partner, that clearly delineates the roles and responsibilities within the operation.*

In addition to the preferred modalities as stated above, IDB Lab may be able to consider other proposed structures, as long as they are in alignment with the objective and scope of the Fund (investment in LAC and Korean startups and scaleups).

**Size of the Fund.** The final fund size will depend on how GPs understand the opportunity and how much appetite there is for this specific strategy. The Fund should have at least ~US\$50 mm in commitments to start operating. The fund's final size will be analyzed according to the strategy presented by fund managers. The Fund will be capitalized only with equity commitments.

**Indicative sectors:** Some indicative sectors of interest are FinTech, EdTech, HealthTech/Wellness, BioTech, CreativeTech, AgTech, CleanTech, Marketplace/E-commerce, LogisticsTech, Mobility, among others. Preference to sectors that provide services and/or products to low-income and/or vulnerable populations as well as micro, small and medium enterprises (MSMEs) in LAC.

**Country and company diversification:**

The Fund will provide early stage financing to start-up and scale-up companies operating in LAC countries and Korea. For this end, the Fund will target the following types of companies:

1. Korea-LAC startup Joint Ventures
2. Korean companies<sup>1</sup> who are planning to enter the LAC market or have already entered the LAC market.
3. LAC companies who are planning to enter the Asian/Korean market or have already entered the Asian/Korean market.

**Stage of the companies:** Early stage rounds, up to Series B.

## **CRITERIA FOR THE SELECTION OF THE FUND MANAGER**

There are certain minimum requirements that the candidates who wish to participate in the selection process must fully comply with. The Requirements include the following: (i) compliance with all relevant laws and regulations; (ii) qualified Management Team with track record as a fund manager; (iii) preferably from any LAC country and/or Korea, or with proven experience in the LAC region and/or Korea; (iv) proven expertise in eligible sector-related projects and/or companies; (v) proven active experience in the structuring and management of similar financial vehicles; (vi) in case the candidates are managing other similar funds in the capital raising , investment or divestment phases, explanation of how the candidate plans to manage the proposed Fund vis-à-vis other funds under management to avoid conflict of interests; (vii) demonstrated ability to cover the costs associated with the development and creation of the Fund prior to the initial closing; and (viii) demonstrated ability to source deals from LAC countries and/or Korea.

The assessment criteria that will be applied for the selection of the management team will comprise both qualitative and quantitative attributes that are considered key indications of the most suitable candidate to act as the fund manager. The assessment criteria will consist of an evaluation of the requirements described above as well as other aspects including, without limitation, the candidate's institutional profile, integrity, the track record of the proposed management team, the proposed financing structure, and experience in structured financing schemes. The creation of local capacity is important, including a strong preference for teams that incorporate diversity and local professionals (from LAC countries and Korea) into the management team through a local office. The attributes of the fund management team will be looked at holistically and selected on a consensual basis by a committee of professionals from IDB Lab and other independent experts. Additional points will be given to Fund Managers that also invest their own resources into the Fund.

Expected responsibilities, among other tasks, of the Fund Manager include the following:

- Deliver the fundraising and define the business model of the Fund;
- Finalize the terms and conditions of the Fund with investors;
- Manage the assets of the Fund;
- Administer all corporate matters;
- Manage accounting and treasury functions, prepare investor reports and coordinate with external auditors;

---

<sup>1</sup> Korean company definition: 1) Registered country is Korea, or 2) Principal place of business or HQ location is Korea, or 3) More than 30% of the company's share is owned by Koreans.

- Develop the pipeline, analyze risk, structure, negotiate and document financing agreements with qualifying portfolio companies;
- Explore available hedging mechanisms in order to manage foreign exchange risk as needed;
- Coordinate the meetings of the Investment Committee, and the Advisory Committee (these Committees are expected to be a part of the Fund's governments);
- Disburse, collect and supervise outstanding investments;
- Administer the cash flow of the Fund; and
- Monitor and report to the Investment Committee and to the investors on the status of the portfolio.

## EXPRESSIONS OF INTEREST

The IDB Lab invites eligible firms or consortia to indicate their interest in managing this Fund. Interested firms or consortia must provide an Expression of Interest indicating the name and address of the firm, or in the case of consortia, of the consortium members, and the firm/consortium's credentials in the above skill sets. Expressions of Interest must include the names, key qualifications, relevant experience and demonstrated commitment of the key managers and personnel. Details should also be provided regarding current capacity (the number of team members fully dedicated to the Fund) and the need to augment human resources to undertake the incremental work-load that the administration of the Fund would require, including how such need would be addressed on a short-term basis.

The Request for Expressions of Interest (REI) will have a two-step submission process. The REI will be formally announced on August 12<sup>th</sup>, 2019. **The submission of the Expression of Interest with up to 10 pages maximum, including annexes, is expected by September 23<sup>th</sup>, 2019 by 5 p.m. eastern daylight time<sup>2</sup>.** The Expressions of Interest should be e-mailed to: [susanaro@iadb.org](mailto:susanaro@iadb.org), [gyoungc@iadb.org](mailto:gyoungc@iadb.org) and [jeehyony@iadb.org](mailto:jeehyony@iadb.org).

This REI should indicate:

- A brief description of the firm/consortia.
- Management team, bios, residence, nationality and time commitment to the Fund.
- Financing strategy, pipeline list, and proposed fund structure.
- Cost structure of management firm/consortia, estimated annual budget to manage the Fund, proposed fees and compensation structure, and estimated pre-operating costs and how covered.
- Fundraising: potential investors to be approached.

A general description on your proposed structure to manage the Fund, including general terms. Qualifying finalists will be notified after by October 11<sup>th</sup>, 2019 and may be required to provide more extensive information and documentation and invited to make a 2-hour presentation during the following two weeks. Selected finalists must be available to visit IDB Lab in Washington D.C. during the process, and to receive an onsite due diligence team from the IDB Lab investment officers later in the process. The lead sponsors and potential investors will not be liable for any costs incurred in connection with the submission of an Expression of Interest, or any of the follow up activities prior to the engagement of the Fund manager.

---

<sup>2</sup> A possible extension of the submission deadline will be announced by September 12<sup>nd</sup>.

*Confidentiality.* While applicants may desire to attach confidentiality requirements to some of the information presented in the Expression of Interest, participants making submissions of Expression of Interest 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 Expression of Interest or any follow-up documentation submitted.

This Request for Expressions of Interest 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 Expressions of Interest or other documentation.

#### **ANNEX 1 PROHIBITED ACTIVITIES (exclusion list)**

1. Activities involving child labor, any form of forced labor and / or labor exploitation.
2. Discriminatory practices by gender, age, ethnic origin, color, marital status, sexual orientation, political opinion, religion or limitations on the right of association and collective bargaining.
3. Production or trade of products or activities considered illegal.
4. The production and distribution of anti-democratic material or any business related to pornography and / or prostitution.
5. Manufacture or trafficking of arms and ammunition.
6. Gambling, casinos and other similar activities.
7. Production or activities that impinge on land owned by indigenous people.
8. Failure of comply with Colombian labor law and fundamental principles and rights covered by the conventions of the International Labor Organization (ILO).
9. Trade of endangered or regulated species by the Convention of International Trade of Endangered Species and Wild Fauna and Flora (CITES), or products derived from them.
10. Production or trade of wood and forest products from forests without a proper sustainable management plan.
11. Projects to be develop in areas of protection and conservation.
12. Fishing with drift nets in the marine environment using nets of more than 2.5 km in length.
13. Production or trade of substances that deplete the ozone and that are subject to gradual elimination.
14. The manufacture or sale of radioactive materials (including radioactive waste), except for medical uses.
15. The production, trade or use of asbestos fibers non-agglomerated (asbestos), except for chrysotile asbestos fibers that have safety requirements.

16. The manufacture or sale of products containing polychlorinated biphenyls.
17. Production or trade in pharmaceutical products subject to elimination.
18. The production and trade of chemical pesticides or herbicides and organic pollutants subject to gradual elimination or ban.

## **BUSINESS PRACTICES**

The General Partner prospectus shall request prospectus companies, a written commitment to:

1. Ensure its best efforts to comply with the environmental policy.
2. Have health and safety conditions for employees and contractors.
3. Promote environment protection and an efficient use of natural resources.
4. Have the same condition for all employees in hiring, advancement, compensation and working conditions, regardless of race, gender, color, language, disability, political beliefs, age, religion, social origin or nationality.
5. In accordance with the principles of the International Labor Organization (ILO), enable procedures for consultation and partnerships that provide employees an opportunity to express their views freely, individually and / or collectively, to the administration.
6. Consider the impact of the operation on local communities and strive to ensure that potential harms of occupational health and safety issues are properly evaluated, treated and monitored.
7. Maintain high standards of integrity and honesty in their business and operate in accordance with the country host law (or the country where the investment is made) and good practices (including those designed to fight extortion, bribery and financial crimes).
8. Promote the use of quantified goals for occupational health and safety, environmental and social problems as well as the continuous improvement of the business.
9. Design and operate its business in accordance with local law.
10. Adopt the following minimum employment standards in accordance with internationally accepted good practices: - Do not use forced labor of any kind; - Do not employ children under fifteen (15) years; - Provide compensation that meet or exceed the industry or the legal minimum and are sufficient to meet basic needs.
11. Record, reporting and review your financial and tax information.
12. Ensure that no payment will be received or made (in the form of compensation, gift, contribution or otherwise) to induce improper or preferential treatment to the company, its management, shareholders, employees or any member of the group of companies to which it belongs.
13. Comply with local regulations on industrial safety and occupational health.
14. Incorporate environmental and social aspects in its internal and external communication strategy