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The Rise of Startups and Venture Capital in Latin America and the Caribbean: Trends and Challenges

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Abstract

Latin America and the Caribbean is undergoing a profound entrepreneurial transformation. With 38 unicorns as of mid-2025, private companies valued at over one billion U.S. dollars, and a growing number of high-impact startups, the region is emerging as a hub of digital innovation and inclusion. This report, product of a collaboration between the IE University Global Policy Center (GPC), the Consejo Empresarial Alianza por Iberoamérica (CEAPI), and CFA Society Spain, examines key trends shaping the startup and venture capital ecosystem, from the surge in fintech and e-commerce, to the expansion of early-stage investment, and the persistent lack of late-stage financing.Drawing on data and six case studies, it highlights how startups are addressing structural market failures while investors adopt more disciplined, sustainability-oriented strategies. Despite enduring challenges such as regulatory fragmentation, infrastructure gaps, and talent shortages, the region's innovation ecosystem shows clear signs of maturation and long-term potential for economic and social development.

1. Introduction

Over the past decade, Latin America and the Caribbean has experienced a profound transformation in its entrepreneurial landscape. Once peripheral to the global innovation economy, the region has rapidly become a breeding ground for startups that are reshaping industries, addressing structural inefficiencies and market failures, and redefining the future of work and inclusion. The rise of high-impact entrepreneurs, supported by growing pools of venture capital (VC), a new generation of digital consumers, and accelerated technological adoption, has turned startups into a central driver of economic modernization across the region.

As of mid-2025, the region hosts 38 unicorns, private companies valued at over one billion U.S. dollars, with Brazil accounting for more than half (20), followed by Mexico, Chile, Colombia, and Argentina (Multiples. vc., 2025). While this figure remains modest compared to the US, Asia or Europe, it reflects a decisive shift as Latin America and the Caribbean is now capable of generating globally competitive firms born out of local challenges. These companies are not merely beneficiaries of venture funding, they are catalysts of structural change, digitalizing payments, streamlining logistics, expanding financial inclusion, and bridging gaps in healthcare, education, and mobility.

This transformation has not occurred in a vacuum. It is the result of deep and interlocking forces such as widespread internet penetration and mobile connectivity, the diffusion of digital payments and e-commerce, and the mobilization of local and international VC. The COVID-19 pandemic further accelerated these dynamics, compelling rapid digitalization across public and private sectors and amplifying the role of startups as providers of essential services. According to the World Bank estimates, digital adoption has a measurable impact on productivity, with firms in developing countries achieving an average productivity increase of 1.3% for each incremental use of digital technologies (Cusolito et al., 2020).

However, the region's startup landscape remains uneven. Despite record levels of innovation and investment, Latin America and the Caribbean continues to face persistent challenges such as regulatory fragmentation, infrastructure gaps, limited late-stage financing, and talent shortages, that restrict scalability and global competitiveness. These structural weaknesses reveal that the rise of startups, while promising, is still at a formative stage.

Against this backdrop, this report, product of a collaboration between the IE University Global Policy Center (GPC), the Consejo Empresarial Alianza por Iberoamérica (CEAPI), and CFA Society Spain, examines the evolution of the startup and VC ecosystem in Latin America and the Caribbean. It aims to identify the key drivers of growth, the geographic and sectoral dynamics shaping the market, and the structural barriers that continue to constrain its full potential. The report is divided into two main sections. The first analyzes major trends, such as capital flows, geographic diversification, and sectoral concentration, while the second presents six detailed case studies: three successful startups (Ualá, Globant, and Robbin) and three investors (Gierberg, Tempest Capital, and Latin Leap). Together, they offer a multifaceted view of how innovation, capital, and policy are converging to define the region's next generation of growth.

Several people contributed to this report. The author wishes to express gratitude for the excellent research assistance provided by Giulia Colleoni and Germán Ríos Fuentes. From the Global Policy Center at IE University, the support of Ilke Toygur and the comments of Luis de Lossada and Luisa Eusebio are gratefully acknowledged. Nuria Vilanova and Pedro Claver, from CEAPI, enthusiastically promoted the report, as did Alirio Sendrea and Luis Buceta from CFA Society Spain. For the preparation of the case studies, the author thanks the collaboration of Martín Umarán from Globant; Leonardo Moura from Robbin; Pablo Quirno from Ualá; Sebastián Miralles from Tempest Capital; Leonel Gierberg from Appsnube; and Stefan Krautwald from Latin Leap. Mariano Fiorito, Paula Bennati and Fabián Ibarburu helped to identify the cases studies.

The report argues that Latin America and the Caribbean's entrepreneurial ecosystem stands at an inflection point, poised between opportunity and consolidation. The region's startups are no longer isolated success stories, they represent a broader transformation in how societies innovate, connect, and compete in the digital age

2. The Evolution of the Startup Ecosystem in Latin America and the Caribbean

2.1 Structural growth drivers

The accelerated growth of the Latin American and the Caribbean startup sector is the result of a series of interconnected factors. One of the most significant growth drivers is undoubtedly the technological leapfrogging the region has experienced over the past decade, drastically intensified by the COVID-19 pandemic, which created an urgent need to digitilize a wide range of services.

Over the past decade, internet adoption in Latin America and the Caribbean has surged. By 2021, roughly 74% of the region's population used the internet, spurred by rapid growth in mobile connectivity (Srinivasan, et.al., 2022). This expansion of access has underpinned digital transformation across sectors and created a more favorable environment for tech startups, enabling them to attract both domestic and international investment. Additional important factors are reinforcing this dynamic landscape, among them, entrepreneurs who have been able to turn the region's deep structural shortcomings, particularly in the financial, logistics and healthcare sectors, into concrete business opportunities; an important influx of international VC to support company growth; and the powerful signaling effect generated by the founders of successful startups, which has inspired a new generation of young entrepreneurs.

Also crucial is the role played by local governments, which have supported the ecosystem through funding mechanisms, training programs, and targeted measures to address market inefficiencies. According to the Inter-American Development Bank (Peña et al., 2023), by 2021 the region already hosted over 1,000 active startups, valued at more than $100 billion, employing 245,000 people, and spanning nearly every sector of the Latin American and Caribbean economy.

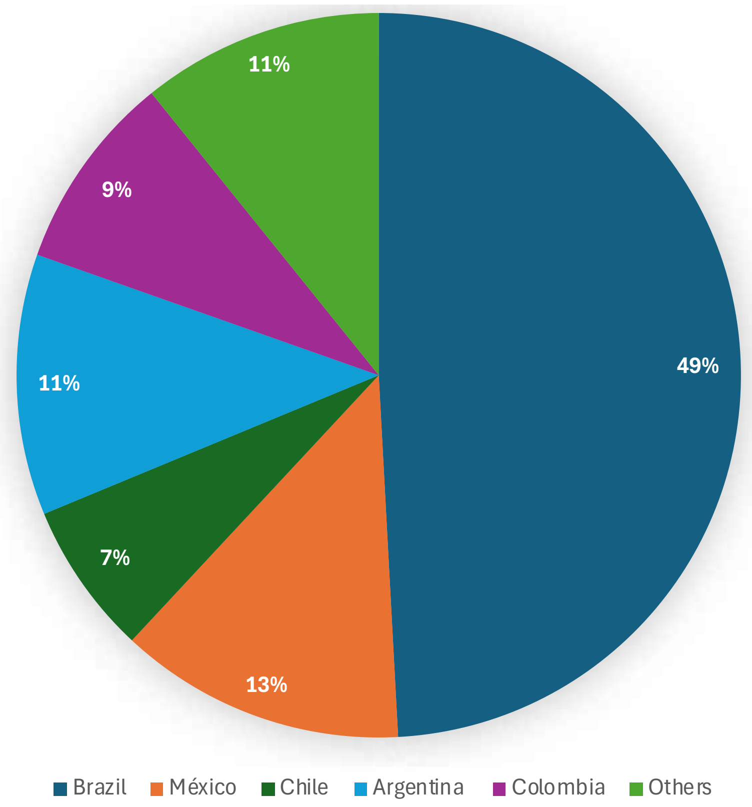
The macroeconomic landscape of VC in Latin America further illustrates this shift. **In 2024, VC investment in the region totaled $4.6 billion, a 10% increase from 2023. Notably, Brazil received 43% of this funding, reinforcing its role as the main destination for large-scale investment rounds, given its market size and relatively mature infrastructure. Mexico followed with 26%, leaving the remaining 31% distributed among Argentina, Chile, Colombia and Uruguay (Glasner, 2025).**

This concentration reveals a dual dynamic, while Brazil continues to dominate due to structural advantages and scale, other countries are beginning to attract attention as nascent but promising innovation centers. Brazil's importance in the region´s startup landscape is also reflected in the number of companies raising their first VC round with 49% of the total (see Graph 1).

Graph 1

Number of Startups Raising First Venture Capital Round in Latin America and the Caribbean by Country, 2024

Source: LAVCA, 2025



The interplay between macroeconomic trends and localized innovation dynamics suggests that, although Latin America and the Caribbean's startups ecosystem remains in its formative stage relative to global benchmarks, it is underpinned by robust demographic shifts, digital adoption, and increasingly sophisticated entrepreneurial ecosystems poised for further expansion

2. The Evolution of the Startup Ecosystem in Latin America and the Caribbean

2.2 Geographic Transformation

The geographic landscape of startups formation in Latin America and the Caribbean has evolved from a historically centralized model, dominated by the core tech hubs of São Paulo, Mexico City, Santiago de Chile and Bogotá, toward a more diversified and decentralized ecosystem. While these established cities continue to host a substantial share of the region's entrepreneurship activity, due to their concentration of capital and talent, emerging data reveals a significant expansion into secondary urban centers. **According to the Latin American Venture Capital Association (LAVCA), by 2024 and the first half of 2025, approximately 21% of new VC-backed startups were founded outside traditional hubs, with cities like Brasília, Vitória, Campinas, Rosario, and Blumenau each fostering at least 10 such ventures between 2019 and mid-2025.** These developments might reflect a growing decentralization in access to talent, funding, and startup infrastructure across the region.

Importantly, the momentum is no longer confined to Brazil, long the dominant player in the regional innovation economy. **According to LAVCA, in the second quarter of 2025, Mexico took the lead in VC investments in the region, surpassing Brazil for the first time in the last fifteen years.** This shift was driven by a wave of large funding rounds exceeding $50 million, including a record-breaking $190 million Series C round raised by unicorn Klar. As of now, figures indicate that 50% of VC-backed startups are located outside of Brazil, with Spanish-speaking countries such as Mexico, Chile, Argentina, and Colombia experiencing a collective compound annual growth rate (CAGR) of 23% since 2020. Uruguay stands out, with its number of VC-backed startups rising from just seven in 2020 to 32 by mid-2024, with a remarkable 40% CAGR (LAVCA, 2024).

In many cases, the genesis of these startups is more closely tied to sectoral necessity than geography alone. **Companies like Kavak in Mexico, which revolutionized the fragmented used car market, and Rappi in Colombia, which addresses logistical inefficiencies through its app model, exemplify how entrepreneurial solutions are being tailored to address specific regional limitations.** This convergence of geographic diversification and context-responsive innovation signals a maturing ecosystem, wherein unicorn potential increasingly arises from the interplay between place-based assets and sector-specific demands.

2.3 Sectoral Dynamics and Market Failures

The sectoral distribution of startups in Latin America reveals a marked concentration in industries characterized by persistent market failures or insufficient public sector solutions. The sector with the highest concentration of startups is fintech. The evolution of the fintech ecosystem in Latin America and the Caribbean between 2017 and 2023 reveals remarkable expansion. In six years, the number of companies has risen by more than 340%, from 703 firms in 18 countries to 3,069 firms across 26 (see Graph 2).

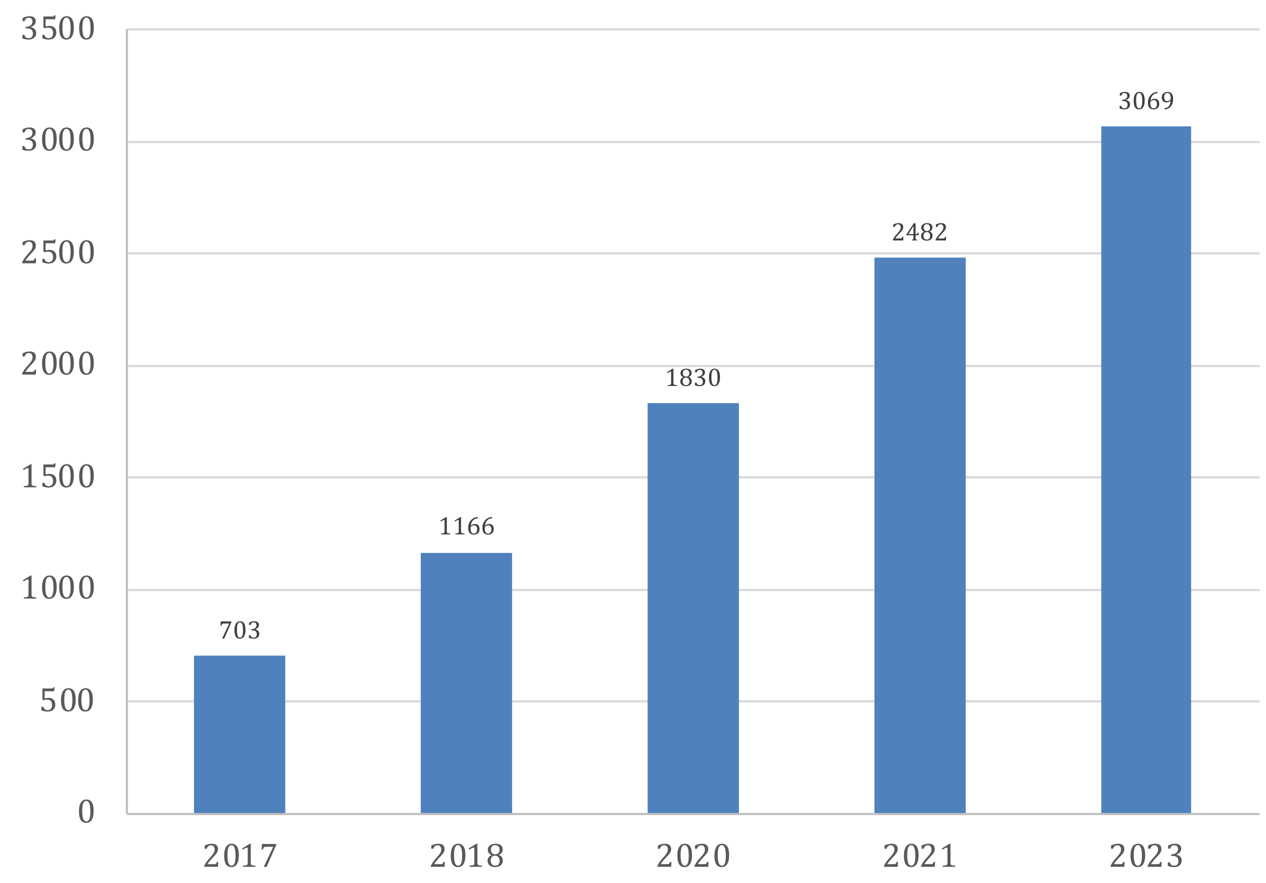
Between 2017 and 2021, the ecosystem grew at a CAGR of 34%, before moderating to 28% in 2023 (Finnovista, 2024). The picture that emerges is of a market which, after the initial burst of enthusiasm characteristic of emerging economies, has begun to consolidate and shift towards steadier, more sustainable growth.

2. The Evolution of the Startup Ecosystem in Latin America and the Caribbean

Graph 2

Number of Fintech Startups in Latin America and the Caribbean, 2017-2023

Source: Finnovista, Banco Interamericano de Desarrollo, BID Invest (2024)

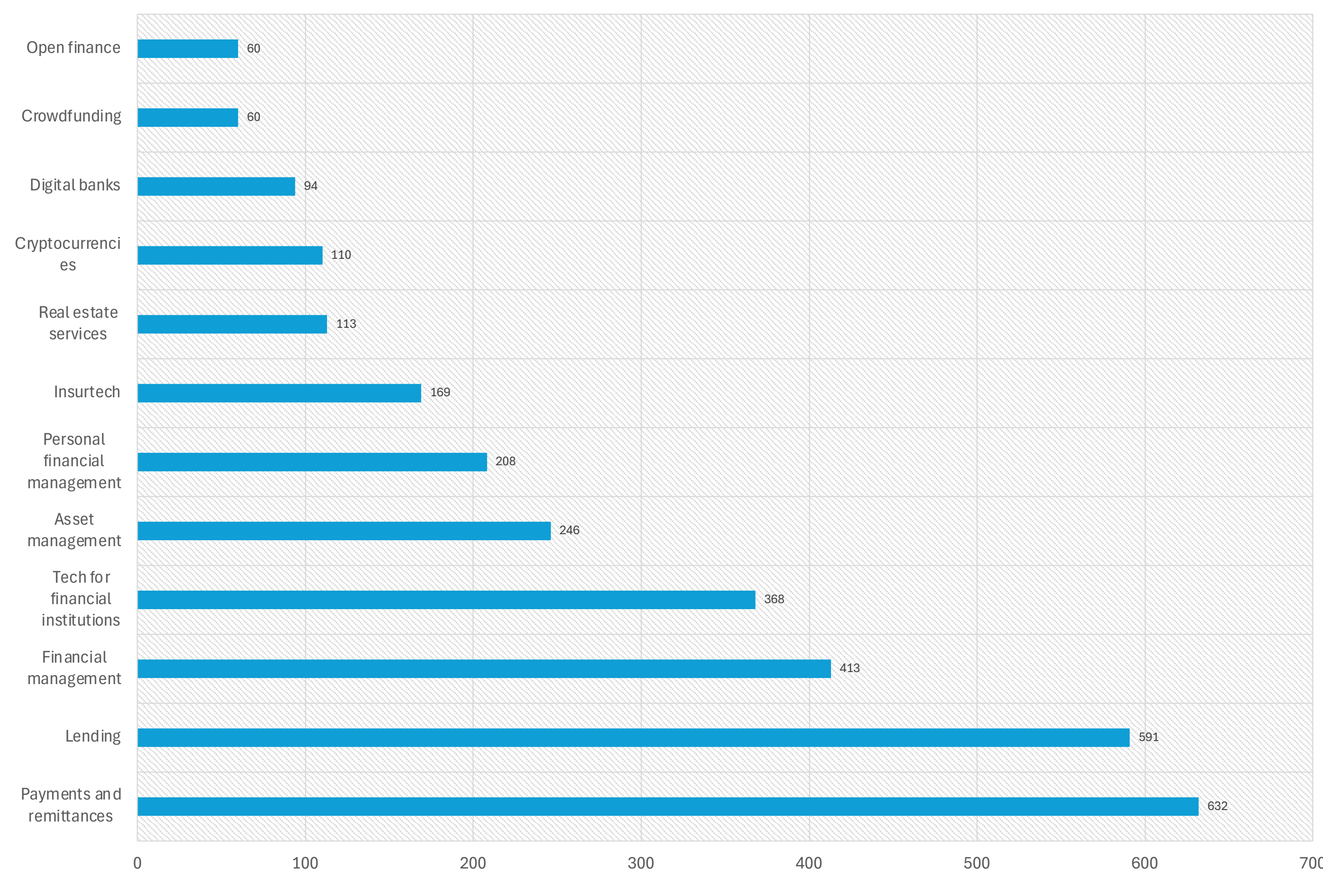


What drives growth in this sector is the tension between consumers' rising demand for accessibility, speed, and convenience (shaped by a world that is becoming digital in every aspect), and a banking system still marked by structural shortcomings. Chief among these is financial exclusion given that **over 45% of the Latin American and the Caribbean population is still unbanked, particularly in rural and semi-urban areas** (IADB, & World Economic Forum, 2022). Startups in this sector are not merely capitalizing on consumer demand, but also addressing systemic inefficiencies, the key ones being streamlining access to credit, remittances, and basic financial services long neglected by traditional financial institutions (see Graph 3).

Graph 3

Number of Fintech Startups in Latin America in 2023, by Business Segment, 2023

Source: Statista Research Department



Similar reasoning applies to e-commerce and logistics, where **companies like Kavak, Nuvemshop, Merama, Nowports, Rappi and Loggi are responding to logistical fragmentation, last-mile delivery challenges, and underdeveloped retail infrastructure, fueled by the pandemic-induced digital shift.** In the real estate sector, Proptech firms such as QuintoAndar, Loft and Habi have targeted opaque, paper-heavy markets by digitizing property transactions, offering greater transparency and reducing barriers to access.

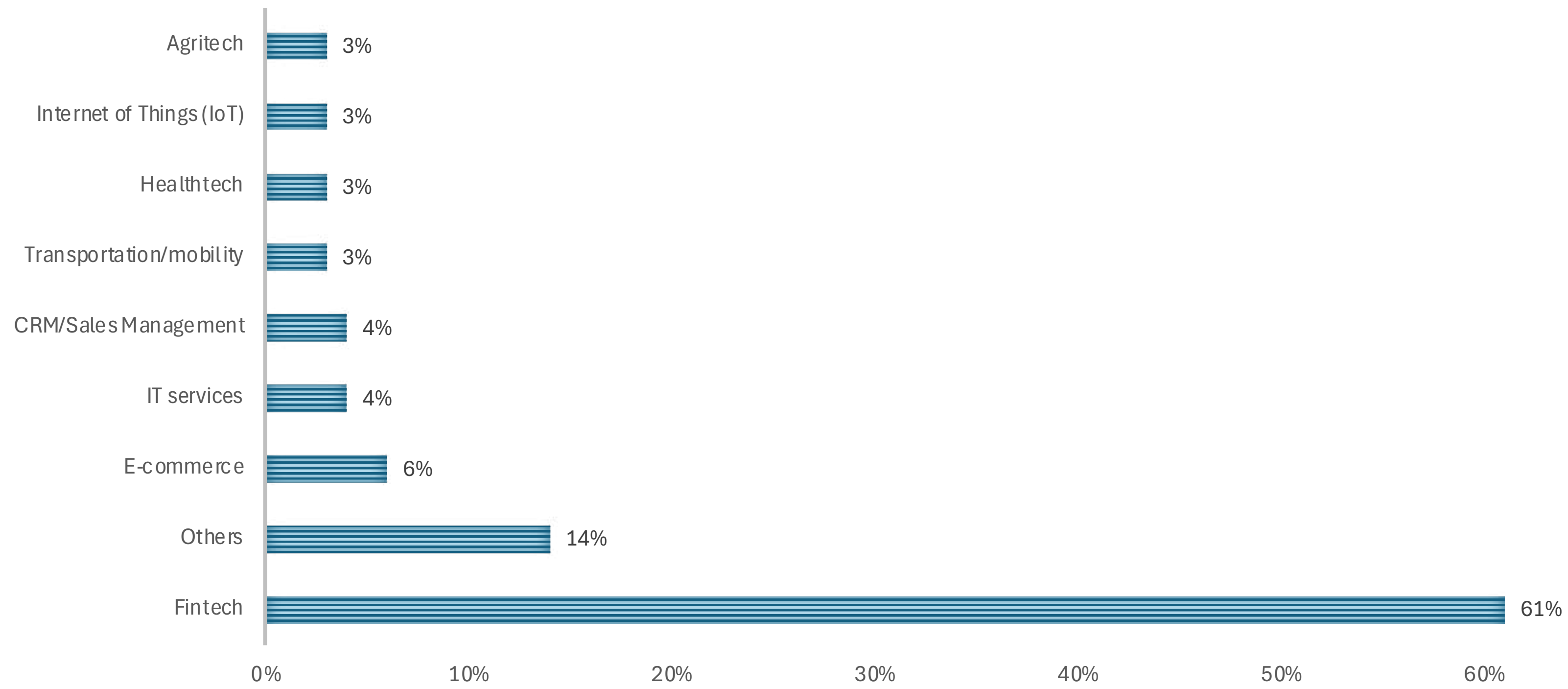
Beyond these dominant sectors, innovation is emerging in fields such as digital identity and security (Unico and Dock), where startups provide biometric and blockchain-based verification systems in response to weak state infrastructure for personal identification. Likewise, **Insurtech and Healthtech ventures like Betterfly are addressing chronic underinsurance and gaps in preventative care through digital-first platforms that integrate wellness incentives and coverage.** Other areas, including gaming (Wildlife Studios), Foodtech (NotCo), Edtech, and loyalty programs (LifeMiles), contribute to the ecosystem's diversification, although they remain comparatively less capitalized.

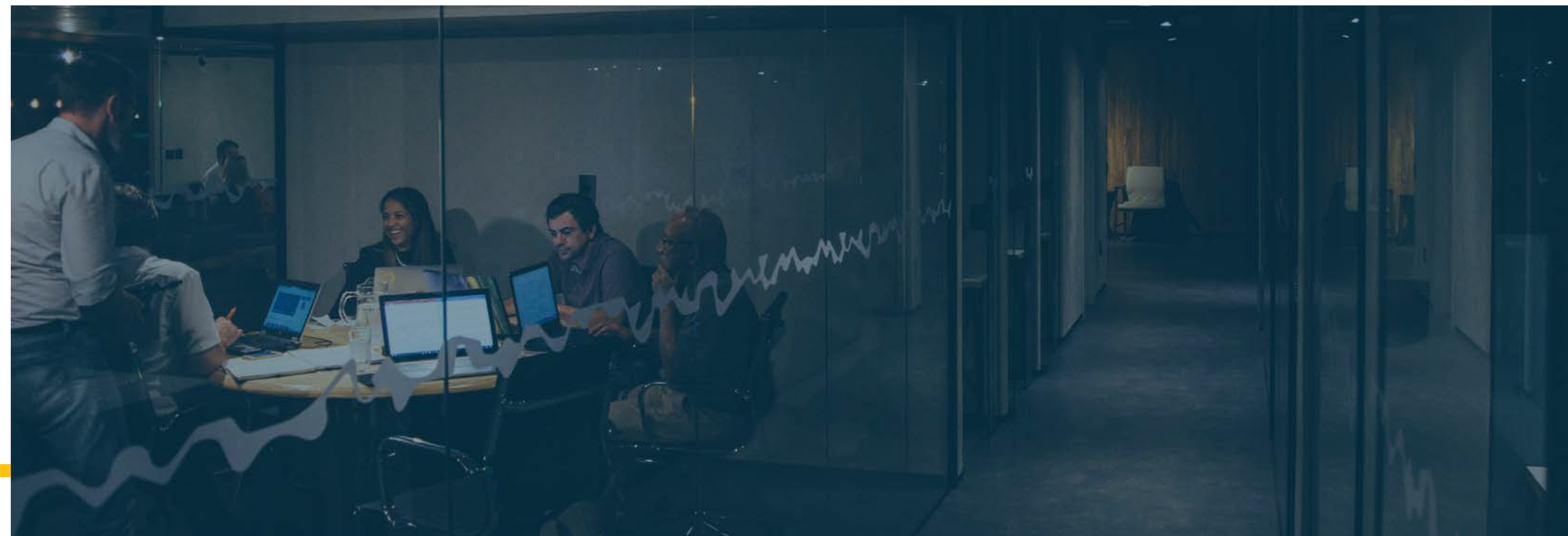
These trends are reinforced by funding patterns. As Graph 4 shows, **fintech continues to absorb the biggest share of VC, followed by e-commerce and IT services.** Healthtech is gaining traction but still represents a smaller segment. These figures show that the elevated valuations of Latin American and the Caribbean startups reflect the scope and severity of the systemic gaps these companies are seeking to close, positioning them as de facto providers of essential services in underserved markets.

Graph 4

Distribution of VC Investment Volume in Latin America in 2024, by Sector

Source: Startuplinks (2025). Latin America Venture Capital Report 2025



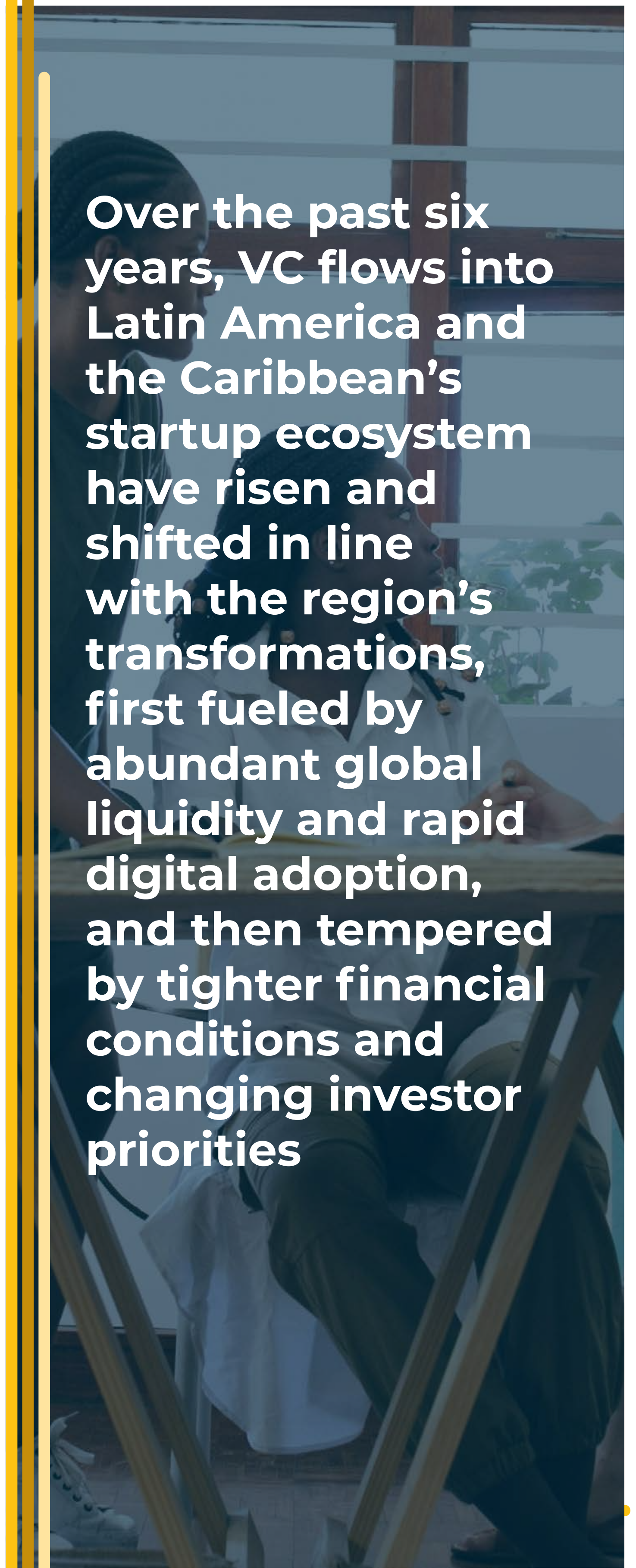


3. VC and Investment Trends

3.1 Capital Flows Before and After COVID-19

Nearly 40% of total startups last raised capital during the post COVID-19 boom years (2021-2022). These startups are now returning to the market or shifting their focus to achieving profitability. Since most startups operate on a 12- to 18-month trajectory, this group is an important driver of upcoming fundraising activity. Moreover, one-third of all startups in the region have raised capital in the past 18 months, showing that the investment momentum has not stopped (LAVCA, 2025).

The distribution of VC investments across financing stages in Latin America from 2019 to 2024 reveals a clear correlation with broader macroeconomic and structural changes, particularly in response to the COVID-19 pandemic. As shown in Graph 5, Latin America and the Caribbean experienced a surge in investment in 2021 with around $16 billion invested, which is more than three times the pre-pandemic levels.

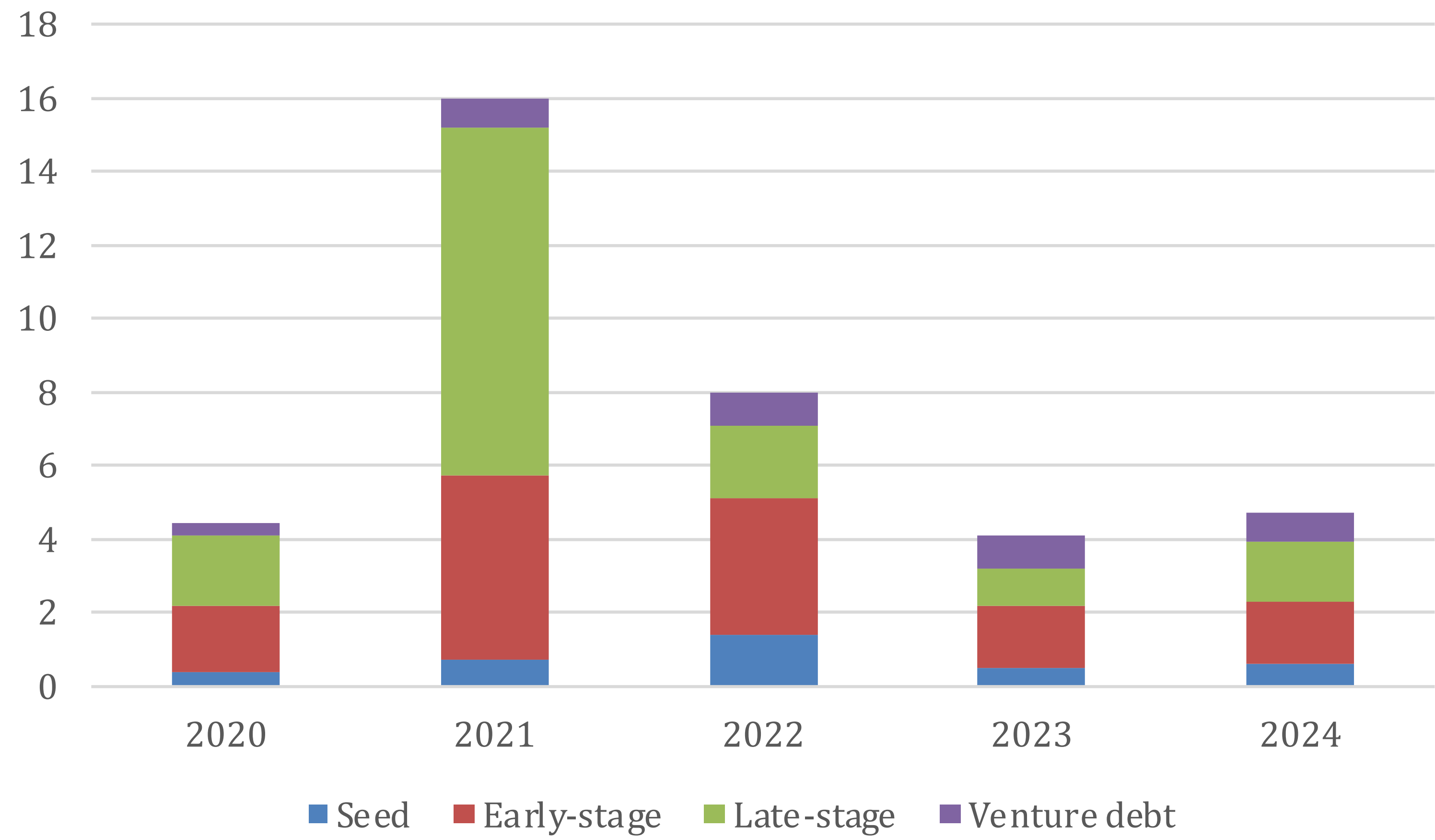


Over the past six years, VC flows into Latin America and the Caribbean's startup ecosystem have risen and shifted in line with the region's transformations, first fueled by abundant global liquidity and rapid digital adoption, and then tempered by tighter financial conditions and changing investor priorities

Graph 5

Distribution of the VC Investment Volume in Latin America in 2024, by Stage

Source: LAVCA, 2025



This is the result of several interconnected factors. On the one hand, a global environment of abundant liquidity and exceptionally low interest rates; on the other, the rapid digitalization of services such as e-commerce, banking and healthcare, smartphone adoption and strong global interest in emerging markets. In addition, the rise of remote work encouraged international investors to support teams outside traditional technology centers. During that period, investments were mainly concentrated in the late stages of the startup life cycle,

3. VC and Investment Trends

and fast-growing companies were able to take advantage of the sudden increase in digital services demand generated by the pandemic.

However, **in 2022 the scenario changed dramatically. Global financial conditions tightened: interest rates increased, inflation augmented, and technology sector valuations fell around the world. As a result, late-stage investments and mega-deals have declined dramatically in Latin America and the Caribbean, and investors have become more selective.** Seed and early-stage deals, on the other hand, have remained more stable, as they involve lower valuations and offer more influence on startup strategy.

Today, the Latin American and the Caribbean startup landscape is defined by this shift toward early-stage investments. In 2024 and the first half of 2025, most of the invested capital went to seed and early-stage startups, which accounted for 55% of total VC funding (LAVCA, 2025).

Among the most active early-stage investors are 500 Global, Canary, Y Combinator, and Platanus Ventures. In terms of early-stage deals, the leading companies are KASZEK, Monashees, DOMO.VC, and QED Investors. In the growth stage, major players such as Tiger Global, Valor Capital Group and General Atlantic are still active, though more strategic. Venture debt remains limited, suggesting that startups in the region still rely heavily on equity capital.

Overall, **it appears that Latin America and the Caribbean's entrepreneurial ecosystem is entering a more mature phase. Investors' attention is turning to solid business models, clearer paths to profitability, and companies addressing long-term structural gaps in areas such as finance, logistics, and health care.** Although the investment climate is more disciplined than during the post pandemic boom period, strong early-stage activity and persistent demand for capital suggest that the region's innovation cycle is far from over.

3.2 Funding Gaps and Late-Stage Capital Bottlenecks

Despite growing momentum in early-stage funding, Latin American and the Caribbean startups face persistent difficulties in securing follow-on capital, particularly from Series C[2] onward. As Graph 6 shows, while seed and Series A financing have remained relatively stable over the years, supported by increased activity from regional venture firms and angel investors, the availability of later-stage capital has fallen in recent years. This reflects a structural imbalance in the funding ecosystem, with a concentration of capital at the entry point of the startup lifecycle but limited institutional capacity to support scale-ups.

Quantitative data on round progression further shows these bottlenecks. Only 10.1% of startups that raise a seed round manage to reach Series A. The transition from Series A to B is moderately more successful at 31.6%, and Series B to C conversions reach 36.1%, while just 30.0% of startups advance from Series C to D (LAVCA, 2025). These low conversion rates demonstrate not only the scarcity of follow-on capital, but also systemic issues such as lack of mentorship for entrepreneurs, weak institutional support, and insufficient investor experience in dealing with the complexities of growth phases. In this context, Latin America and the Caribbean remains fundamentally a builder's market, where many startups are still laying the groundwork for basic infrastructure, platforms and digital services, but struggle to convert initial momentum into long-term sustainable scalability. This bottleneck highlights the urgent need to improve capital recycling mechanisms and increase investment capacity in later-stage financing across the region.

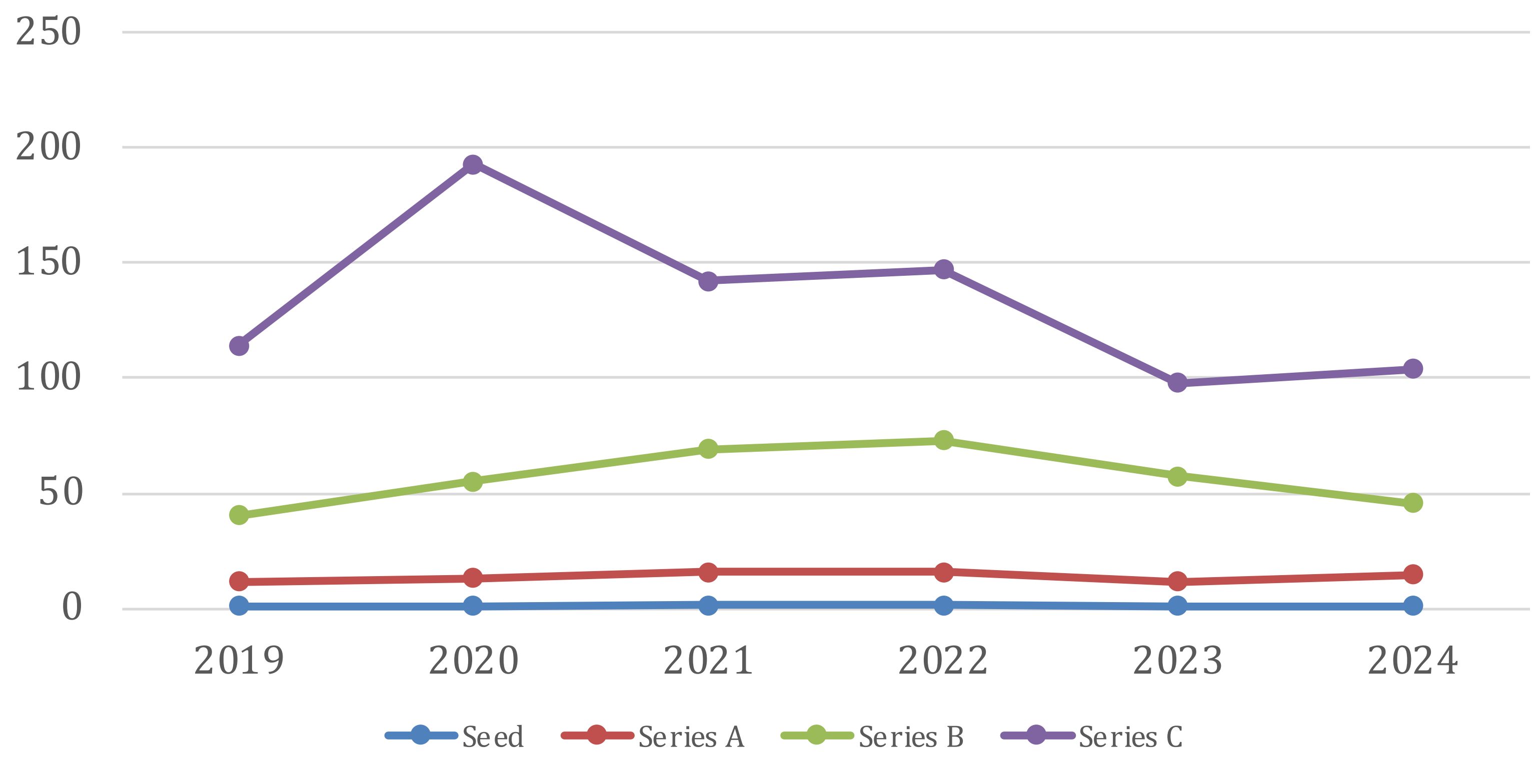
[2] Startup financing stages advance as ventures mature. Seed funding supports concept validation and early prototypes. Series A rounds focus on achieving scalability and product-market fit. Series B capital accelerates growth and market expansion, while Series C and beyond are later-stage rounds aimed at consolidating operations, entering new markets, or preparing for acquisition or IPO. At each stage, investment sizes increase and risk declines as startups demonstrate stronger performance and viability.

3. VC and Investment Trends

Graph 6

Source: LAVCA, 2025

Average VC Round Sizes in Latin America, 2019–2024 (USD millions)

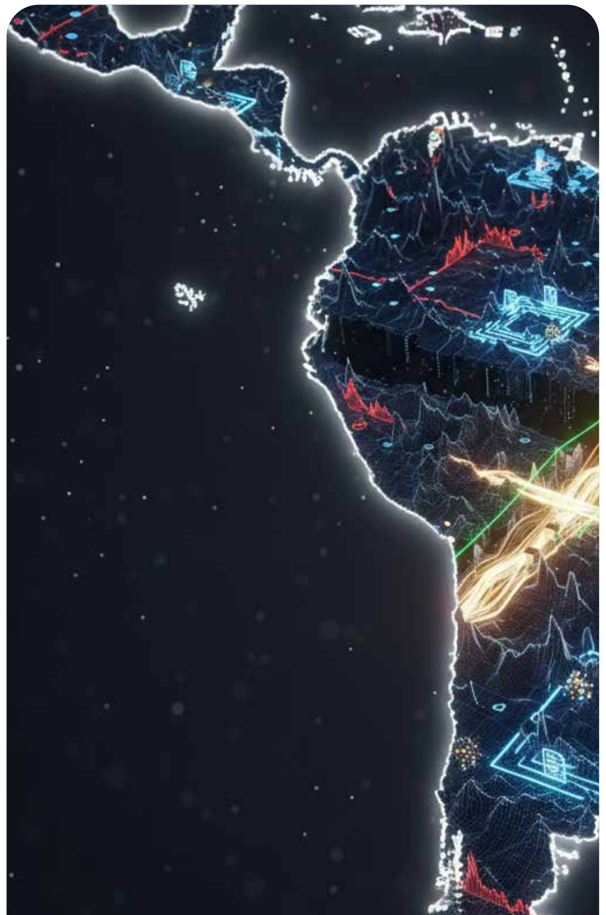


3.3 Emerging Investment Patterns

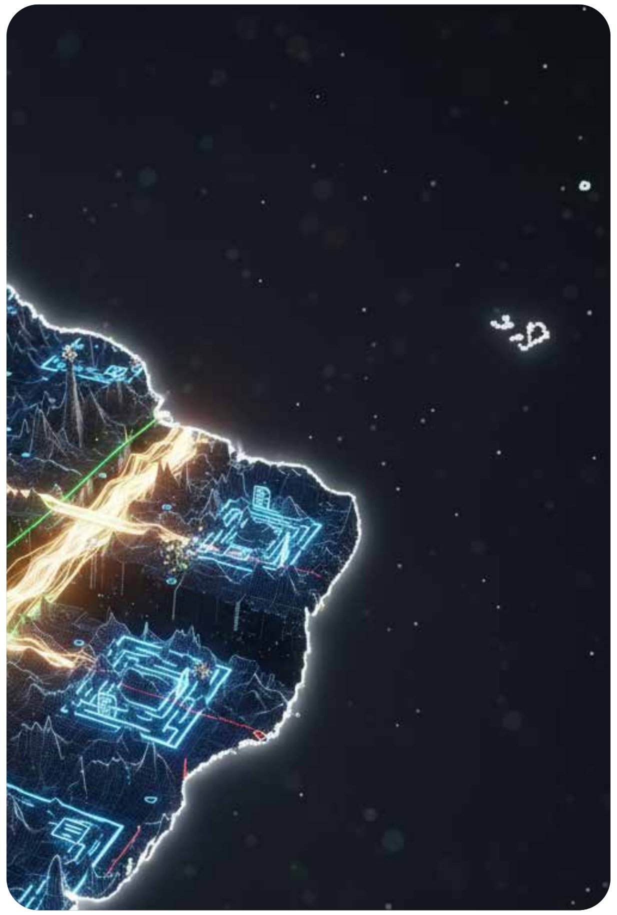
An increasingly defining trend in Latin America's startup ecosystem is the growing preference of VC investors for repeat founders or serial entrepreneurs with prior startup experience.

Between 2024 and the first half of 2025, these individuals raised 38% of VC rounds over USD 1 million. Their dominance is particularly evident at the seed and early-stage levels, where in the first half of 2025 they captured 36% and 38% of deal volume,

respectively (LAVCA, 2025). This concentration of capital reflects a broader institutional preference for operational track records, prior exits, and the reputational capital accumulated by serial entrepreneurs. **In a region like Latin America and the Caribbean, where startups must often navigate macroeconomic volatility, regulatory complexity, and infrastructural gaps, previous experience become even more critical.** The findings of Hellmann (2007) and Gompers et al. (2010) support this dynamic, showing that repeat founders benefit from learning effects, stronger networks, and more refined strategic capabilities, all of which contribute to a higher probability of startup success.

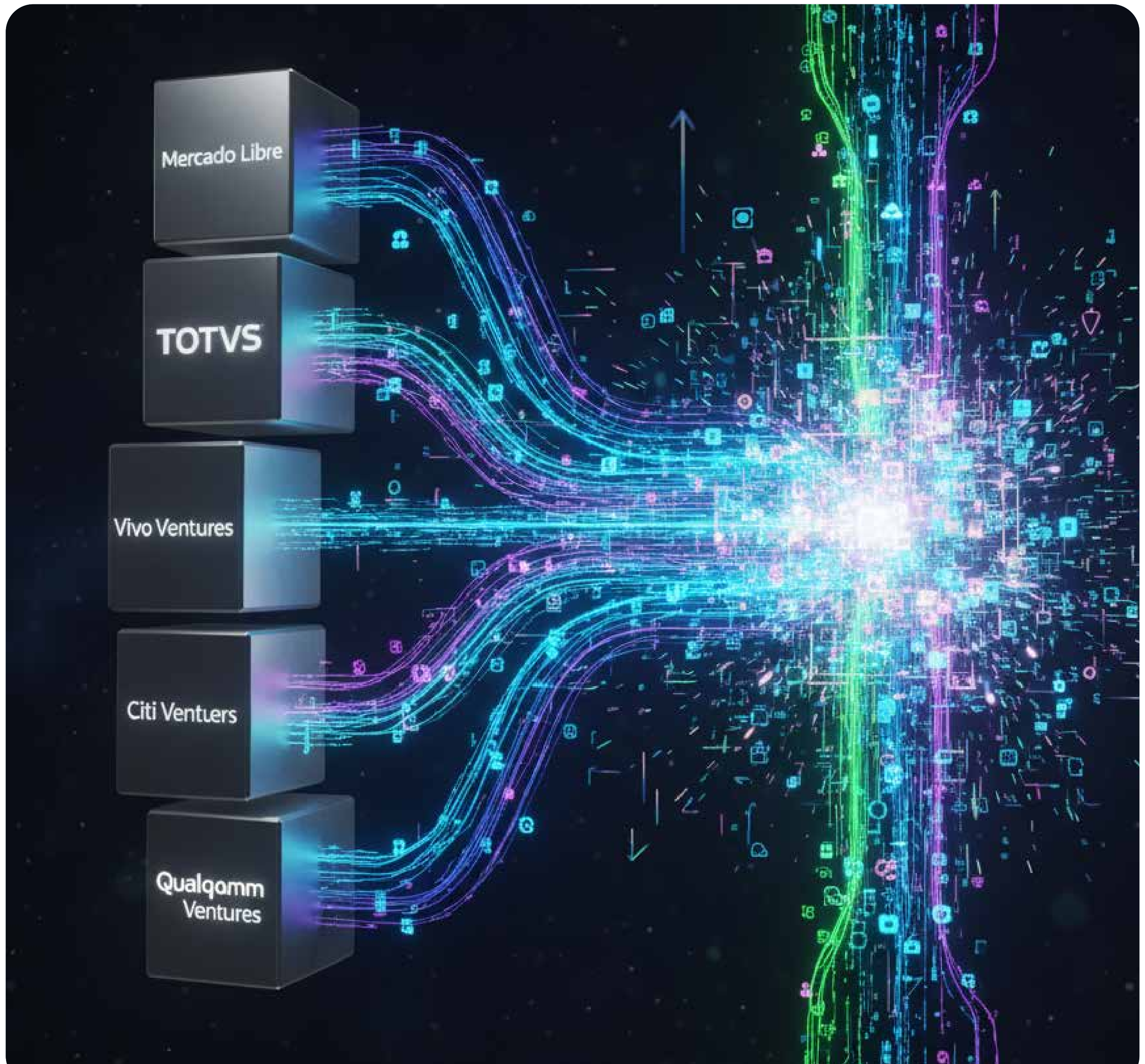


Alongside the rise of repeat entrepreneurs, the regional ecosystem is characterized by a high degree of co-investment among leading VC firms. For instance, QED Investors and KASZEK share 37% of their Latin American and the Caribbean portfolios (LAVCA, 2025), showing a collaborative investment strategy that spreads risk and reinforces due diligence. Endeavor Catalyst, another active player, frequently co-invests with partners such as Latitud and FJ Labs, contributing to a dense and interconnected funding environment.



3. VC and Investment Trends

Corporate Venture Capital (CVC) remains a visible force within this ecosystem, albeit slightly diminished. After peaking in 2022, when it accounted for 16% of total deals, CVC participation fell between 14% and 15% in 2024 and the first half of 2025. Nevertheless, **companies such as Mercado Libre, TOTVS, Vivo Ventures, Citi Ventures, and Qualcomm Ventures continue to play a strategic role in financing innovation, particularly through smaller, more targeted investments aligned with their core business interests.** These overlapping trends, favoring repeat founders and supporting selective corporate engagement, reveal an ecosystem that is becoming more disciplined, data-driven, and more strategic (LAVCA, 2025).



Despite growing awareness of gender equity in tech and VC, women-led startups still attract a disproportionately small share of VC capital. After peaking in 2021-2022 with 28% women-led of startups that raised over USD 1 million, they accounted for only 16% in 2024 and first half of 2025. This reflects broader global patterns of gender disparity in entrepreneurial finance (Brush et al., 2018), where unconscious bias, network exclusion, and pattern-matching behaviors limit access to capital. However, several **studies** (e.g., Alsos et al., 2006) **confirm that startups led by women are equally or more capital-efficient and often pursue more inclusive innovation models.**

4. Structural Constraints to Innovation

Despite a growing interest in venture creation and several emerging opportunities, Latin America and the Caribbean continues to lag behind other global ecosystems in fostering entrepreneurial innovation. This underperformance is not due to a lack of ambition or market demand, but rather to a combination of persistent, systemic constraints that hinder both the birth and scaling of startups. These challenges form a complex web of interrelated factors that reduce the competitiveness of the region's innovation economy and create friction in the startup lifecycle.

One of the most significant barriers is regulatory inconsistency. Legal frameworks vary considerably across countries, creating fragmentation that obstructs cross-border operations. This legal heterogeneity undermines efforts to scale regionally and complicates compliance for startups aiming to operate across multiple jurisdictions. The absence of harmonized regulation across Latin America and the Caribbean thus stands in stark contrast to more integrated markets, such as the European Union, where unified frameworks ease expansion and facilitate investment flows.

A second key limitation lies in the region's digital and physical infrastructure gaps. While some urban centers boast advanced connectivity, vast areas remain underserved. Inadequate internet access, fragile logistics networks, and insufficient cloud infrastructure raise the operational costs for startups and limit their ability to scale efficiently. These infrastructure deficits not only constrain the supply side by making business operations more expensive and slower but also restrict demand by excluding large segments of the population from the digital economy.

Furthermore, human capital constraints continue to impair the region's innovation potential. The global competition for tech talent, coupled with limited domestic opportunities for career advancement and capital access beyond the seed stage, often drives skilled professionals to seek opportunities abroad. This persistent talent drain weakens the region's capacity to build and retain strong founding teams and technical talent.

Finally, the scarcity of late-stage capital deepens these challenges. As mentioned earlier, most of the VC in Latin America and the Caribbean is concentrated in seed and early-stage rounds, leaving a significant funding gap at Series B and beyond. Without adequate follow-on investment, even promising startups are unable to sustain their growth trajectories, develop competitive advantages, or reach profitability. This restricts the maturation of the ecosystem and perpetuates a cycle of early-stage saturation and late-stage attrition.

The next wave of startups and unicorns will likely be those that integrate horizontally across Latin America and the Caribbean, addressing fragmented value chains while leveraging commonalities in culture and market needs. Increasing ties with Silicon Valley and Asian venture markets are expected to support this growth. Equally important will be the emergence of homegrown VCs capable of supporting startups through later stages and into IPOs or major acquisitions.

4. Structural Constraints to Innovation

5.1 Startups Success Stories

This section presents six case studies. Three concern Latin American start-ups, two of which are unicorns, and one an emerging company. These case studies and explain the market needs they seek to attend, the keys to their success, what they have in common, and how they are helping to shape the regional ecosystem. The remaining three, on the other hand, concern investors and have been choosen to offer an overview of the startup ecosystem from their perspective: what they are looking for, how they operate, and what changes they expect from the market in the future.

The purpose of these case studies is to provide a closer look at what was found in the first part of the report, offering real-life examples that demonstrate the biggest gaps in the Latin American and the Caribbean market that startups are trying to fill, their strengths, and the challenges they face. The case studies are based on interviews with the CEOs of startups, investors and funds, together with a secondary literature review.

5.1.1 Ualá

In 2017, in Buenos Aires, Pierpaolo Barbieri decided to tackle an old problem with a new approach. This led to the creation of Ualá, an Argentine fintech company designed to include those who had been left out of financial services (Alcácer, J., 2025). It initially took the form of a mobile app linked to a prepaid Mastercard that anyone could easily obtain without needing a bank account. All it took was a few taps and a photo of your ID to activate it, and the card would arrive at your home ready to be loaded and used anywhere. The idea was simple but revolutionary, signifying less bureaucracy, minimal costs, and a completely digital experience, which would give financial power even to the youngest (the card is available from the age of 13 upwards) and to those who had remained on the margins of the financial system.

In a region where half of adults do not have a bank account and many distrusts traditional banks, because of high fees and complex procedures, Ualá presented itself as an alternative that was easily accessible to everyone. The app allowed users to pay bills, top up their mobiles, send money, and keep track of their expenses, all from their phones.

I i innovative solution tackled

a problem that is deeply felt in Argentina and throughout the region, which is the lack of financial inclusion. While almost everyone owns a smartphone, only 50% of Argentinians over the age of 15 have a bank account (Garrison, C., 2017). In fact, more than half of Ualá users had no credit history before signing up (Della Vecchia, F., 2022). Barbieri saw this as an opportunity, with Ualá, he wanted to offer an alternative to banks and loan sharks, breaking down barriers to entry. From the first weeks after launch, the signs were encouraging. For thousands of people, a simple prepaid card represented a first step towards financial inclusion.

Ualá was proving the validity of its value proposition in the field, offering essential, easy, and accessible financial services at little or no cost to those who were previously excluded. Moreover, word quickly spread beyond Buenos Aires and workers without bank accounts, young students, small traders, and more across the country began using Ualá. The user base grew rapidly, confirming that the need was real and widespread.

The business model is worth noting. How does a fintech company that gives away cards and does not charge consumers any fees make a profit? **Ualá's strategy was to create a complete financial ecosystem capable of generating multiple sources of revenue without burdening its user base.** For example, each payment made with the card generates a small interchange fee

paid by merchants, a monetary flow that multiplied by millions of transactions becomes significant (Canvas Business Models, 2025). At the same time, the start-up gradually introduced value-added services beginning by granting personal microloans directly from the app, and earning interest on repayments (Ualá has granted over 7 million loans since 2020, a sign of a now robust credit operation) (Canvas Business Models, 2025).

In summary, **Ualá operates on a freemium model, while the core services are free for the end user, revenues come from a diversified set of financial activities, all amplified by the rapid growth of the user base** (Canvas Business Models, 2025). This multilateral structure has allowed the startup to pursue scalability without betraying the promise of convenience made to its users. The numbers confirm this, to date, more than 2.7 million people invest their savings through Ualá, while the volume of payments processed for merchants has risen by 55% in just one year.Ualá has distinguished itself since its early years in an increasingly crowded Latin American and the Caribbean fintech landscape due to some key competitive advantages. First and foremost, its mobile-first approach and obsession with user experience, designing an intuitive app, colorful, and to be understood even by those with no financial education. As Barbieri explains "Our focus is as simple as it is difficult, to do exactly what our users ask us to do", (Barbieri in Debursa, 2021), highlighting how, for too long, traditional banking has paid little attention to what people want from financial institutions. This attention to feedback has enabled Ualá to create a much-loved brand in just four years, with one of the five best Net Promoter Scores (NPS) in Argentina (Debursa, 2021). Another decisive factor for success was the integrated ecosystem. Ualá started with a simple prepaid card but soon added QR code payment functionality, mobile top-ups, integration with e-commerce platforms, and innovative loyalty programs. Today, the Ualá app offers such a comprehensive range of services that many customers use it as their primary alternative to a traditional bank.

Furthermore, behind the scenes, the company has invested heavily in proprietary technology, for example, it has developed key systems in-house, such as the engine for assessing users' creditworthiness, called UaláScore, based on artificial intelligence (hereinafter, "AI") algorithms. This system allows customers with no credit history to start with small loans or deferred payments, building up a history that will then give them access to larger loans, a huge competitive advantage. Lower costs, a smooth digital experience, a complete ecosystem, and proprietary technology are therefore the tools with which Ualá has overtaken both old and new competitors. It is no coincidence that global giants such as Goldman Sachs, SoftBank, Tencent, and Soros Fund have invested in the company, sensing its enormous potential (Valora Analitik, 2024).

After consolidating its presence in Argentina, during the pandemic in 2020, Ualá announced its expansion into Mexico. COVID-19 accelerated the success of fintech because lockdown measures and social distancing fueled demand for cashless payment options across Latin America and the Caribbean. In addition, during the pandemic, the company managed to upgrade its IT infrastructure in a matter of weeks to cope with the surge in online transactions, while also launching ad hoc features, such as the ability to donate money directly from the app to health emergency funds. In 2022, Ualá expanded to Colombia, where it acquired a local financial company to start operating under license and began offering digital accounts with competitive interest rates and free transactions.

The expansion strategy was fast, backed by substantial capital raised. Overall, Ualá obtained over $500 million in financing in just a few years, which it used to fuel growth in new markets and launch more services (Alcácer et al., 2025). **By the end of 2021, the startup had reached the symbolic unicorn valuation ($1 billion) (Debursa, 2021), but it did not stop there. In 2023, it closed another $300 million capital increase (Series E led by Allianz X), reaching a valuation of $2.75 billion** and marking the largest VC deal in Latin America and the Caribbean in the last three years (Latamfintech, 2024).

This phase of accelerated growth brought significant internal challenges. In 2022, under pressure from investors, Ualá had to begin to "shift its focus from growth at all costs to profitability" (Alcacer et al., 2025), a task that Barbieri tackled by reorganizing the management team and decentralizing. At the same time, Ualá has shown that it knows how to adapt to the macroeconomic context, as operating in Argentina means coexisting with rampant inflation and regulations that can change from one day to the next. The fintech company has withstood economic shocks (such as the devaluation of the Argentine peso) thanks to prudent treasury management and the ability to refinance its growth in dollars. On the regulatory front, the company chose from the outset to collaborate with regulators becoming one of the first firms to comply with new legislation, such as interoperability between bank accounts and fintech (CVU/CBU) (Debursa, 2021).

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Ualá is one of the most important success stories in Latin American financial innovation, and its impact on the regional financial system is tangible. In Argentina, it has become one of the largest cash digitalizers in just a few years. In 2021 alone, over 1.2 million people used its services to convert physical money into electronic money, depositing a total of 78 billion pesos (approximately 350 million dollars) through payment networks such as Rapipago and PagoFácil (Della Vecchia, F., 2022). Ninety-seven per cent of this digital money remains in the formal financial system, used to pay for goods and bills, thus also helping to broaden the tax base and increase fiscal transparency (Della Vecchia, F., 2022).

"The digitalization of cash is extremely positive", explains Martín Bellocq, Chief Marketing Officer at Ualá, "because it allows more people to enter the formal financial system permanently. It is the gateway to financial inclusion and the first step towards using services such as cards, investments, and loans" (Della Vecchia, F., 2022). In fact, once inside the Ualá ecosystem, many users begin to take advantage of tools that were previously unthinkable, allowing over 8 million users in Argentina, Mexico, and Colombia to use the app to save, pay, and invest, and more than 7 million microloans have been granted to people who often would not have obtained loans from the traditional banking system (Latamfintech, 2024). These results indicate that **Ualá is boosting latent demand for financial services because it is educating a new generation of users in digital finance, and helping to create a more competitive and inclusive market.**

5.1.2 Globant

In 2002, during Argentina's economic crisis, four friends, Martín Migoya, Guibert Englebienne, Martín Umaran and Néstor Nocetti, recognized the need to offer a closer alternative, both geographically and culturally, to the Asian software development giants to customers in Latin America and the Caribbean, the United States and Europe. Their vision was to provide innovative software services globally by leveraging local expertise. This responded to a dual need, on the one hand, international companies were looking for innovative and cost-effective technology partners outside the traditional outsourcing hubs, on the other hand, there was immense potential in Latin America and the Caribbean for tech talent seeking opportunities without having to emigrate. Globant was therefore created to bridge this gap.

With only 5,000 dollars in startup capital, the four founders laid the foundations for Globant in Buenos Aires the following year. The startup's first success came with a project commissioned by Lastminute.com. In 2005, the founders joined the prestigious Endeavor network, which selects high impact emerging entrepreneurs, gaining visibility and international mentorship. But the real turning point came in 2006, when Globant became Google's first software vendor (Portas Ruiz, G., 2023).

Today, its business model is based on providing technology consulting, digital design and software development for companies in various sectors (Globant Investors, 2023). The company generates revenue primarily through contract projects (fixed price or time and materials) and multi-year digital transformation contracts, covering a wide range of industries: media and entertainment, financial services, manufacturing and retail, travel and tourism, to name a few. **From the outset, the start-up adopted a decentralized growth model. Instead of software young developers to move to Buenos Aires or abroad in search of a career, it also opened offices in less central cities such as Tandil, Rosario and Mendoza, bringing skilled jobs to local communities and retaining tech talent at home** (Di Salvo, M., 2019).

In 2009, it introduced the Tech Studios model, with different units focused on specific technology, discipline or industrial sector. This model made it possible to offer customers a complete end-to-end service, from digital strategy definition to technical implementation, with specialized but coordinated teams. This approach proved to be fundamental in differentiating Globant from global competitors such as Accenture, EPAM and Infosys given that the **company built deep expertise in high-demand niches (e.g. applied AI, game development, fintech) by offering tailor-made solutions where larger competitors were less agile** (Di Salvo, M., 2019). According to CEO Migoya, the keys to success were continuous innovation, a "digitally native" corporate culture and maintaining specialization through Tech Studios.

By investing in emerging fields (from AI to augmented reality and blockchain), Globant has often anticipated technological trends, enabling it to offer its customers solutions that are always in synch with the times. In recent years, it has strategically focused on AI, generating approximately $350 million from AI solutions in 2024 alone (a 110% increase compared to the previous year).

5. Case Studies: Innovation from the Ground Up

As with Ualá, the COVID-19 pandemic allowed Globant to accelerate its growth, given the imminent need for companies to go digital. Not only has it maintained its internal culture and strengthened its connection with its more than 30,000 employees, even remotely, but it has also trained more than 35,000 young people in Latin America and the Caribbean, offering free coding courses (Portas Ruiz, G., 2023). During the same period, in the Argentine province of Chaco, one of the most economically disadvantaged provinces in the country, Globant committed to hiring 1,000 people over five years and financing a new technology hub, contributing to the regeneration of the local socio-economic fabric (Portas Ruiz, G., 2023).

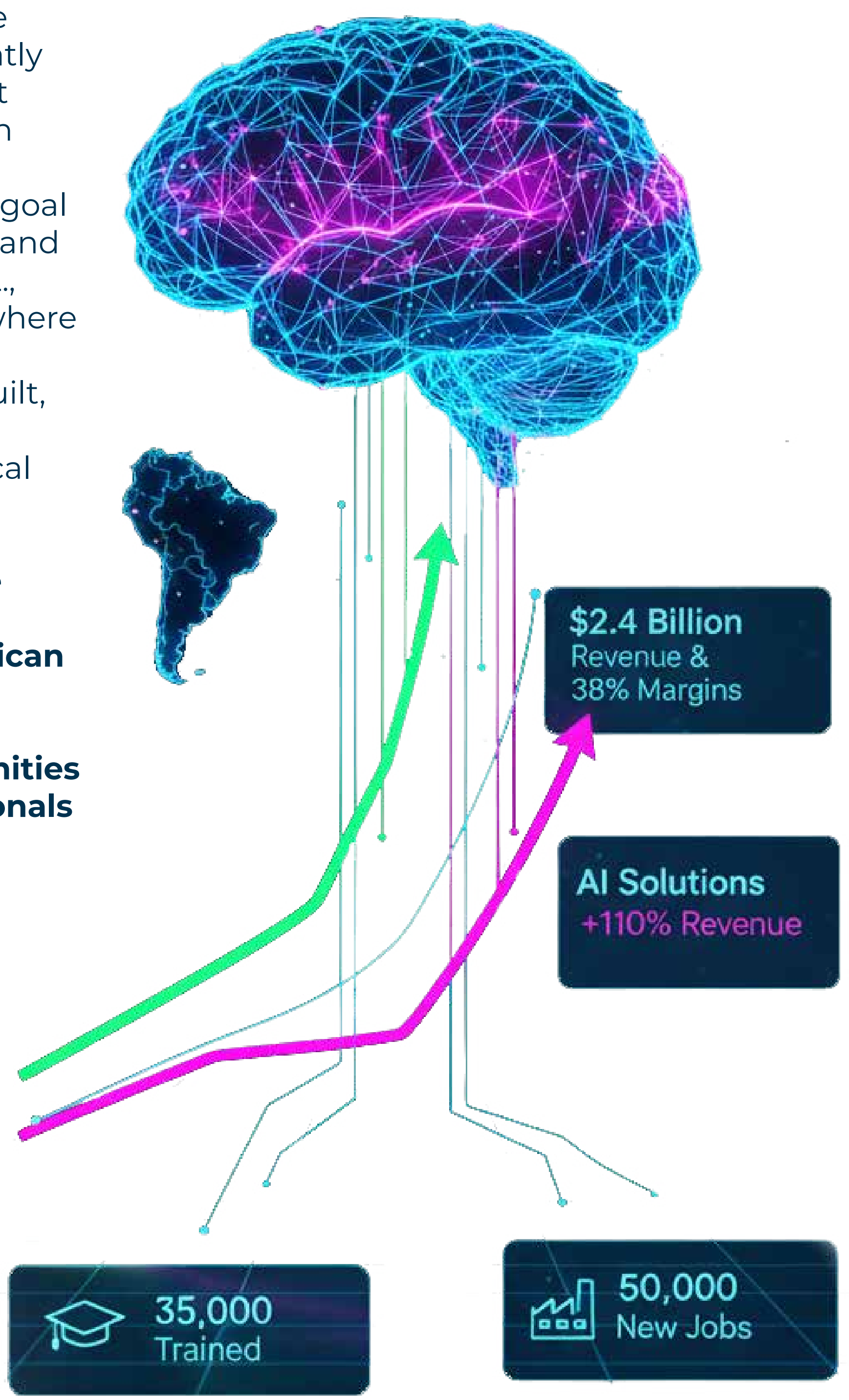
In 2024, Globant exceeded $2.4 billion in revenue, with annual growth of 15.3%. The revenue structure is diversified (no single customer accounts for more than 8%) and gross margins remain high (35–40%) (Globant Investors, 2023). Of course, this growth has not come without some obstacles. **An initial barrier was convincing large foreign companies to entrust their projects to teams based in emerging countries. Globant overcame skepticism by obtaining international certifications and awards that validated its reliability, as well as demonstrating the quality of its work in the field.** Moreover, another challenge was the unstable macroeconomic context of markets such as Argentina, a risk that the company mitigated by diversifying its geographical presence and invoicing most of its contracts in dollars (Globant Investors, 2023).

Since its inception, Globant has remained true to its original vision of promoting Latin American and the Caribbean talent and revolutionizing the regional technology sector. Its rise has had a significant impact on the region economic and technological ecosystem

The fact that thousands of engineers and developers have been able to work on projects for Google or Disney while remaining in their own cities has greatly stimulated local economies. In 2023, it announced a major five-year, $1 billion plan to boost its presence in Latin America and the Caribbean, with the goal of hiring an additional 20,000 people and nearly doubling its workforce (Moss, L., 2023). A particular focus is on Brazil, where an innovation center dedicated to AI and emerging technologies will be built, underscoring Globant's commitment to continuing to invest in strategic local markets.

In conclusion, **Globant embodies the positive impact that an innovative startup can have on the Latin American and the Caribbean economy. It was created to fill a gap in a market, tranformed it, and created opportunities for an entire generation of professionals**

GLOBANT



5.1.3 Robbin

As highlighted by the case studie of Ualá Latin America and the Caribbean still has a large population that was underserved by the financial system, and many small and medium enterprises (SMEs) struggled to obtain flexible payment terms for their working capital. This structural shortage of credit for SMEs, combined with the limited penetration of digital financial tools, created fertile ground for new technological solutions. For this reason, in recent years, the region has experienced an expansion in the fintech sector, born out of the need to fill historical gaps in traditional financial services. Fintech companies are playing a key role in reducing the financing gap by offering loans, digital payments and other services more quickly and flexibly than traditional banks, thus helping SMEs to develop greater financial resilience (Ziegler et al., 2022).

It is in this dynamic and still evolving context that Robbin was born, a fintech start-up founded in São Paulo in 2023 to address a long-standing problem, the difficulty of access to credit for SMEs.

> **Launched in 2024, Robbin specializes in the B2B fintech sector, with the aim of revolutionizing the way Brazilian small and medium-sized enterprises obtain credit and manage payments. Before Robbin, small retailers had to pay wholesalers quickly to restock, or resort to expensive sources of financing (such as overdrafts or short-term loans with high interest rates)**

This financial bottleneck limited the growth of SMEs and exposed them to liquidity risks. Its mission is therefore to democratize access to capital for companies underserved by the traditional banking system. To achieve this, Robbin creates co-branded corporate credit card schemes in partnership with major players. This gives SMEs benefits such as longer payment terms, higher credit limits and tailored loyalty program, helping them to manage their working capital more effectively. In practice, a retailer can purchase goods from a large supplier using that company's co-branded Robbin card, paying over time while the supplier receives immediate guaranteed payment.

There is no shortage of competition in the fintech sector, but few apply Robbin's approach. The startup works closely with leading companies in their sectors, leveraging their historical sales data and relying on their extensive distribution networks through sales agents already active in the field. Instead of trying to access each small business individually, Robbin draws on its partners' distribution networks. For example, through a single agreement with a company that has thousands of retailers, Robbin can immediately reach all those outlets as potential customers, drastically reducing customer acquisition costs compared to a traditional approach.

For small Brazilian businesses, this innovation has been a financial lifeline. By using their service, a local retailer can purchase stock from a large supplier and pay with greater flexibility, for example, 60 or 90 days, while the supplier has already been paid, thanks to Robbin's intermediation. This triggers a virtuous circle because SMEs have more liquidity available to grow, while large brands retain their network of business customers by offering them an innovative credit service. Robbin has essentially filled a gap in the B2B financial market.

In terms of revenue, Robbin mainly earns from commissions on card transactions (interchange fees on payment circuits) and interest on loans granted when SMEs use deferred payment. In addition, in some cases, revenue-sharing agreements with co-branded partners or service fees for managing the credit card program may apply. Since launching its operations, **Robbin has shown impressive growth rates of 40% monthly in terms of volumes and customers served. In addition to quantitative growth, Robbin closely monitors qualitative success metrics such as customer loyalty and active user engagement.**

In terms of external financial resources, the startup quickly gained the trust of investors in Brazil's vibrant fintech landscape, successfully closing several initial funding rounds. Overall, Robbin raised over $6.5 million in equity investments between pre-seed and seed rounds, involving some of the leading VC funds active in the region. Investors include specialized names such as Canary Ventures (which believed in the project as early as the pre-seed round) and Norte Ventures. This financial support has enabled the start-up to develop its platform, build a team of around 40 highly specialized people and launch its first credit card program with renowned partners.

5. Case Studies: Innovation from the Ground Up

Looking to the future, Robbin sees opportunities far beyond Brazil's borders given that the need for flexible capital for SMEs is widespread throughout Latin America and the Caribbean, and even in advanced markets such as the United States, where startups dream of establishing themselves.

Despite its initial successes, Robbin faced numerous challenges as it grew. First and foremost, operating in the credit sector means navigating a highly regulated environment. The startup must therefore balance its drive for innovation with impeccable regulatory compliance, carefully calibrating each new product to ensure it falls within legal parameters. This can slow down some processes, but Robbin considers dialogue with regulators and adherence to regulatory sandboxes to be an integral part of its long-term strategy.

Robbin sees opportunities far beyond Brazil's borders given that the need for flexible capital for SMEs is widespread throughout Latin America and the Caribbean, and even in advanced markets such as the United States, where startups dream of establishing themselves

Secondly, offering credit cards and payment deferrals to SMEs means taking on credit risk directly. Too rapid growth, if not accompanied by rigorous credit underwriting and risk models, could expose Robbin to high default rates. The management team therefore focused on building a solid risk management framework from the outset, leveraging in-depth data from partners to assess the reliability of applicants and implementing advanced risk scoring algorithms.

Technological innovation is a fundamental pillar for Robbin. The startup is investing in AI to use it as a sales force amplifier, to make growth smarter and more data driven. An AI-powered Sales Representative system is currently under development, consisting of virtual agents based on machine learning algorithms that will analyze potential customer data and behavior, with the aim of helping the team in prospecting and closing contracts. In addition, Robbin embraces emerging technologies in the field of Large Language Models (LLM) to scale its capacity for personalized customer interaction.

Robbin's trajectory is part of a vibrant Latin American and the Caribbean ecosystem. Brazil stands out as the region's fintech hub with over 700 active startups (about 24% of the Latin American total). In 2024 it attracted investments of $1 billion, accounting for 42% of fintech funding in the area (Fintech News America, 2025). However, on a regional scale, the ecosystem remains in flux. In many countries, the path to financial large proportion of SMEs still do not have access to adequate digital tools. This suggests that there is still considerable untapped growth potential.

Increasing financial depth has a powerful impact in economic growth and development. Research conducted by the University of Cambridge and the Inter-American Development Bank (IADB) shows that 92% of small businesses that received credit through fintech platforms were able to maintain or increase their workforce, while 86% reported an increase in revenue compared to the pre-financing phase (Ziegler et al., 2022). In this scenario, the presence of startups such as Robbin introduces new standards of efficiency and pushes traditional players to react. Some smaller banks, for example, are simplifying procedures and reviewing credit conditions in order not to lose competitiveness, while others are choosing to collaborate with fintech companies (Fintech News America, 2025).

This establishes a positive feedback loop: it stimulates the creation of new initiatives, attracts foreign capital and draws the attention of institutions. Cases such as Robbin's can strengthen regulators' willingness to support innovation through tools such as regulatory sandboxes, with dedicated laws or open banking policies, in the knowledge that a more inclusive and technological financial system is a driver for economic development (Ziegler et al., 2022).

5.2 The investor perspective

5.2.1 Gierberg

In 2021, the Latin American startup ecosystem experienced a boom, with skyrocketing valuations and a frantic race for growth. However, in the aftermath of this wave, many investment funds felt the need to shift gears, focusing more on economic sustainability and technology, especially with the advent of AI, and less betting on growth at all costs. After the post COVID-19 euphoria, they began to adopt a more thoughtful and long-term approach, favoring startups that could demonstrate product solidity and tangible profit prospects from the early stages. Startup valuations have fallen from their 2021 peaks. It is emblematic that some young companies financed during the expansion were then sold at valuations equal to or even lower than their initial 2021 Simple Agreement for Future Equity (SAFE) valuations, a warning that has reinforced the conviction of many funds to focus on more realistic fundamentals. The slowdown is also reflected in the capital flows. Although 2024 marks a decline from the peak of 2021, it is considered a healthier year for investment, with fewer deals driven by the excitement of the moment (currently focused on AI) and a more careful selection of funds and startups.

Leonel Gierberg is an angel investor and entrepreneur based in Argentina. If there is one mantra that guides his investment philosophy, it is the centrality of people. 'Three key criteria: team, team and team,' explains Gierberg, emphasizing that the quality of the founding team outweighs any other indicators. Of course, technology and the Total Addressable Market of the idea also matter, but in his investment decisions, the evaluation of the team is always the first filter, even before the sector or business model. Gierberg also tends to focus on pre-seed and early-stage startups, believing in the value of supporting promising entrepreneurs from the outset and guiding them in defining a sustainable product.

At the same time, Gierberg has gradually shifted its focus towards startups with strong technological expertise and the ability to leverage AI. Recently, there has been a significant decline in technological barriers because programming is becoming easier and more commoditized, and developers, aided by AI, can do much more in less time. Gierberg observes how every developer today can produce more, accelerating development cycles. This has direct consequences on his strategies given that the market is moving towards more senior technical teams capable of mastering AI to their advantage. **Gierberg predicts "an era in which only startups with the best teams will survive, those that know how to adapt and build real competitive advantages".**

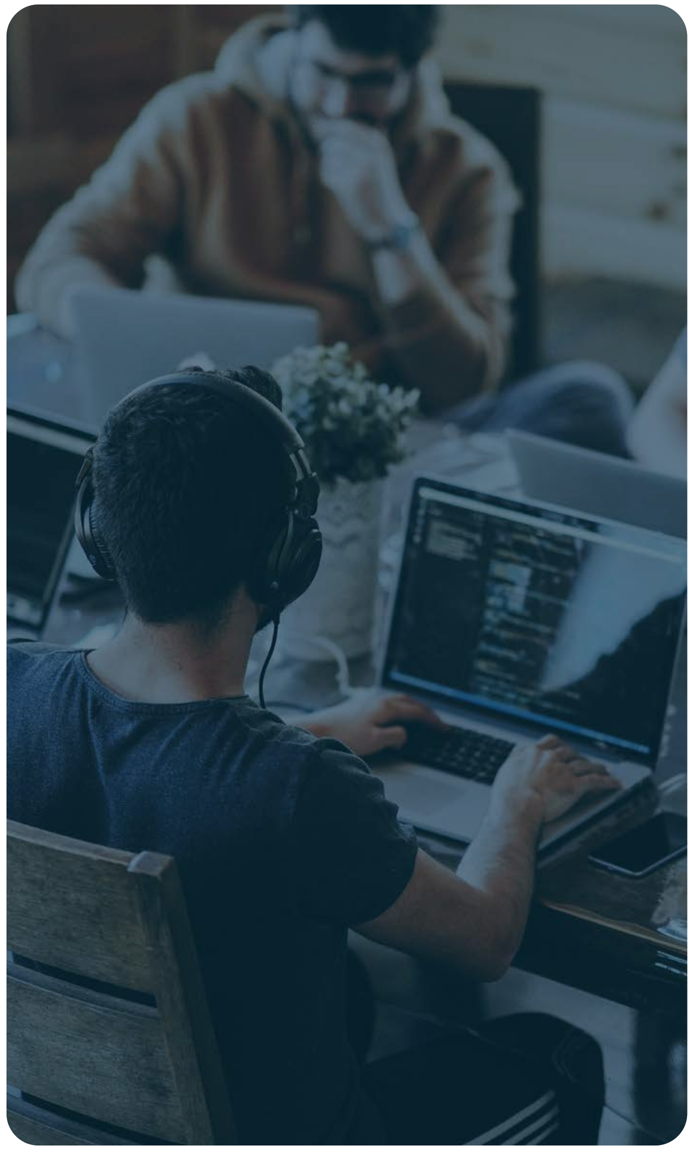
A concrete example is the use of new AI-based tools for software development. From the intelligent editor Cursor to platforms such as Windsurf or V0, new products are emerging and transforming the way software is created. These solutions are particularly useful for prototyping and developing minimum viable products (MVPs) and small applications, but Gierberg is convinced that within a few months there will be new technologies that will allow companies to tackle even more complex projects. This revolution also has a downside because many startups risk being left behind, as the biggest players will be able to leverage AI to expand even more rapidly. Aware of this, **Gierberg directs his investments towards startups that not only integrate AI into their products but also could react to**

increased competition from AI, carving out defensible niches and constantly seeking innovation.

At the same time, he identifies hidden opportunities in less digitalized sectors. In Latin America and the Caribbean, entire sectors of the economy (from traditional finance to retail) still have low levels ofdigitalization and formalization, especially when compared to more mature markets. This means that there is enormous growth potential for startups that can bring previously analogue services online. This is why **Gierberg focuses much of his strategy on fintech and e-commerce, two sectors where demand for modern solutions is very high and traditional competition is slow to adapt. A third pillar has been added to these, AI applied to vertical sectors, which is considered one of the most promising growth drivers for the coming years.**

In terms of geography, the Brazilian and Mexican markets stand out above all others in Latin America and the Caribbean in terms of attractiveness. Gierberg notes that any local startup with ambitions to become a unicorn must necessarily aim to penetrate at least one of these two countries. It is therefore not surprising that he is particularly interested in founders who have a credible plan to expand into Brazil or Mexico, beyond the borders of their domestic market. At the same time, Argentina is a special case given that its unstable macroeconomic environment and volatile exchange rate paradoxically make startups attractive for acquisition. Building an innovative business in Buenos Aires can result in an easier exit, as foreign or regional investors can buy at a discount promising companies by taking advantage of the favorable exchange rate. This dynamic has not gone unnoticed by Gierberg, which sees Argentina as fertile ground for sales and consolidation opportunities, albeit with the necessary caution related to country risk.

Gierberg's approach offers a glimpse into the transition phase of the Latin American and the Caribbean startup ecosystem, which is becoming an entrepreneurial habitat of intermediate maturity. Important innovation hubs already exist (from the so-called "Silicon Valley in São Paulo" to the tech communities in Mexico City and Bogotá), but the depth of capital and exit routes that characterize more advanced ecosystems are still lacking. Gierberg recognizes that for the region to make the leap in quality, it will need both more local late-stage funding and successful acquisitions and IPOs, therefore created wealth can be reinvested in the circuit. In conclusion, the Gierberg's experience highlights some key patterns that startups and investors should take notice. First, the importance of building excellent teams from day one. Second, the need to embrace technology (AI in particular) as a lever to multiply impact. Third, the opportunity to look beyond one's own national backyard, thinking regionally (with Mexico and Brazil in mind), and knowing how to identify underserved niches can pave the way for success.



5.2.2 Tempest Capital

Tempest Capital has been operating within the Latin American and the Caribbean startup ecosystem for over twenty years. Founded as a growth equity fund, halfway between VC and private equity, it typically makes investments between $50 million and $150 million, focusing on companies in advanced growth stages. From the outset, its strategy has focused on strategic sectors characterized by structural deficiencies in the region: logistics, healthcare, telecommunications and manufacturing. In these areas, **Tempest Capital has identified clear opportunities to create value by bridging historical gaps such as the modernization of logistics chains, improved access to healthcare, and digitalization and production innovation.**

Throughout its experience, especially in recent years, Tempest Capital has observed a far from linear evolution of the ecosystem. During the expansion cycle, large financing rounds supported regional scale-ups at often inflated valuations, fueled by global players such as SoftBank and Tiger Global. However, this euphoria created a bubble. Too many investments were made in an unstructured manner, and when the global cycle reversed (inflation, rising interest rates, flight from tech growth, etc.), the bubble deflated. Since 2022, there has been a drastic downsizing, and many startups have had to raise new capital with down rounds of 30–50% compared to previous valuations, when they have not directly frozen their expansion plans. The total volume of investments in 2023 contracted significantly compared to previous years, and only a few large-scale transactions remained on the market. Many "tourist investors" quickly left, leaving behind a trail of poorly structured deals and significant devaluations. This contributed to a decline in foreign investors' confidence in the region's potential.

Tempest Capital has gone through all these phases, adapting but remaining faithful to its fundamentals. It has maintained a selective and prudent approach even in times of greatest frenzy, avoiding unsustainable valuations. Unlike many international operators who have considered Latin America and the Caribbean as a homogeneous bloc, Tempest has always emphasized the need to distinguish between different national realities and to implement localized strategies. The fund has chosen to focus on Mexico and Brazil, which it believes are two markets in the region with the size and depth to justify large-scale VC investments. The other economies of the region, although dynamic, are still too small or fragmented to support large VC inflows. In many cases, they are forced to expand rapidly abroad to achieve a sufficient Serviceable Obtainable Market (SOM).

While focusing on Mexico and Brazil, the fund constantly monitors developments in emerging markets. The phenomenon of nearshoring (the return of industrial production to countries geographically closer to consumer markets) is creating new opportunities throughout the region, encouraging the inflow of industrial investment in countries such as the Dominican Republic, Costa Rica and Colombia. Tempest evaluates startups according to three main criteria: demonstrable traction, sustainability of unit economics, and actual size of the addressable market. The goal is not only to identify promising companies, but also to support scalable business models capable of generating returns over a medium-term horizon of approximately five years.

In terms of sectors, Tempest Capital expects strong growth over the next two years in the areas of mobility, fintech, civil protection and cybersecurity, healthcare, and smart manufacturing and industry. AI, the common thread that will increasingly run through all these sectors, is considered another key yardstick for investment. Tempest Capital strong impact in Latin America and the Caribbean, where a significant part of the economy is still based on repetitive, low-value-added activities. Applications in areas such as logistics, finance, healthcare and customer service could therefore lead to a significant qualitative leap.

Despite progress, some structural obstacles remain that limit the full development of the startup ecosystem. Tempest Capital highlights the lack of developed capital markets in the region. There are insufficient financing options for startups in advanced stages such as liquid stock exchanges for potential local IPOs, and growth funds or structured debt. In addition, there is a lack of asset managers willing to invest in tech companies. This means that many startups with traction encounter difficulties in financing themselves in the next scaling phase. It is like a funnel, while angel and seed funding work (thanks also to various accelerators and public grants), and there is decent VC at Series A/B, in the late stages, capital is scarce forcing the best startups to rely on foreign-led rounds or slow down their growth.

Looking ahead, Tempest Capital aims to increase its exposure in the region, focusing on growth-stage investments and buyout transactions. They believe that the next wave of growth will be healthier, driven by principles of economic sustainability and operational pragmatism. Recent history has shown that market cycles are inevitable, but that it is precisely in times of contraction that the most resilient and promising companies emerge

5.2.3 Latin Leap

Latin Leap is an early-stage VC fund based in Colombia, founded in Singapore in 2019 with the ambition of accelerating Latin America and the Caribbean's technological leap. It presents itself as a Venture Capital Studio, whose goal is not only to invest in promising startups but also to build bridges between emerging ecosystems in other regions, such as Southeast Asia, and Latin America (Oyedeji, E., 2023). In practice, **Latin Leap supports international scale-ups by offering strategic resources and local connections, facilitating their soft entry into the region's markets. The fund focuses on business models that have already been validated elsewhere, adapting them to the specificities and opportunities of the Latin American context.**

Active for over seven years, Latin Leap invests between $250,000 and $500,000 in startups at the very early stages of their development, from pre-seed rounds to Series A, with a particular focus on the seed phase. In terms of sectors, the fund has identified certain areas that are set to experience the highest growth rates in the Latin American and the Caribbean startup landscape over the next three to five years: Fintech, Cleantech, and E-commerce. These are accompanied by the increasingly rise of AI, considered a technology capable of increasing the efficiency and scalability of any business model, and for this reason it has become an almost indispensable component in the most current investment theses.

Regardless of the sector, the fund adopts extremely rigorous selection criteria, especially considering the euphoria of 2020–2021 followed by a rapid market correction starting in 2022. **During the evaluation phase, Latin Leap pays particular attention to three key elements: the concrete impact that the startup can have in the Latin American and the Caribbean context; the presence of tangible traction in the market revenues, (or equivalent metrics); and the existence of an international reference point or a comparable model that has already proven successful elsewhere,** ideally, a company that has achieved unicorn status.

In general, the fund bases its valuations of early-stage startups on more realistic metrics (revenue, EBITDA, sustainable unit economics). According to the fund, this discipline is paying off.

Another interesting trend highlighted by the fund is the growing intertwining of local and international investors in the Latin American and the Caribbean landscape. Until a few years ago, it was common practice for large US, European, or Asian venture funds to enter the region only in advanced rounds (Series B, C, or later). Today, a change is taking place, and some of the largest global VCs (such as SoftBank, Sequoia, and several Chinese and North American funds) have opened offices or teams dedicated to the

region and often participate in seed or Series A rounds, bringing not only capital but also international expertise and contacts to startups from the earliest stages. In parallel, and perhaps as a result, many young Latin American and the Caribbean tech companies are changing their mindset. Because they no longer start out considering only their own country or region but develop a global product from day one. Latin Leap encourages this vision, having startups in its portfolio encouraged to look beyond their domestic borders, leveraging the fund's international network to explore opportunities in Asia, Europe, or North America if the product allows it (Oyedeji, E., 2023).

Despite the promising outlook, Latin Leap has identified several obstacles that continue to hold back the regional startup ecosystem. One of the main ones is limited access to funding, especially in the early stages. Although VC in Latin America and the Caribbean has grown significantly compared to a decade ago, the region still attracts less than 3% of global VC flows, and many promising projects struggle to find investors willing to bet on them early on. Added to this are complicated regulatory environments and technological infrastructure gaps, that although rapidly improving, are still lacking in some areas. But perhaps the most biggest challenge is cultural in nature because in many Latin American and the Caribbean countries, there is a marked fear of failure, which distinguishes their startup ecosystem, for example, from that of the United States (Gavasa, J., 2023).

Another obstacle the fund encourages reflection on is the relative youth of the region's startup ecosystem in terms of successful exits. Although the number of new innovative companies has exploded and many unicorns have emerged in recent years, successful exits remain rare (Blanco Estévez, A., 2024). This scarcity of exits has two main consequences, first, it limits liquidity for investors (VC and angels) who participated in previous rounds, making it more difficult for them to raise new funds or reinvest the proceeds in other startups, second, it deprives the ecosystem of comprehensive success stories that serve as examples and motivation for both entrepreneurs and investors.

One of the reasons why, for example, VC rounds in Latin America and the Caribbean often had lower valuations than those in Silicon Valley is precisely the lack of a robust local Merger and Acquisitions (M&A) market and the perceived lower chance of profitable exits (Gavasa, J., 2023). The fund expects that between 2025 and 2026, some of the most prominent scale-ups, especially in Fintech and other technology-intensive sectors, will be able to finalize exit deals, perhaps also taking advantage of an improvement in the global stock market (Glasner, J., 2025).

Overall, the scenario described by Latin Leap is of an ecosystem transitioning toward maturity, but one that has not yet reached its full potential. The fund, for its part, intends to increase its investment activities in the region next year. The relative scarcity of Latin American and the Caribbean tech giants indicates that there are still many untapped niches and underserved sectors in which to invest. The fund will continue to focus on startups with high scalability potential but ensuring they have solid foundations and a profitability-oriented business model, in line with the general market shift toward greater financial discipline.

Latin Leap's analysis and advice offer valuable insights for other investors in the region. The key takeaway is not to underestimate the region's potential. Despite well-known challenges such as macroeconomic volatility and political instability in certain countries, Latin America and the Caribbean has demonstrated the ability to generate innovative, world-class companies and offers a pool of talent and needs that can translate into high returns for savvy investors.

Overall, the scenario described by Latin Leap is of an ecosystem transitioning toward maturity, but one that has not yet reached its full potential. The fund, for its part, intends to increase its investment activities in the region next year

Successful international investors in the region are often those who build a presence on the ground, collaborating with domestic funds and domestic mentors to understand the cultural and regulatory specificities of each national ecosystem

Furthermore, the experience of 2021 has taught them that focusing solely on explosive growth while ignoring sustainability can be extremely risky. An implicit advice from Latin Leap to its peers is to bet on quality, not quantity. A few targeted investments in excellent companies are better than countless widespread bets on uncertain projects.

6. Concluding Remarks and Policy Recommendations

Latin America and the Caribbean stands today at a crossroads between extraordinary promise and enduring constraint. Over the past decade, the region's entrepreneurs have rewritten the narrative of innovation, turning structural limitations, financial exclusion, logistical bottlenecks, and bureaucratic opacity into opportunities for transformation. From fintech like Ualá, which brought millions into the formal financial system, to global firms such as Globant, which turned local talent into an exportable source of digital excellence, the region has shown that innovation can thrive even in the face of volatility.
Yet the story of the region's startup ecosystem remains one of unfinished potential. The surge of creativity and VC has not been fully matched by institutional and financial depth. For every successful startup, there are dozens of high-impact companies that stall for lack of follow-on funding, regulatory clarity, or the right infrastructure to scale across borders. These barriers are not incidental, they are systemic. They reflect a region still searching for the balance between entrepreneurial agility and institutional strength.

The post-pandemic years demonstrated both the vitality and fragility of Latin America and the Caribbean's innovation model. Between 2021 and 2022, venture investment peaked at USD 16 billion, but by 2024, it had normalized to USD 4.6 billion, healthier, but far from sufficient for the region's needs. Early-stage funding remains vibrant, yet late-stage capital continues to be the missing link in the region's growth story. Without deeper domestic funding sources, the region's most promising firms remain dependent on foreign capital, leaving them exposed to global cycles of liquidity and risk aversion.

The next phase of Latin America's startup evolution must therefore focus not only on innovation but on institutional strengthening. The region needs financial instruments, regulatory frameworks, and public–private partnerships capable of nurturing the full life cycle of entrepreneurship, from idea to IPO

This transformation requires a recalibration of both policy and practice. Governments must embrace the reality that innovation policy is no longer confined to research ministries or digital agencies, it should be a government agenda. The same state that taxes and regulates must also finance and procure. Multilateral and national development banks, such as CAF, IADB and BNDES, and national innovation agencies across the region, should create co-financed growth and scale-up funds to fill the gap between Series B and pre-IPO stages. These vehicles could blend public and private capital, using partial guarantees and first-loss tranches to attract institutional investors that have historically avoided venture markets.

Capital recycling mechanisms must become a regional priority. Too few exits mean too little reinvestment. Establishing secondary markets for startup equity and encouraging pension funds and sovereign wealth funds to allocate small, regulated shares of their portfolios to innovation, could unleash a self-reinforcing cycle of investment. The example of Chile's CORFO, which co-invests alongside private funds, demonstrates that such public leverage can be both effective and fiscally responsible when paired with clear governance and performance benchmarks.

6. Concluding Remarks and Policy Recommendations

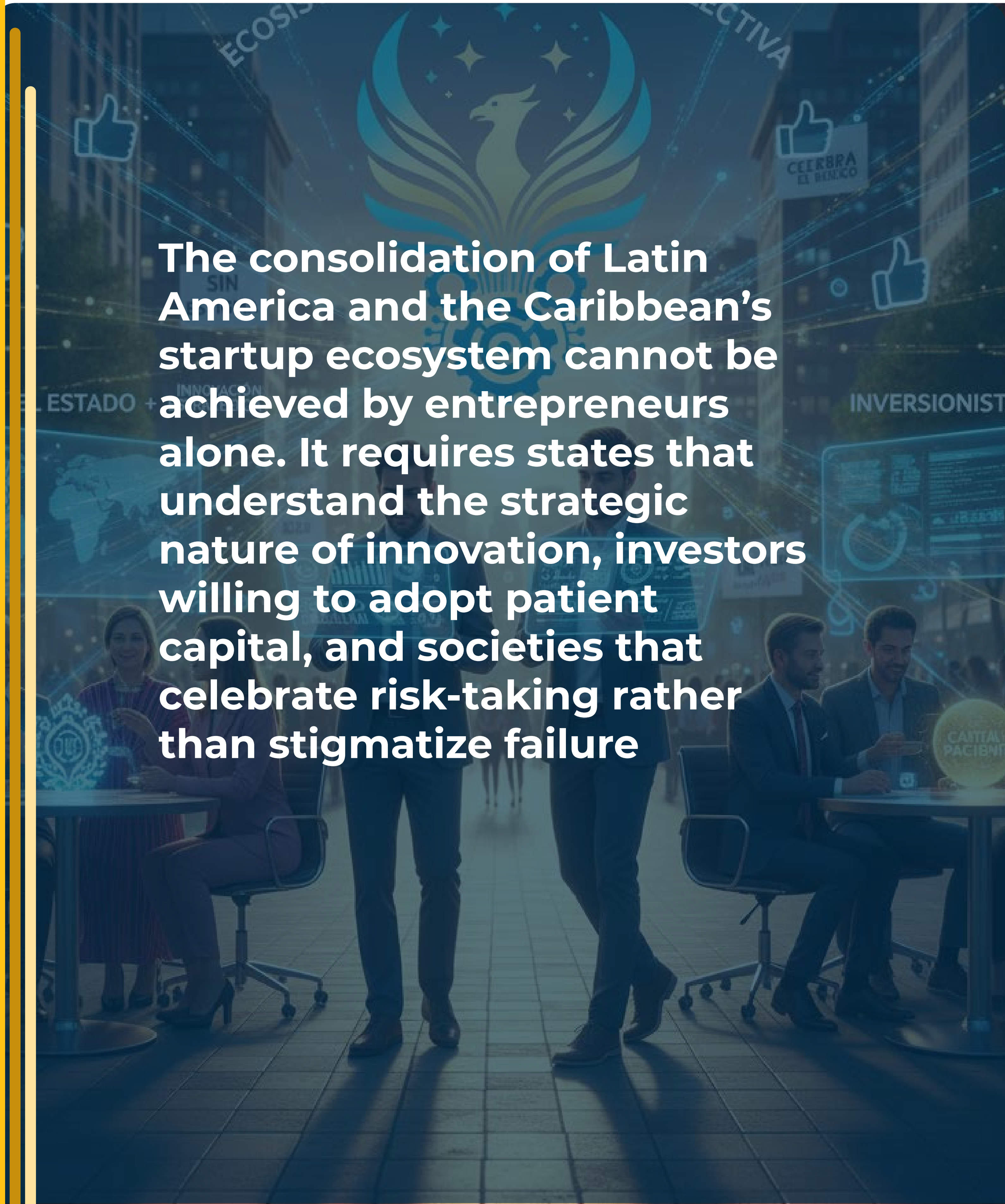
Regulatory harmonization is essential for scaling. The region's entrepreneurs should not face several different licensing regimes for a single fintech product. The region's governments, building on the integration mechanisms available, should negotiate shared standards on digital identity, open banking, and data protection. A unified regulatory passport for startups operating in multiple markets would reduce transaction costs and send a powerful signal of regional integration.

Infrastructure and talent must catch up with innovation ambitions. Expanding high-speed broadband to underserved areas is not merely a connectivity issue; it is a precondition for inclusive entrepreneurship. Governments should prioritize digital infrastructure corridors linking secondary cities, where an increasing share of new startups are emerging. Parallel to this, talent formation must become a strategic priority. Partnerships between universities, accelerators, and industry could establish a network of Startup Academies, blending coding, data science, and business training, with a special focus on women and youth entrepreneurs.

Public procurement can be reimagined as a catalyst for innovation. Governments are often the largest potential clients for startups in health, education, and urban management. Adopting innovation procurement frameworks, where agencies pilot and purchase startup solutions, would not only create demand but also help startups test and refine their products in real-world conditions.

Impact-oriented finance deserves explicit encouragement. Tax incentives for corporate VC, ESG-linked financing instruments, and startup bonds tied to social outcomes could direct private capital toward projects aligned with the Sustainable Development Goals (SDGs). This would extend the logic of VC beyond financial returns toward measurable social and environmental impact.

The consolidation of Latin America and the Caribbean's startup ecosystem cannot be achieved by entrepreneurs alone. It requires states that understand the strategic nature of innovation, investors willing to adopt patient capital, and societies that celebrate risk-taking rather than stigmatize failure. As the stories of Ualá, Globant, and Robbin illustrate, innovation in the region is not the privilege of elites, it is born of necessity, resilience, and creativity. If the coming decade succeeds in aligning policy with this entrepreneurial energy, the region will not only consolidate its current generation of successful unicorns but also give rise to a new breed of companies, those that scale responsibly, integrate regionally, and compete globally without losing their local roots.



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