



# In3Citi

builds an ecosystem for impact investment

**In3Citi is an impact investment** managing company that supports businesses set up in Northeast Brazil and contributes, by means of a structured, long-term vision, to strengthen the impact ecosystem in that region.

**In3Citi**  
builds an ecosystem  
for impact  
investment



**LOCATION:**  
National – Brazil



**MAIN PARTNERS:**

- Co-financers:**
- Individual philanthropists, family offices, and businesses
- Service providers:**
- Development Bank of Latin America (CAF)
  - Pipe.Social
  - Quintessa

**DURATION:**  
**2017**  
- now



**TYPE OF INVESTOR/SILO:**  
Investor



**MOTIVATION/PROBLEM TO TACKLE:**

Promoting the impact business ecosystem in Northeast Brazil, where different social and environmental gaps still exist.



**FINAL BENEFICIARIES:**

Population in Northeast Brazil, users and clients of the businesses supported.



**SECTORS:**

- Water sanitation, and hygiene
- Education
- Employability
- Energy
- Environment
- Health
- Housing and community development
- Financial services
- Technology
- Economic and social development



**TYPE OF FINANCING:**

Hybrid finance

**RESOURCES INVESTED OR DONATED**

Approximately  
**USD 330,000**  
to date



**NON-FINANCIAL SUPPORT OFFERED:**

- Strategy and/or business model
- Financial management
- Governance
- Operational (marketing, logistics, IT, sales, purchases, legal)
- Other



**SDGS ADDRESSED:**

**KEY IMPACT:**

As of 2019, three businesses were accelerated, and one **received an investment.**



In the **case of NINA**, a business In3Citi has supported and invested in, the main impacts are:

It received a **contribution** of approximately

**USD 80,000**

It received **support** to structure its team in the sales, technology, and operations areas.



It grew by

**192 %**

and is in advanced negotiations to expand to other cities.

It is building a new data dashboard,

**NINA 2.0**

which will allow for better analyses to define public policies related to violence in urban mobility.

**Its CEO was recognized** by Forbes Brazil Under 30 2019, the World Resources Institute, and the Inter-American Development Bank.



It **promoted and supported** the definition of a public policy to fight sexual harassment in public transportation in the city of Fortaleza (CE).



## BACKGROUND AND CONTEXT

In Brazil, there is an increasing supply of private equity for impact investment; however, many organizations and businesses are still unprepared to receive these contributions. Most impact entrepreneurs lead small businesses, in the early stages of their process and without consistent turnover, which increases the investment risk. When it comes to even less developed regions and ecosystems, such as Northeast Brazil, the gap is even bigger.

In3Citi is aware of this regional challenge and created a philanthropic support model for businesses, in order to prepare them for an investment round. This support is provided according to each business's specific needs, and includes mentorships, training, and funding for acceleration programs and staffing.

*“What we have done is preserve the DNA of an investor that believes in patient investment, which is impact first and, at the same time, has the vision of an ecosystem builder.” Haroldo Rodrigues, In3Citi founder and majority shareholder.*



## DESCRIPTION

In3Citi was conceived by Haroldo Rodrigues, who gave up his career as an academic and public administrator to concentrate on building a socio-environmental impact ecosystem in his region, as a setting for a new productive, creative, technological, and sustainable economy where people are at the heart of decision-making. The managing company brings together wealthy individuals and enterprises that want to contribute to innovative projects and initiatives based on technology and with a high impact potential on the health, education, and environment sectors.

In3Citi is a limited company founded in March 2017 by two partners: Haroldo Rodrigues (founding partner), holding 50%, while the remaining 50% is held by a company called Pitanga. Within the company, a general partnership (SCP) was established with eight investors (seven invested as natural persons

and one company from the states of Ceará and Pernambuco). Contributions to businesses were made through this SCP.

The managing company has financial (co-investors) and non-financial support collaborators, such as Pipe. Social, Quintessa, and CAF, on top of other service providers such as law firms and accounting offices. Working with collaborators is part of the core strategy to build an impact ecosystem, as by supporting In3Citi these providers learn and interact directly with social purpose organizations, strengthening a chain of engaged actors in the ecosystem.

The In3Citi support and operation process consists of five stages:

<p><b>Call for proposals</b></p>	<p>Every year, the managing company issues a call named Territórios de Futuro in cooperation with Pipe.Social, in order to map technology-based, high-growth-potential impact businesses operating in the Northeast. Businesses are mapped in six areas: education, health, finance, cities, citizenship, and green technologies. The call also serves as an instrument to encourage and promote impact businesses in the region.</p>
<p><b>Selection</b></p>	<p>The managing company selects the businesses in which it is more interested to support and invest in them. Each call may focus on a specific sector or area, according to In3Citi's and the co-investors' interest or to the quality of the businesses.</p> <p>In the first call, which took place in 2018, the selection focused on mobility and citizenship. In the second call, in 2019, as a solid-waste business group was a co-investor, the selection focused on green technologies and waste. In 2020, the focus was on education, as the state of Ceará is a national leader in public policies on this matter. On top of that, there is a considerable investment in the state from foundations and institutes such as Lemann, Natura, Ayrton Senna, and Votorantim.</p>



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<p><b>Acceleration</b></p>	<p>The businesses that are selected go through an acceleration program in cooperation with Quintessa, one of the main business accelerators in Brazil. At this stage, Quintessa supports management, governance, and business-derived challenges, preparing the business for an investment round. Also, it is transparent with In3Citi on the business's strengths and weaknesses, helping in making a decision about the investment.</p> <p>At the same time, the managing company provides businesses with mentorship, a network of relations and, in some cases, support to hire staff or legal or financial service providers, or developers, for example. The Development Bank of Latin America (CAF) also provides support for the creation of methodologies and business models.</p>
<p><b>Investment</b></p>	<p>After the acceleration process, In3Citi has priority to invest in the business, which in turn decides if it wants In3Citi as an investor. Up to this point, the whole process is financed by In3Citi and is free of charge for the business, without compensation. The managing company takes many pre-investment risks; for example, the business could drop the process or be unprepared, at the end of this stage, to receive an investment.</p> <p>When the decision is made to continue, the investment is made in equity. After this stage, In3Citi monitors and follows up on the investment, with an exit strategy after three years, and ensures the return is used to invest in new businesses. As the first investment was made in 2019, no exit has been recorded yet.</p>
<p><b>Monitoring and follow-up</b></p>	<p>Once the investment is made, In3Citi, as a business partner, keeps on following up and supporting the entrepreneur.</p>

*“This investment is entirely at our own risk, as the decision to invest comes after the acceleration program. That is to say, until then, it is philanthropy; we do things to strengthen the business. That support is not accounted for in the investment.” Haroldo Rodrigues.*



## IMPLEMENTATION

The instrument used in the pre-investment stage is indirect donation, made by hiring collaborators’ services. In other words, the business does not get the donation directly but benefits from it at the call for proposals, selection, and acceleration stages.

### Tailored finance

In3Citi makes equity investments. That is to say, the managing company invests in exchange for shares of the company.

*“Equity is the way to go because of the participation and the return. We want to be the thumb in the entrepreneur’s hand.” Haroldo Rodrigues.*

In3Citi also plans to develop and use other financial instruments. One of them is the creation of a loan fund, which is going to work with more robust businesses. This proposal stemmed from the need to enhance returns, with a shorter term and lower risk, and from having found impact businesses with the potential to receive investment without going through the previous philanthropic and non-financial support stages.

### Non-financial Support

Non-financial support is provided by the managing company and Quintessa through a tailored acceleration program for each business. This support takes place as follows:

- 1 Team building and structuring: support for complementary talent attraction and recruitment and structuring of the key business areas.
- 2 Strategic and baseline positioning: making the business visible, prospecting opportunities, and establishing relevant connections with the market.
- 3 Commercial structure: structuring the commercial team and sales machine, as well as connecting with potential clients.
- 4 Data analysis and product improvement: support for product development and improvement, performance and impact indicators.



## RESULTS

These were the main results by the end of 2019:

- 185 businesses mapped
- 3 businesses accelerated
- Investment in one business

In3Citi does not have a structured impact measurement methodology for beneficiaries, but it does focus on measuring the impact of its management on the SPOs supported.

In the first call, the managing company supported NINA, an app that helps women who are victims of harassment in public transportation. At the end of the acceleration process, In3Citi acquired 15% of the enterprise for around USD 85,000.

Some results in terms of non-financial support include:

- **Team building and structuring:** In3Citi supported the attraction of talent complementary to the CEO and the structuring of the sales, technology, and operations areas, key to the growth of the enterprise.



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- ... **Strategic business positioning:** femininity and women's security issues became stronger in the market. The CEO was included in the 2019 Forbes Brazil list 30 Under 30 and is a fellow of the World Resources Institute and the Inter-American Development Bank.
- ... **Commercial structure:** the commercial department, despite the current situation, is opening doors and fostering relationships with potential clients. Additionally, it is making progress in negotiations in other cities, such as Belo Horizonte and Recife.
- ... **Data analysis and product improvement:** the NINA 2.0 platform is in the development stage. Also, a battery of urban mobility violence indicators is being created. Analyses and the possibility to use the data collected to define or redefine public policy are another NINA-generated value.

NINA is also at the turning point of an emerging market (security in mobility), which favors the expansion of its business. The results were better than expected: the downloads of the city bus management app increased by 28%, and those numbers remain constant.

*"The positive impact is that people are not afraid to ride the bus. How people who feel vulnerable in that context use the platform." Haroldo Rodrigues.*

In the second call for proposals, In3Citi supported two businesses: Eco Panplas and HY Sustentável. Eco Panplas is an enterprise that specializes in decontaminating safely and environmentally lubricating oil plastic containers post-consumption. HY Sustentável is an enterprise that focuses on power generation from biodigesters. So far, the main impacts are:

### Eco Panplas

- ... **Team building and structuring:** in the sales and operations areas, which are essential for the growth of the enterprise.
- ... **Subject-matter leader:** leading national enterprise in the decontamination of this type of plastic containers. Winner of The CEO Water Mandate – Success story for SDG 6 (Clean water and sanitation) of the UN Global Compact Network Brazil.



- ... **Commercial structure:** restructuring of the sales plan and the operating plants.
- ... **Social and financial impact:** definition of the performance indicators and business plan.

#### HY Sustentável

- ... **Team building and structuring:** in sales, technical matters, and operations.
- ... **Commercial structure:** Sales plan and establishment of the operating plant.
- ... **Social and financial impact:** Definition of the performance indicators and business plan created during acceleration. Considerable increase in the enterprise's turnover.



## LEARNINGS AND PERSPECTIVES

There are three main challenges:

### Entrepreneurs' lack of awareness and trust

Entrepreneurs still do not understand the role of an investor; they are therefore suspicious of a relationship with In3Citi and co-investors.

*"Entrepreneurs are wary of being strangled by the big business, as they believe that the latter will copy their idea. There is a mistrust stage, and the accelerator does not play that part. It is fair to both parties and provides open data to each of them, but In3Citi is in charge of the connection, reassuring both parties."* Haroldo Rodrigues.

### Information management

Organizing and managing information in such a way that everybody is frequently aligned is a great challenge due to the diversity of stakeholders involved.

### Aligning expectations and co-investors

Translating and aligning expectations in investments is a challenge the managing company faces when it brings co-investors. That challenge led In3Citi to develop other support mechanisms, as it identified this not to be part of its DNA.