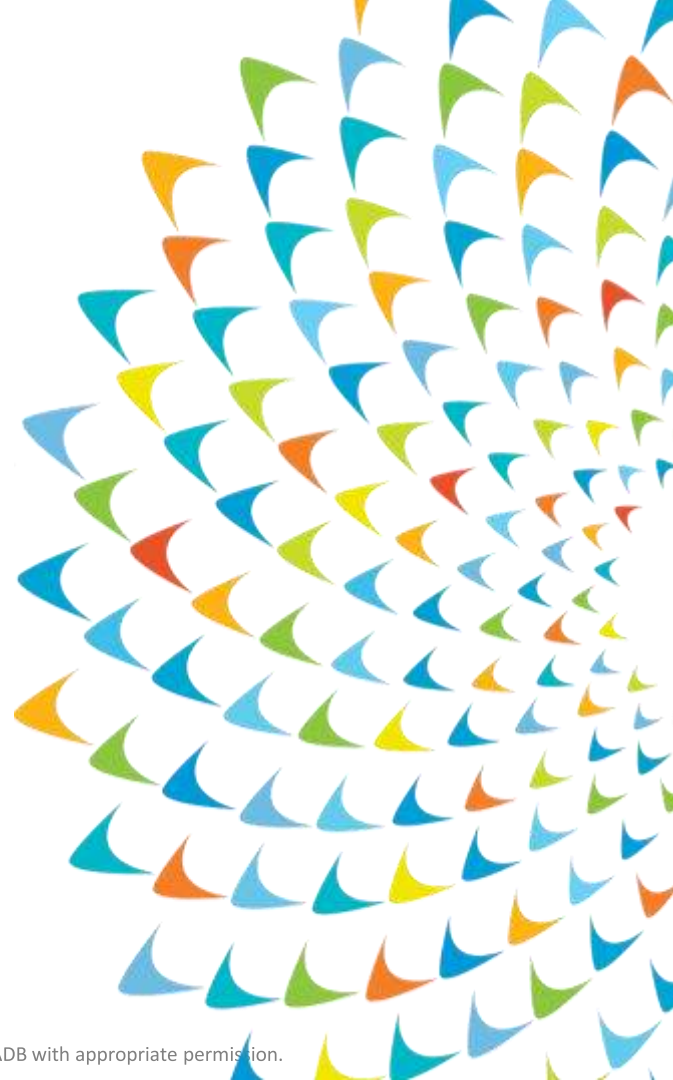




Accelerating Startup Ecosystem Through Regional Fund-of-Funds Investments



Exploring Regional Fund of Funds

- **Baku Declaration:** Explore the feasibility of establishing a regional fund of funds, to serve as a catalyst in deployment of venture capital for startup ecosystem, catering to climate solutions or projects and developing climate tech in close cooperation with the proposed St(m)art Green Initiative
- **Progress to Date:** ongoing internal and external consultations on the feasibility to determine best mechanism / platform to accelerate investment in CAREC through funding, capacity building, knowledge sharing, and regional integration

Market Challenges and Opportunities

- **Startup ecosystem growth:** CAREC startup ecosystems are maturing. Kazakhstan alone has seen over 250 active startups in recent years, with Astana Hub reporting a 4x increase in startup registrations since 2018.
- **VC funding gap:** In 2023, CAREC attracted less than \$150 million in total VC funding—less than 0.1% of global VC flows—despite the region’s combined GDP of over \$1 trillion USD (>1% of global GDP) and significant digital potential. Less than 15 locally domiciled VC funds exist across all CAREC countries (excluding People’s Republic of China).
- **Underserved talent pool:** Local investment professionals and entrepreneurs with strong regional networks and technical backgrounds are increasingly looking to launch VC funds but lack structured support and catalytic capital.
- **Lack of LP Base:** Pension funds and banks remain largely absent from VC due to risk aversion, policy gaps, and lack of exposure to the asset class.
- **Comparative success models:** Similar initiatives such as “Kauffman Fellows,” “LAVCA VC programs,” and “Africa Venture Capital Academy” have shown success in scaling regional fund manager capacity.

Key Regional Challenges for FoF Creation

- **Fund Manager Gap:** Shortage of trained and experienced VC fund managers.
Data Transparency: No centralized regional startup/VC database for pipeline and performance tracking.
- **Success Story Visibility:** Lack of visible VC-backed startup success cases to build confidence.
- **LP Awareness & Risk Appetite:** Low understanding of VC returns among pensions, HNWIs, and family offices.
- **Startup Pipeline:** Insufficient number and quality of startups across early and growth stages.
- **Exit Opportunities:** Limited M&A and IPO options, unclear return pathways for investors.
- **Global Readiness:** Many startups lack capacity or ambition to scale internationally.
- **Support Infrastructure:** Fragmented and uncoordinated accelerators, incubators, and innovation hubs.
- **Legal Infrastructure:** Weak SAFEs, IP protection, equity rules, and cross-border capital regulations.

What a platform to accelerate emerging early-stage VC fund managers could do to address these challenges?

A well-structured fund can address these ecosystem gaps by channeling capital across all startup stages, strengthening local fund managers, incentivizing globally oriented investment strategies, and supporting legal and infrastructure reforms needed to scale regional VC activity.

Proposed Objectives and Scope



**Access to
Capital**



**Capacity
Building**



**Ecosystem
Integration
and Policy
Environment**



**Selection and
Support**

Possible Strategic Role of ADB/ CAREC

Transparent Fund Manager Selection

Co-evaluate VC fund managers with clear criteria and support first-time regional players.

Startup Infrastructure

Co-finance deal flow platforms, support accelerators, and promote cross-border investment standards.

VC Capacity & Legal Tools

Fund training and develop regional toolkits (SAFEs, IP, convertible notes); lead legal gap analysis.

LP Education & Engagement

Launch LP education campaigns, share benchmarks, and host ADB-led LP–GP trust-building forums.

Anchor Capital Participation

Act as a trusted anchor LP in FoFs to attract diverse investors and validate market structures.

Financing Structure

Seed Funding Needs

Capital for Investments

Potential Funders

Next Steps

1. Continuing stakeholders' consultation
2. Stakeholder mapping and program design
3. Ecosystem mapping, stakeholder mapping, regulatory diagnostics, and feasibility assessment
4. Presentation at the proposed CAREC Technology and Digital Forum with findings (November 2025)