



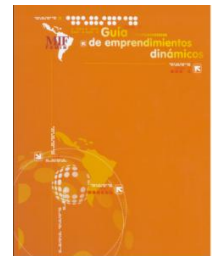
Lecciones aprendidas del Programa de Apoyo a Emprendimientos Dinámicos

Experiment: Support for dynamic entrepreneurship

- 2006 - 2011
- CH, UR, BO, CR, AR, RD, PN, CO(2), Regional (endeavor), PE, NI, Regional (CH, AR, UR), y ME
- US\$14 million grant y US\$6 million investment for seed capital

Components:

- Business plan competition
- Incubator/Acelerator
- Creation of business angel networks
- Seed capital fund (co-financing)
- Public Policy
- Knowledge Products (Learning Guide, Virtual Community)



Venture Capital, endeavor.....successful stories?

VC:

- 10 year closed end fund (holding period?)
- Somebody else's money (exit is the first concern)
- Minority but significant stake to sell?
- Bet on a few winners
- MIF: 300 firms in 50 funds for 15 years, > 50% for Brazil
- IRR?

Endeavor:

- US\$1 million sale as minimum edibility requirement
- Easy to compete with power of networks
- No story about how to fund their bootstrap

- Incubator/Accelerator
 - ✓ What is metric for success?
 - ✓ Y-Combinator type is feasible?
- Business Angels (28 networks, 665 members, 99 deals, US\$23 million)
 - ✓ Are they risk-taker/patient investor?
 - ✓ Provide hands-on advice? ***“It’s the finance, stupid”***
- Seed Capital
 - ✓ What it really means?
 - ✓ Sidecar fund creates moral hazard?



Case analysis: Uruguay: Fondo Emprender (2007-)

550 proposals analyzed

20 projects financed

4 failed

US\$ 3 million total sales & 170 jobs created

7 projects obtained follow-on finance of US\$3.2 million from VC and business angels

2 loans converted into equity

Financial Instrument:

Average: US\$40.000

7-year convertible loan with 10% annual effective rate, no prepayment penalty, convertible into equity when new investors come in, and repayment is based on an increasing rates (3-10%) of gross sales.



But finance may not matter—

- Quality deal flow
- R&D
- Corporate governance of Entrepreneurial firms
- Role model
- Business environment (second chance)

So what are solutions?

- ✓ Open/collaborative innovation
- ✓ Intrapreneurship
- ✓ Academic spin-offs
- ✓ Entrepreneurial education (youth)
- ✓ Lean startup

But....

Better to revisit the context.....

- ✓ BOP markets (really low margin business?)
- ✓ High-impact firm in Cluster/Inclusive Business
- ✓ Social Entrepreneurship

Better to work with what you have now.....

- ✓ No angel, no VC, and SME loan is risky
- ✓ Combine microfinance experience and banking expertise
- ✓ Deal with credit market failures and transaction costs by “innovation”
- ✓ “pre-angel” & performance-based pricing



And more.....

- ▶ Research on “gazelles” 1% firms generate 40% jobs?
- ▶ Think hard on what “social” business is (B-Corporation).
- ▶ From blueprint to scale
- ▶ What is “business model innovation” or reverse innovation?
- ▶ How to rate “ecosystem”?

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