START-UP LATIN AMERICA 2016
BUILDING AN INNOVATIVE FUTURE

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Start-up Latin America 3 years after: a region in motion

I. Latin America and the start-up world: a tale of two stories?

II. Promoting start-ups (WHY? WHO? HOW?)

III. What is Mexico doing?

IV. What’s next?
Latin America faces a low-growth scenario and high global uncertainty that reinforce the structural weaknesses of the region.
However, a look at the startup world shows a different, much more dynamic image of the region.
Promoting start-ups in Latin America: a story of a fast systemic learning

• Since 2012, the promotion of start-ups has shifted from an experimentation to a scaling up phase
• The policy mix of targeted tools has been modernized and new actors/new forms rose up in start-up promotion
• Mexico has accelerated in the support of start-ups (institutional strengthening, closing of financing gap in early stages and strong global orientation/promotion of country image)
Promoting start-ups: WHY?

• Fostering structural change & enabling new sources of growth
• Positive externalities (experimentation, learning and knowledge flows)
• Competing globally in knowledge economy
• Creating synergies with new private sector trends (ex. New forms of FDIs, open innovation models, etc.)
• In certain cases, low-cost, high-impact actions
Improving the policy understanding of the start-ups world-

**Start-ups: WHAT ARE THEY?**

Different definitions, based on:

- **Performance** (high impact, high growth, gazelles) => **Unicorns, Centaurs, Little Ponies**
- **Innovative content** (new solutions, new demand, new business models)

**Lessons learned.**

Policies need to:

- operate with higher **speed** to keep up with market dynamics
- act not only in a targeted way, but also through **systemic** support
- Increase **dialogue capacity** with non-government stakeholders
Promoting start-ups: HOW?

Promotion of the science and tech base
Promotion of manufacturing and services base
Promotion of cluster development
Promotion of soft & hard infrastructure

Financing
Services & Mentoring
Promotion of innovative and entrepreneurship culture
Regulatory Framework

The policy mix for targeted support for start-ups in Latin America is getting updated and more articulated
**FINANCING**
- Seed Capital
- Angel investors / Networks
- Venture Capital

**BUSINESS SERVICES AND ENTREPRENEURIAL TRAINING**
- Business Incubators
- Business Training
- Technology Transfers
- University Spin-offs
- Corporate Spin-offs
- Accelerators

**REGULATORY FRAMEWORK**
- Fiscal incentives and special taxes
- Legislation

**STAGES**
- Seed
- Start-up
- Growth
- Expansion
FINANCING

Seed capital
Angel Investors/networks
Venture Capital

Crowdfunding

Integrated programs for start-ups promotion & New companies’ open innovation strategies

Incubators
Accelerators

New generation Incubators/Accelerators (e.g. co-working spaces)

Mentorship Programs & services to facilitate access to finance

Collaborative economy and new business-sharing practices

Entrepreneurial training

Technology Transfers
University Spin-offs

BUSINESS SERVICES AND ENTREPRENEURIAL TRAINING

PROMOTION OF ENTREPRENEURIAL INNOVATIVE CULTURE

Promotion of entrepreneurial and innovative culture, including in territories/regions

Start-ups prizes & contests

REGULATORY FRAMEWORK

Legislation: facilitation for setting up and closing businesses

Fiscal incentives and special taxes

SEED
START-UP
GROWTH
EXPANSIÓN
Promoting start-ups: WHO?

Growing needs for:

- Enabling synergies.
- Spaces for dialogue, exchange of experiences, and mutual learning.
What is Mexico doing?
### Mexico accelerates in the promotion of startups

**Preliminary assessment of the evolution of start-ups support**

<table>
<thead>
<tr>
<th>Category</th>
<th>Tool</th>
<th>Mexico 2012</th>
<th>Mexico 2015</th>
<th>Evolution 2012-15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financing</strong></td>
<td><strong>Seed Capital</strong></td>
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<td><strong>Crowdfunding</strong></td>
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<td><strong>Angel Investors</strong></td>
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<td><strong>Venture Capital</strong></td>
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<td><strong>Integrated Support</strong></td>
<td><strong>Integrated public programs for innovative startups</strong></td>
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<td>(Financing support and business</td>
<td><strong>Firm Open Innovation Strategies</strong></td>
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<td>training services)</td>
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<td>**Support services and business</td>
<td><strong>Incubators</strong></td>
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<td>training**</td>
<td><strong>Accelerators</strong></td>
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<td><strong>Incubadoras y aceleradoras de nueva generación (co-working)</strong></td>
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<td></td>
<td><strong>Mentorship Programs</strong></td>
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<td></td>
<td><strong>Technology transfer and university spin-offs</strong></td>
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<td><strong>Business Training</strong></td>
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<tr>
<td>**Promotion of innovative</td>
<td><strong>Awareness of innovative entrepreneurial culture</strong></td>
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<tr>
<td>entrepreneurial culture**</td>
<td><strong>Prizes for startups</strong></td>
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<tr>
<td><strong>Regulatory Framework</strong></td>
<td><strong>Legal framework for setting up, expanding and closing business</strong></td>
<td>●</td>
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<td></td>
<td><strong>Fiscal Incentives and special taxes</strong></td>
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</tbody>
</table>

- ●: Implemented
- ○: In development
- ▲: Recently created
- ○○: Need to be created/or reformed
- ▲▲: Policy instrument not included in OECD (2013)

**Legend**

- No major changes identified
- Improvement identified
- Future challenge
Mexico, 2012

**FINANCING**
- **Seed capital**
  - FINNNOVA México Emprende
  - AVANCE entrepreneurs fund (discontinued)
  - Startup Factory
- **Angel investors/Networks**
  - IDB Project
  - Angel Ventures México
- **Venture capital**
  - Enterprise Capital Fund (NAFIN)
  - Technology Innovation Fund
  - Innovation Stimuli Programme (PEI)
  - Gazelle SME Fund

**BUSINESS SERVICES AND ENTREPRENEURIAL TRAINING**
- **Business incubators**
  - National Business Incubation System
  - Network of Technological University Incubators
- **Business training**
  - AVANCE Business School (discontinued)
  - ADIAT*
  - FIT Modality c, FINNNOVA
  - FUMEC
- **Technology transfer**: FINNNOVA
- **University spin-offs**: No information
- **Corporate spin-offs**: No information
- **Accelerators**
  - TECHBA (Advanced manufacturing, ICTs, life sciences)

**REGULATORY FRAMEWORK**
- **Legislation**: Major reforms have significantly reduced administrative and regulatory restrictions on starting and expanding companies in Mexico
- **Fiscal incentives and special taxes**
  - No information

FINANCING

Seed capital
Fondo Coinversión (NAFIN/Secr. Econ)
Fondo Mexico 2 (CMIC)
Fondos de Inversión de impacto (INADEM)

Crowdfunding: plataforma para negocios sociales INADEM;
Proyecto BID-FOMIN-INDEM; Programa Ang. Inv. y crowdfunding

Integrated public programs for innovative startups
Retos públicos
Firm Open Innovation Strategies
Wayra México

Mentorship Programs
Red Empresarios Mentores-INDEM

Angel Investors/ networks
Angel Ventures México

Venture Capital
Venture Partners
Mexico Ventures I (CMIC)

Incubators
Sistema Nacional de Incubación de Empresas
Red Incubadoras de Univ. Tecno.

Fiscal incentives and special taxes: information to be updated

Business Training: INADEM

Business Training:
INADEM

Technology Transfers/ University Spin-offs
Social entrepreneurship in the universities of ORT, UMA, Anahuac, ITESM

Incubadoras/Aceleradoras de nueva generación (ej. espacios para co-working)
SUM-Start-up México; MassChallenge

New practices of business-sharing

Legislation: ease for setting up and closing businesses: information to be updated

Awareness for an entrepreneurial innovative culture
Semana Nacional del Emprendedor- INADEM
Start-up nation Summit 2015- INADEM
Financial training workshops

Startup Prizes
Ex. The Pitch

REGULATORY FRAMEWORK

PROMOTION OF ENTREPRENEURIAL INNOVATIVE CULTURE

MENTORSHIP FRAMEWORK
<table>
<thead>
<tr>
<th>Policy recommendations identified in 2013</th>
<th>Status in 2015</th>
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</thead>
<tbody>
<tr>
<td>Increasing coordination between startup policies and innovation and production development policies</td>
<td>★</td>
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<tr>
<td>Promoting entrepreneurial culture</td>
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<tr>
<td>Ensuring availability of financing in all phases of start-ups development</td>
<td>★</td>
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<tr>
<td>Defining mechanisms to create synergies with new open innovation strategies and new trends in private sector development</td>
<td>★</td>
</tr>
<tr>
<td>Improving management of incubators and introducing performance-based assessments</td>
<td>★</td>
</tr>
<tr>
<td>Designing integrated instruments matching financing and services for entrepreneurs</td>
<td>★</td>
</tr>
<tr>
<td>Simplifying legal framework for start-up creation</td>
<td>★</td>
</tr>
<tr>
<td>Investing in new and better metrics to capture startups dynamics</td>
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<tr>
<td>Implementing monitoring and evaluations and setting up feedback mechanisms to sustain policy learning</td>
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</tr>
</tbody>
</table>

- ★ Remains a priority
- ★ Improvement identified
- Red Future challenge
**Future challenges**

- Identifying ways to cooperate at the regional and international level to generate synergies taking advantage of new regional spaces.

- Identifying synergies between start-up promotion and production transformation strategies, defining win-win ways of balancing the bottom-up approach of start-ups promotion with targeted support in priority areas.

- Advancing in the design of fiscal incentives that favour entrepreneurship.

- Simplifying policy management to make tools more attractive for the private sector and to align them with market dynamics.

- Strengthening the image of Latin America as a global innovation hotspot.
Next Steps

• Ongoing assessment of Colombia, Chile, Mexico and Peru’s ecosystems for startup promotion.
• Launching of the report in Mexico in November 2016 in the framework of the 7th Plenary Meeting of the OECD Initiative for Policy Dialogue on GVCs, Production Transformation and Development.
• We promote policy dialogue and knowledge sharing among economies worldwide and we welcome feedback on our ongoing work.
• Two (among still many) open questions:
  – Can we map the profile of “start-uppers” in Latin America?
  – Can we better understand the role of big companies in enabling the development of start-up hubs?