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.

\[ y = 0.1414e^{0.0437x} \]
\[ R^2 = 0.7526 \]

Source (OECD, 2015), Startup Latin America: building an innovative future, Preliminary Report, OECD Development Centre
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

SEED
START-UP
GROWTH
EXPANSION
**FINANCING**

- Seed capital
- Angel Investors/ networks
- Venture Capital

  - Crowdfunding

**BUSINESS SERVICES AND ENTREPRENEURIAL TRAINING**

- Integrated programs for start-ups promotion & New companies’ open innovation strategies
- Incubators
- Accelerators
- New generation Incubators / Accelerators (ex. 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

**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

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SEED ▶ START-UP ▶ GROWTH ▶ EXPANSIÓN
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>Financing</td>
<td>Seed Capital</td>
<td></td>
<td>○</td>
<td>▲</td>
</tr>
<tr>
<td></td>
<td>Crowdfunding</td>
<td>●</td>
<td>○</td>
<td>▲</td>
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<tr>
<td></td>
<td>Angel Investors</td>
<td>○</td>
<td>●</td>
<td>▲</td>
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<tr>
<td></td>
<td>Venture Capital</td>
<td>●</td>
<td>●</td>
<td>▲</td>
</tr>
<tr>
<td>Integrated Support</td>
<td>Integrated public programs for innovative startups</td>
<td>●</td>
<td>○</td>
<td>▲</td>
</tr>
<tr>
<td>(Financing support and business training services)</td>
<td>Firm Open Innovation Strategies</td>
<td>○</td>
<td>●</td>
<td>▲</td>
</tr>
<tr>
<td>Support services and business training</td>
<td>Incubators</td>
<td>○</td>
<td>●</td>
<td>▲</td>
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<tr>
<td></td>
<td>Accelerators</td>
<td>●</td>
<td>●</td>
<td>▲</td>
</tr>
<tr>
<td></td>
<td>Incubadoras y aceleradoras de nueva generación (co-working)</td>
<td>●</td>
<td>○</td>
<td>▲</td>
</tr>
<tr>
<td></td>
<td>Mentorship Programs</td>
<td>○</td>
<td>●</td>
<td>▲</td>
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<tr>
<td></td>
<td>Technology transfer and university spin-offs</td>
<td>●</td>
<td>●</td>
<td>▲</td>
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<tr>
<td></td>
<td>Business Training</td>
<td>●</td>
<td>●</td>
<td>▲</td>
</tr>
<tr>
<td>Promotion of innovative entrepreneurial culture</td>
<td>Awareness of innovative entrepreneurial culture</td>
<td>●</td>
<td>○</td>
<td>▲</td>
</tr>
<tr>
<td></td>
<td>Prizes for startups</td>
<td>○</td>
<td>●</td>
<td>▲</td>
</tr>
<tr>
<td>Regulatory Framework</td>
<td>Legal framework for setting up, expanding and closing business</td>
<td>●</td>
<td>●</td>
<td>▲</td>
</tr>
<tr>
<td></td>
<td>Fiscal Incentives and special taxes</td>
<td>○</td>
<td>○</td>
<td>▲</td>
</tr>
</tbody>
</table>

- **Implemented** ○
- **In development** ●
- **Recently created** ○
- **Need to be created/or reformed** ○

- **No major changes identified**
- **Improvement identified** ▲
- **Future challenge** ➡

Policy instrument not included in OECD (2013) ❄️
FINANCING

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

Angel Investors/ networks
Angel Ventures México

Venture Capital
Venture Partners
Mexico Ventures I (CMIC)

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

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

Mentorship Programs
Red Empresarios Mentores-INADEM

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

Accelerators
Venture Institute
WAYRA
TECHBA

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

New practices of business-sharing

Business Training: INADEM

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

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

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

Fiscal incentives and special taxes: information to be updated

SEED START-UP GROWTH EXPANSION

PROMOTION OF ENTREPRENEURIAL INNOVATIVE CULTURE

REGULATORY FRAMEWORK
<table>
<thead>
<tr>
<th>Policy recommendations identified in 2013</th>
<th>Status in 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing coordination between startup policies and innovation and production development policies</td>
<td>⭐</td>
</tr>
<tr>
<td>Promoting entrepreneurial culture</td>
<td>⬆</td>
</tr>
<tr>
<td>Ensuring availability of financing in all phase of start-ups development</td>
<td>⬆</td>
</tr>
<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>
<td>❌</td>
</tr>
<tr>
<td>Implementing monitoring and evaluations and setting up feedback mechanisms to sustain policy learning</td>
<td>❌</td>
</tr>
</tbody>
</table>

⭐ Remains a priority  ⬆ Improvement identified  ❌ 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?