

# Prosperity through Connectedness

*Innovations Case Narrative:  
Start-Up Chile*

Chile's geographical isolation has resulted in a culture that values external connections. Chileans have had to develop innovative ways to reach out to the world. This mindset provides the backdrop to the creation of Start-Up Chile.

By bringing entrepreneurs to Chile from all over the world, Start-Up Chile not only makes Chile better connected to the rest of the world, it also contributes to a cultural change that creates more openness toward entrepreneurship.

Start-Up Chile is a program created by the Chilean government. It depends on the Ministry of Economy and is executed by the Chilean Economic Development Agency (CORFO), the leading organization for promoting innovation and entrepreneurship in the country.

The premise of Start-Up Chile is simple: Chileans should invest in talented people no matter where they come from. The program should look at their projects and capabilities first, passports second.

So far, Start-Up Chile's results have exceeded expectations. In less than two years the program has received over 2,000 applications; of these, over 300 projects have been selected; of the selected projects, approximately 100 have already graduated to be part of the program's Alumni Network.

While Start-Up Chile's objectives are long term, the impact that it currently is generating in the local ecosystem is evident. As of April 2012 there were 220 foreign start-ups operating in Chile, 60 percent of which are developing their prototypes and 34 percent of which already have some market traction (users or sales). These 220 startups have raised almost \$10 million in equity investments, primarily from the United States. Tech meetups that once attracted only 20 or 30 people per week now attract more than 100—foreign and local entrepreneurs who gather to share knowledge and ideas in their areas of expertise. Ex-participants of Start-Up Chile have also created the Association of Entrepreneurs of Chile (ASECH), of which many Chilean entrepreneurs are members.

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*Horacio Melo is the Executive Director of Start-Up Chile.*

## ORIGINS

Start-Up Chile was born in 2010 from the ideas of two people: a Chilean, Nicolas Shea, who was living in the United States and finishing his master's at Stanford University, and Vivek Wadhwa, an Indian academic and technology entrepreneur who lives in Silicon Valley. They believed that the best way to go to the next level in innovation and entrepreneurship in Chile was through immigration. Their idea: to bring foreign entrepreneurs to launch their start-ups in Chile, and in so doing to increase the countries access to worldwide business networks.

Shortly after the massive earthquake that shook the country in February 2010, Nicolas Shea began knocking on the doors of the Chilean Government and the Ministry of Economy, trying to sell his idea. Finding the possibilities very attractive, the government authorized him to start a pilot program that would fund twenty-three projects. One hundred applications came in. The chosen applicants went to live in Chile for a six month period; each entrepreneur received \$40,000 and a work visa valid for one year.

The pilot was very successful. It created links between the local ecosystem and the global business community. It nurtured successful start-ups that today are being further developed in Silicon Valley, and in Santiago.

Upon seeing the success of the program, the Chilean government decided to expand it. The government set a goal with the hope of having 1,000 entrepreneurs involved by 2014.

In 2011, the first round the competition drew 320 projects applications from more than 30 countries. Of these, 100 were selected and 84 accepted the challenge. In the second round, which occurred in July 2011, more 650 applications came in—this time from more than 70 countries—of which 154 projects were selected. Finally, in the third round at the end of 2011, 570 applications came in, of which 100 were selected.

My own participation in the program began in June 2011, when Jean Boudeguer, then the executive director of the program, invited me to participate as assistant director. From the beginning, I was impressed with the dynamism of the program. My primary responsibility was help to organize the structure and processes required to move the program to the next level. As a start-up itself, Start-Up Chile needed three types of leaders. First, a leader to take the organization from idea to reality (Nicholas Shea); second, a manager to consolidate and extend processes in order to scale (Jean Boudeguer); and, third, a strategic thinker and communicator to provide the larger vision of what was needed and how the organization could maximize its impact (my role as the current executive director).

## THE START-UP CHILE ENTREPRENEURS' EXPERIENCE

When entrepreneurs are accepted into the program, the first thing we do is facilitate the issuance of a one-year work visa so they can start working legally upon their arrival. We also provide participants with a visa checklist to explain in detail

the various requirements of their application, a step-by-step process by which the application should be completed. We have this “soft landing” system in order to quickly acclimate them to their circumstances and enable them to begin developing their business plans without delay. The soft landing relies on our “padrino system,” through which we pair the program participant with a local member of the Santiago business community, based on compatibility in both background interests and language. The local buddy meets the new program participant at the airport, escorts them to their residence, and customarily invites them for a night out on their first evening in Chile. Padrinos will continue to check in with the entrepreneurs once or twice a month throughout their stay in the country.

Start-Up Chile also ensures a soft landing by helping entrepreneurs take care of basic details, like opening a Chilean bank account, obtaining a local ID and police registration, and securing housing and a mobile phone.

We also provide all entrepreneurs with free office space in downtown Santiago, equipped with WiFi. Moreover, today the program is more focused on giving the entrepreneurs all the necessary tools they need. We conduct weekly workshops on lean start-ups, think tanking, and pitch training that is principally based on peer-to-peer teaching. These activities contribute to a collaborative environment.

The final crucial element of support Start-Up Chile provides is the \$40,000 in seed money. This money is not delivered up front but is reimbursed as spent. This ensures accountability to the program for entrepreneurs’ expenditures, as well as providing Start-Up Chile with important feedback about the spending needs of its participants. This \$40,000 constitutes a grant from which Start-Up Chile does not take any equity.

## DEFINING AND MAXIMIZING THE PROGRAM’S IMPACT

In continuing to expand this program, we seek two categories of impact. First, we seek to make Chile a country that promotes an entrepreneurship, not only by bringing in more entrepreneurs but also by creating a much better-developed ecosystem of supporting institutions—including venture capital firms and angel investors. Second, we aim to select at least one project that, in the medium term, grows into a billion-dollar company.

To ensure a long-term impact on the local ecosystem, Start-Up Chile staff is working on merging and expanding global and local networks, working more closely with universities and student entrepreneurs; stimulating internal innovation in big companies; and helping local angels and the venture capital industry to move forward. Toward these ends, we organized our first Demo Day, which was held on May 23th, 2012 and attended by over 600 participants. We have confirmed representatives from Google, Mercado Libre, 500 Startups, and other organizations.

In terms of social return, Start-Up Chile has a system that helps assess the percentage return from the projects to the program and the community. This is known as the return value agenda, and it is organized as a sort of game or compe-

tion among program participants. The return value agenda awards points based on three metrics: attendance, organization, and innovation. Attendance refers to participation in local events, such as meetings and conferences at which entrepreneurs make themselves available to share knowledge and to network with locals. Organization can include giving a talk at a school, presenting a pitch to a local investor, or mentoring a local entrepreneur or student. Innovation refers to initiatives that actively engage the Chilean business community, such as starting a new business with a Chilean partner or patenting a product in Chile.

Finding an effective way to assess this shorter-term social impact is important. However, the greatest interest is in encouraging entrepreneurs to start their projects in Chile because they see this as an opportunity to create value in the country in the long term.

In terms of fostering a culture of innovation, Start-Up Chile depends on CORFO, the entity that promotes innovation and entrepreneurship in Chile. Through CORFO, Start-Up Chile has created tools that contribute to the ecosystem, such as corporate meet-ups, where companies and entrepreneurs come together to solve specific problems the corporation faces, a process that creates connections and opens up the possibility of future business collaborations. There are also university meet-ups, where entrepreneurs meet with teachers or students to find business opportunities within the universities that they may wish to pursue together. Thanks to these sorts of initiatives, Start-Up Chile is becoming a point of reference for generating new ideas and trends, which, when successful, are usually integrated into other departments within CORFO, resulting in specific topics that may have a useful impact on the local ecosystem.

Start-Up Chile depends 100 percent on the government of Chile. The program costs \$15 million a year, which comes from taxes paid by the Chilean people. This is a public policy that goes against the normal arrangement in which public spending is supposed to return direct benefits to taxpayers. Instead, this policy seeks to create a long-term impact on the national economy and the Chilean business ecosystem, precisely by not investing directly only in Chileans but in a group of talented people regardless of their country of origin. The government's commitment to Start-Up Chile derives from its conviction that the program will generate a benefit the people of Chile in the longterm that will more than justify the investment made today.

Start-Up Chile understands that the individual entrepreneur is best equipped to recognize opportunities and will go where those opportunities are. For that reason, Start-Up Chile does not oblige entrepreneurs to stay for any longer than they consider necessary, once the six-month program comes to an end. However, if an entrepreneur decides that is worthwhile to stay in Chile for more than the initial six months, the program will give him or her whatever assistance is required to make that possible. In exchange for this flexibility and support, the program seeks to ensure that the projects continue to have an impact in the local community. The entrepreneurs and their projects are expected to carry out activities consistent with the return value agenda on an ongoing basis—again, such as holding guest lectures

at universities, serving as mentors to local start-ups, and organizing meet-ups, among other things.

## CONCLUSION

To date, Start-Up Chile has received applications from citizens of 70 countries, with American applicants accounting for the largest single group. Start-Up Chile also has entrepreneurs from almost all Latin American countries. In the case of Latinos, once they become part of Start-Up Chile, the impact they can generate when they return home to their countries to work with the community is much larger than if they had never left. Ranked as one of the two major start-up hubs in Latin America by a recent analysis by TechCrunch, Santiago provides ideal opportunities for Latinos to participate in a growing culture of innovation and to help spread that cultural change across the region.

Start-Up Chile is not only a garden of innovation and entrepreneurship in Latin America. It is also helping to promote the creation of similar programs in other parts of the world. During the Global Entrepreneurship Congress held in Liverpool, England, in March 2012, we met with representatives of Start-up Britain, Start-up America, Start-up Canada, and Start-up Spain, among others. For Start-Up Chile this is great news, because, as more organizations like these develop, it becomes increasingly likely that more entrepreneurs will be willing to go to Chile. Of equal or greater importance, it becomes increasingly likely that Chileans will become interested in going to Spain, Malaysia, or any other country that believes in entrepreneurship. This is a win-win relationship on a global scale, one that attracts talent to Chile and ensures that Chileans have the opportunity to leave the country to pursue opportunities elsewhere.

The endpoint is an increase in the connections among entrepreneurial communities that are vital to long-term increased prosperity in Chile and worldwide.