

PROJECT SUMMARY**ENDEAVOR CATALYST****THE MULTIPLIER EFFECT: TAKING ENTREPRENEURS FROM FOUNDERS TO FUNDERS
(RG-M1268)**

Project Summary: High-growth companies are important drivers of innovation, job creation and economic activity. The entrepreneurs who found and lead these companies have what Endeavor refers to as a “multiplier effect” in their local ecosystems. This multiplier effect translates into: i) companies that create higher-quality jobs and at higher than average rate (e.g., in the case of Endeavor Entrepreneurs, as defined below) their companies create jobs at an average of 5.4x faster than their peers); ii) entrepreneurs who, through their example and leadership, transform social norms around entrepreneurship; iii) successful entrepreneurs that mentor and invest in the next generation of entrepreneurs, and iv) new role models that inspire future generations to innovate, take risks, and “think big.”

In Latin America and the Caribbean (LAC) a relatively small number of high-impact entrepreneurs have emerged over the years. Cases of companies reaching initial public offerings are scarce. This scarcity is a result of ecosystems that lack certain key features: i) a culture and legal framework that accepts failure as part of the innovation and startup creation process; ii) access to investors not only at the initial stage, but also in the next stages where they need larger amounts of capital to reach profitability and scale, and iii) access to a network of mentors that will guide entrepreneurs in the process of building and scaling up their companies. These shortfalls limit the multiplier effect that these companies could have on creating high quality jobs, supporting other entrepreneurs, and changing society.

Since its launching in LATAM in 1997, Endeavor Global Inc. (“Endeavor”) has been working to overcome the shortfalls in the entrepreneurial ecosystems of the region by selecting and supporting the growth of entrepreneurs with high-impact potential (“Endeavor Entrepreneurs”), by providing them with mentorship, access to networks, strategic advice and inspiration. Endeavor’s definition of high-impact entrepreneurs is two-fold. On the one hand, candidates must demonstrate a high-potential to stay in the local area and remain engaged in the entrepreneurial ecosystem by becoming future mentors and investors to the next generation of entrepreneurs. On the other hand, the companies of such entrepreneurs must show high-potential to scale and become high-growth companies that are attractive to investors. At the core of these selection criteria is Endeavor’s experience that successful entrepreneurial ecosystems develop where founders reinvest their success in the next generation of entrepreneurs.

This is what Endeavor refers to as the “entrepreneurship acceleration cycle”.

Endeavor Catalyst I L.P. (“EC”), a Delaware-based partnership created to support Endeavor’s impact investing, and the research project “Networks Maps” led by Endeavor Insight (EI), will contribute to speeding up the entrepreneurship acceleration cycle that takes entrepreneurs from founders to funders, creating a multiplier effect in the region’s entrepreneurial ecosystems. EC is a pilot and *innovative investment vehicle* to support the growth of companies that have already gone through the startup cycle.

The MIF considers this project highly innovative and in line with the MIF Renewed Vision that seeks to support startups in their scaling up process¹. If successful, this project can have a demonstration effect of what it takes to scale up companies after they have received initial funding, and how to support entrepreneurial ecosystems to accelerate the transformation of this region into an innovation-driven region.

The MIF was catalytic in Endeavor’s expansion into several countries in LATAM through technical cooperation (TC) grants (See par. 2.63). With this innovative investment vehicle, the MIF seeks to accompany Endeavor in a new phase; that of *investing* in some of the entrepreneurs that received support through the MIF’s previous TC grants with Endeavor, closing the support cycle to this institution.

This project will: i) invest in EC, which will provide smart capital to scale the companies of 17 to 20 Endeavor Entrepreneurs’ in the region (\$3,700,000 equity investment), and ii) support the “Network Maps” research project, that will identify and track relationships between entrepreneurs, investors, and support organizations in five cities and industries in the region (\$350,000 technical assistance). Analysis of the data gathered through “Network Maps” will show how policymakers and other key stakeholders can work with the private sector to foster the growth of successful entrepreneurial communities. The costs of MIF’s legal, supervision, advisory services, independent evaluation and dissemination activities with respect to each of the aforementioned activities will be covered by a separate technical cooperation in the amount of up to \$165,000.

¹ See MIF/GN-167 “A Renewed MIF Vision: The Next Ten Years”, Challenge 1: Building the Ecosystem for Entrepreneurship and Innovation, Par. 3.2-3.7 and Going Forward.