

DEVELOPING ENTREPRENEURIAL CAPACITY IN LATIN AMERICA

(TC-99-03-03-4)

EXECUTIVE SUMMARY

Executing agency:	Endeavor Chile	
Financing:	MIF (Window III-A)	US\$1,750,000
	Counterpart:	US\$3,974,000
	Total:	US\$5,724,000
Execution timetable:	Execution period:	months 48 months
	Disbursement period:	months 54 months
CESI:	CESI approved the project on August 25, 2000.	
Objectives and description:	<p>The general objective is to support implementation in certain Latin American countries of a methodology for developing new entrepreneurial ventures, particularly high-growth startups.</p> <p>The specific objectives are: (1) to strengthen the institutional capacity of Endeavor Chile and two additional new countries; (2) to assist in identifying two new countries in the region, and to create an institutional basis; and (3) to develop entrepreneurial capacity in the three countries using the Endeavor methodology.</p> <p>Endeavor Initiatives (Endeavor), a network of nonprofit institutions with a Global Office in New York and affiliates in Latin America, has developed an innovative methodology for developing entrepreneurship, a dynamic for creating new ventures in various sectors by taking advantage of new technologies, particularly information technology (IT). The most prominent features of this methodology are: (1) identification and rigorous selection of entrepreneurs and innovative projects that exhibit high growth potential; (2) support for the selected entrepreneurs in terms of strategy and financing, and in establishing key contacts to achieve success in the new Latin American economic situation; (3) linking new entrepreneurs with potential investors (individual investors and venture capital); and (4) a regional focus for creating networks of cooperation among entrepreneurs from different countries, a key factor for strengthening entrepreneurial ventures. To that end,</p>	

Endeavor forms alliances with leaders in the business community, investors, academic institutions, and research and development institutions. Endeavor does not invest in the selected businesses.

Endeavor has already tested its methodology in Argentina, where it met with considerable success. Implementation of this methodology in Chile and in two new countries will provide a catalyst for a new entrepreneurial spirit and new ventures, creating a demonstration effect by showcasing innovative entrepreneurs as models of entrepreneurship.

The project will achieve its objectives through three components: a) **institution building** will help improve project management, refine the tools for expanding the program, and support production of the materials required for disseminating the results; b) **expansion of the Endeavor model** will support the selection of two new countries, creating an institutional basis in those countries, and initial manager training; and c) **development of entrepreneurial capacity** will support full implementation of the Endeavor model in Chile and two new countries.

**Special
contractual
clauses:**

Prior to the first disbursement, in addition to the usual conditions precedent to disbursement, the executing agency will demonstrate to the Bank's satisfaction that a board of directors has been appointed for Endeavor Chile, which will be composed of highly respected individuals in the business world in Chile, in order to expand the functions of the present board of Endeavor Chile. Six months following the first disbursement, and as a condition precedent to continuing with future disbursements, the executing agency will prepare and submit for IDB/MIF approval: (i) the project evaluation methodology; and (ii) the mechanisms for monitoring and environmental evaluation.

Financing for implementation of the two new programs will be contingent upon the results of the first project evaluation and the Bank's approval of: (i) a report stating the reasons for the proposed selection of the two countries where the Endeavor model will be implemented; (ii) a model agreement between the executing agency and each of the Endeavor organizations in the other two countries, in which the operating procedures for project execution are defined; (iii) proof of availability of at least 20% of the counterpart financing specified in the project for each country, which will cover at least 50% of fixed costs for the first year; (iv) the terms of reference for all persons to be hired; (v) the annual action plan; and (vi) the selection of the managing director for each of the new Endeavor programs. It is recommended that the Bank monitor contracting for services valued at less than US\$20,000 by ex post random sampling to verify

compliance with Bank procedures. This is justified by the large number of short-term consulting assignments and by the private-sector character of the Endeavor institutions.

**Exceptions to
Bank policy:**

The executing agency will contract directly with the Global Office of Endeavor Initiatives, without competitive bidding, to provide the technical assistance services of its affiliates in areas where it has a proven competitive advantage. This direct contracting is justified mainly by the fact that the Global Office of Endeavor Initiatives is the sole provider of the Endeavor methodology, and meets the requirements set forth in section GS-403 of the Procurement Manual, specifically: (i) its successful implementation of the methodology in Argentina; (ii) the professional training and high-level capabilities of the personnel (information on the key Endeavor personnel is available in the technical archives of the project); (iii) the project's focus on maintaining methodological uniformity while integrating the results of other Endeavor experiences in the region; (iv) the evident economies of scale that the regional nature of Endeavor will generate for conducting a wide range of activities; (v) the advantage of creating a regional network linked by intranet, for more efficient development of the businesses and for financing them, which will facilitate the formation of strategic alliances. It should be noted that the Global Office of Endeavor Initiatives is a net contributor to the project (its net contribution will be US\$453,000) and its credibility serves as a catalyst for financing from event sponsors. The amount of MIF resources for which the waiver is requested is US\$390,000. Contracting for the remaining consulting services by the executing agency (Endeavor Chile) will follow established Bank procedures.

I. COUNTRY AND PROJECT ELIGIBILITY

- 1.1 On October 6, 1993, the Donors Committee declared that the Republic of Chile is eligible for all financing modalities provided within the framework of the Multilateral Investment Fund (MIF). Other countries that may be involved in the project (Colombia, Costa Rica, El Salvador, Peru, and Venezuela) are also eligible for MIF financing. The project is consistent with the priorities of the MIF in that it seeks to put in place a sustainable initiative for promoting new business projects and also attracting investment to the beneficiary entrepreneurs.

II. BACKGROUND

A. General Considerations

- 2.1 In the past two years, the information technology (IT) sector has begun to take off in Latin America, imposing changes in the traditional economy and creating innovative entrepreneurs. Since the beginning of 1999, United States investment funds (private equity) and venture capital have invested at least US\$1.5 billion in Internet companies in the region. However, development of the IT sector is very uneven, with significant concentration in Brazil, Mexico, and Argentina. These three countries accounted for 83% of the total value of e-business in Latin America in 1999, and it is expected that they will continue to garner the same percentage until 2005.
- 2.2 By contrast, with the exception of these three leading countries, the countries in the region have not yet gained the confidence of international investors, and the realization of the IT sector remains challenging. Chile, the country considered best prepared to follow the first three countries, still lags behind. In 1999, its e-business figures accounted for only 4% of the region's aggregate amount. Chile, in a sense, is a victim of the traditional economy's success at a time when it is crucial to take advantage of the opportunities afforded by the new information technology, creating new paths for innovative entrepreneurs.

B. Endeavor Initiatives and its catalyst entrepreneurial model

- 2.3 *Endeavor Initiatives* (Endeavor) is a nonprofit institution founded in 1997 with a Global Office in New York. Its mission is to support the implementation of new entrepreneurial capacities in developing countries. Endeavor has created a network of local institutions, local Endeavor offices, which, using their proprietary methodology, promote and support the development of innovative entrepreneurs in different sectors of the economy, particularly in the IT sector (see paragraph 2.8). At the moment, Endeavor's presence is limited to three countries in Latin America: Argentina, Brazil, and Chile.

- 2.4 The team that runs the institution's Global Office comprises seven professionals under the direction of a founding member. The team reports to the *Global Board of Directors*, composed of Endeavor's two, and executives of Internet and financial companies, including one from Argentina. The office is financed by donations from financial companies (such as *Avina Group*, *Bank Boston*, *Chase Capital Partners*, and *Microsoft*), and from entrepreneurial leaders (such as Peter Brooke of Advent International). The World Bank-IFC gave Endeavor a US\$75,000 donation in 1999 as an *Innovation Marketplace* award.
- 2.5 The role of the Global Office is to support implementation of the Endeavor methodology in countries in the region, centralizing certain dissemination and networking functions that may benefit the Endeavor network in the countries of Latin America. The *International Venture Forum* held in New York in June 2000, for example, provided the opportunity to introduce the Endeavor Entrepreneurs of Latin America to more than 30 venture capital companies. The *eMBA* program, a tool used to assist Endeavor Entrepreneurs, is supported by the most prestigious business schools in the United States. Its role as a promoter of entrepreneurial capacity has been recognized by local and international communications media (e.g. *Forbes* and *Red Herring*), and by senior officials in the beneficiary countries.
- 2.6 Since 1997, Endeavor has been working in Argentina to break down the cultural barriers that entrepreneurial ventures faced there, through its *Venture Catalyst ModelTM* program. The purpose of this model is to promote a "social structure for innovation," that is, bringing together the various players and institutions, local innovative entrepreneurs, financial institutions, individual investors, academic institutions, and research and development institutions involved in the process of creating or reinventing innovative enterprises. Endeavor seeks to organize key players with a view to successful creation/reinvention and financing of businesses, and to engage them in developing entrepreneurial capacity, to provide direct, individualized support for some of those players. (Details about the model and complete reference materials are available in the project's technical files.)
- 2.7 Endeavor has been vital in launching the IT sector in Argentina, creating a demonstration effect that has inspired potential entrepreneurs while generating crucial support for Endeavor among established entrepreneurs. Since it began operations in March 1998, Endeavor Argentina has been involved in founding 20 companies. In addition to the most widely known example, *Patagon.com* (an online financial service), the portfolio of Endeavor Entrepreneurs, as they are known, includes: *Office Net* (a catalogue and distribution center for office products), *eki discount* (a discount supermarket chain), *Amtec.net* (an integrated technology service for the business-to-business, or B2B, market), *Escuelas de Fútbol y Deportes CM* (educational and athletic facilities), and *Quinta Fresca* (home delivery of fresh produce). (The complete list of Endeavor Entrepreneurs companies is available in the project's technical files.)

- 2.8 From January 1998 to April 2000, the companies founded with the support of Endeavor in Argentina and Chile created over 3,000 jobs and obtained more than US\$800 million in financing, achieving an aggregate valuation in excess of US\$2.5 billion. The successes that these companies have achieved has made them a new model for innovative entrepreneurs in Latin America. Endeavor Brazil began operations in January 2000, backed by the commitment of local entrepreneurs to finance 100% of Endeavor's operating costs for the first three years. This fact, along with the progress of Endeavor Argentina toward self-sustainability (paragraph 5.2), shows that local entrepreneurs in large countries in the region could finance implementation of the Endeavor model in their own countries. By contrast, in countries where, for various reasons, IT companies have not achieved such exceptional results, such as Chile for example, Endeavor has had greater difficulty in attracting local contributions (paragraph 5.2). Entrepreneurs in various other countries in Latin America have expressed an interest in establishing the program in their countries, although commitments for sufficient resources have not yet been obtained.
- 2.9 The methodology is composed of three parts: (1) identification and rigorous selection of innovative entrepreneurs exhibiting high growth potential; (2) support for support for the selected entrepreneurs in terms of strategy and financing, and in establishing key contacts to achieve success in the new Latin American economic situation; and (3) presentations to the public interested in the new ventures, and private investments and venture capital. To that end, Endeavor forms alliances with leaders in the business community, investors, academic institutions, and research and development institutions, most of which work in cooperation with Endeavor, contributing their time and resources.
- 2.10 The target population for this search and selection process are innovative entrepreneurs who exhibit high growth potential but who need strategic orientation and key contacts in order to take greater advantage of the new dynamic of the Latin American economy. The key to Endeavor's initial success in Argentina was its rigorous process for selecting innovative entrepreneurs, which won the confidence of investors and sponsors both locally and internationally. The nonprofit nature of Endeavor has been important in order for it to play its role as a catalyst in forging links among various private interests, including charitable and for-profit organizations alike. Endeavor itself does not invest in Endeavor Entrepreneur companies.

C. Justification

- 2.11 The use of nonreimbursable MIF resources to implement and strengthen the Endeavor program in countries in the region is justified by the fact that: (a) its methodology has a direct energizing impact on the market for creating innovative ventures; (b) the private sector in various countries supports the operation of Endeavor, once its effectiveness has been proven; therefore, this operation will

establish greater private support, validating the model; (c) MIF resources will allow for the start-up and expansion of Endeavor operations in smaller countries where local entrepreneurs will find it more difficult to support the program in the rollout phase. Strengthening operations in Chile will also be important for creating a demonstration effect for medium-sized countries, and for supporting operations in new countries based on the experience that Chile acquires.

- 2.12 Although implementation of the Endeavor model has proceeded without major problems in the region's larger countries, nearly achieving operational self-sustainability in less than two years, expanding the program to smaller countries appears more difficult (paragraphs 2.8 and 5.2). Specifically, attracting the private sector—the most dynamic local entrepreneurial leaders—and convincing them to participate effectively in implementing the Endeavor program, means overcoming any resistance that they may have to the program. To that end, the project proposes supporting initial implementation of Endeavor model activities on the one hand, and on the other hand acting as a catalyst for private-sector resources, creating a demonstration effect through the success of innovative entrepreneurs. By producing concrete results and through the availability of resources that the participation of the private sector can mobilize, it is expected that the contribution of MIF resources (subject to the counterpart contribution) will help attract additional support for the program from the entrepreneurial community.

III. PROJECT OBJECTIVES AND DESCRIPTION

A. Objectives

- 3.1 The general objective of the program is to support implementation in certain Latin American countries of a new methodology for developing new entrepreneurial ventures, particularly high-growth startups. The specific objectives are: (1) to strengthen the institutional capacity of Endeavor Chile and two additional new countries; (2) to assist in identifying two new countries in the region, and to create an institutional basis; and (3) to develop entrepreneurial capacity in the three countries by means of the Endeavor methodology.

B. Components and activities

Component I: Institution building and dissemination of results (MIF US\$344,000, counterpart US\$479,000)

- 3.2 This component will assist with institution building for Endeavor Chile and in the other countries. The following specific activities will be undertaken:
- a. **Strengthening managerial capacity.** The project will finance training for managing directors and operational personnel in the Endeavor methodology, in evaluating environmental considerations, and in project administration. The

project will also finance improvements in computer equipment and training in the use of IT tools, including a website featuring Endeavor's own database, now in development.

- b. **Systematization of the Endeavor methodology and designing tools for its implementation.** The project will contract for specialized consulting services to facilitate the process of transferring, implementing, and developing the Endeavor model. The project will permit: (i) systematization of the Endeavor methodology, its system of operation, and its various activities; and (ii) development and dissemination of proof of its effectiveness.
- c. **Dissemination of the program's results as a means for training potential entrepreneurs.** The project will make it possible for case studies of Endeavor Entrepreneurs to be prepared. Educational institutions in the region can then use these studies as an instructional tool. These studies will be conducted by independent consultants who specialize in the preparation of such teaching materials. The results of this work, as well as other activities that may be published, will also be accessible through the website.

Component II: Expanding the Endeavor Model to New Countries (MIF US\$408,000, counterpart US\$186,000)

- 3.3 This component will support expansion of the Endeavor network to two new countries in Latin America. MIF resources will be used to finance the selection of the two countries to be added, and the initial phase of promoting and institutionalizing the Endeavor organizations in each country.
- 3.4 Specifically, Endeavor will study five possible countries: Colombia, Costa Rica, El Salvador, Peru, and Venezuela. It will select two countries during the first year of the project. Formal reasons will be provided to justify the selection, which must meet with no objection from the Bank. The activities to be financed include the study for country selection, the identification and selection of the board of advisors and/or directors, the managing director, the legalization of the institutional basis, and training for the managing director and other members of the country team. MIF resources will also partially finance the fixed costs for operations in the two new countries during the first year.

Component III: Developing entrepreneurial capacity (MIF US\$581,000, counterpart US\$2,180,000)

- 3.5 This component will support the consolidation of Endeavor Chile operations through full implementation of the Venture Catalyst Model. MIF resources will be used to contract for services, cover travel and per diem allowances for experts/entrepreneurial leaders working with Endeavor on a pro bono basis, disseminating program and event information, and cofinancing educational events,

for the first two years of the project in Chile, for three years in the first of the new countries selected, and for two years in the second. This component is composed of three separate stages:

Stage 1: Identification and selection of innovative entrepreneurs

- 3.6 This stage consists of the process of seeking out and selecting potential entrepreneurs in the IT and other sectors (see paragraph 2.7). Through a network of local and international business leaders (*VentureCorps*), Endeavor Chile, and subsequently the new Endeavor operations in the other countries will identify and screen approximately 80 candidates per year. In order to become an Endeavor Entrepreneur, candidates must go through a number of steps involving personalized assistance and selection. This process culminates in a selection panel. Using MIF resources, Endeavor Chile will co-organize four selection panels in cooperation with Endeavor Argentina during the first two years, for reviewing Endeavor Entrepreneur candidates. Similarly, another five panels will be formed in the two new countries. The panels are generally composed of three international entrepreneurial leaders and six Endeavor experts from the local area and the Global Office. The Global Office members will provide technical support for the search and selection process.

Stage 2: Support for entrepreneurs

- 3.7 Once selected, the Endeavor Entrepreneurs will receive individualized services from the Endeavor network, to develop their ventures through two programs:
- a. **eMBA Program:** This program consists of identifying and selecting MBA students from the major business schools in the United States, to support Endeavor Entrepreneurs for 10 to 12 weeks in the identification and analysis of critical assumptions in business plans. The project will give preference to students of Latin American origin, and will promote the creation of teams with local students. Expansion of the program to certain outstanding business schools in the region is planned.
 - b. **VentureCorps:** This is a group of successful entrepreneurs and professionals who have agreed to share their time and expertise to support new entrepreneurs. The main services of *VentureCorps* include: (1) mentoring and advising, (2) introduction to potential investors, (3) access to foreign companies and markets, (4) introduction to experts in specific sectors, and (5) access to information. MIF resources cover only expenses relating to their activities, since their work will be done pro bono.

Stage 3: Support for entrepreneurial capacity and access to potential investors

- 3.8 Two types of events will take place during this stage: a *Speaker Series*, and a *Venture Forum*. The objective of these events is to promote development among

researchers and existing and potential investors, while providing educational elements for future entrepreneurs. These events will generally be co-organized by the Endeavor programs of in neighboring countries.

- a. *Speaker Series* are periodic workshops and forums, with presentations given by venture capital investors, researchers, experts, and business executives. These events will be open to the public interested in these topics. A total of 25 workshops in the three countries will be held using MIF financing.
- b. *Venture Forums* are *panel* discussions in which new entrepreneurs present their business plans and financing proposals to potential local and international investors. Endeavor will seek out opportunities to co-organize *Venture Forums*, as Endeavor Argentina did with COMDEX, one of the highest profile tradeshows for computers and portable devices. MIF financing will be used to hold annual forums in countries in the region, and semi-annual forums in the United States.

IV. PROJECT EXECUTION

A. Executing Agency

- 4.1 Endeavor Chile was formally established as an affiliate of Endeavor Initiatives in April 2000, although it began operations in 1997. The Board of Directors and Advisors of Endeavor Chile is composed of senior executives from the private sector. Operations are directed by a managing director and two assistants. The managing director will also receive assistance from the *VentureCorps*, executives from established corporations, young dot-com executives, and financial executives who donate their time pro bono to activities that support Endeavor entrepreneurs.
- 4.2 Endeavor Chile, represented by its board of directors, will be responsible for project execution and administration, including the contribution of resources transferred to other countries. In that regard, their responsibility is limited to performance of the agreement, and compliance with the disbursement conditions set forth in the agreement and in the Operating Regulations. The Bank's country office in Chile will supervise the project.
- 4.3 The executing agency will set up two units to execute this project: the Administrative Unit, responsible for administration of the project and the resources provided in it and, where applicable, for the transfer of those resources to Endeavor organizations in countries where the program will be implemented; and the Executing Unit for performing the activities planned within the project to be carried out in Chile, and organizing the initial implementation of the Endeavor model in the new countries. The two units will operate under the direction of the managing director, who will report to the Board of Directors of Endeavor Chile.

B. Execution period, level of preparation, and conditions precedent to disbursement

- 4.4 The project will be executed over a 48-month period. Disbursements will be made over a 54-month period. The disbursements will be made in compliance with Bank procedures. All disbursements will be made in parallel, proportionally, and *pari passu* with counterpart contributions. The transfer of resources by the executing agency to the Endeavor organizations in the new countries will be subject to the signing of an agreement reflecting the obligations of Endeavor Chile with respect to the Bank and the *pari passu* nature of the disbursements.
- 4.5 The project is in an advanced stage of preparation. The draft Operating Regulations, the schedule of activities, and drafts of the terms of reference for consultants have been worked out jointly with the executives of Endeavor Chile and the Global Office.
- 4.6 Prior to the first disbursement, in addition to the usual conditions precedent to disbursement, the executing agency will submit proof to the Bank's satisfaction that a board of directors has been appointed for Endeavor Chile, which will be constituted by highly respected individuals in the business world in Chile, in order to expand the functions of the present board of Endeavor Chile. Six months following the first disbursement, and as a condition precedent to continuing with future disbursements, the executing agency will prepare and submit for IDB/MIF approval: (i) the project evaluation methodology; and (ii) the mechanisms for monitoring and environmental evaluation.
- 4.7 Financing for the implementation of the two new programs will be contingent upon the results of the first project evaluation and bank's approval of: (i) a report stating the reasons for the proposed selection of the two countries where the Endeavor model will be implemented; (ii) a model agreement between the executing agency and each of the Endeavor organizations in the other two countries, in which the operating procedures for project execution are defined; (iii) proof of availability of at least 20% of the counterpart financing specified in the project for each country, which will cover at least 50% of fixed costs for the first year; (iv) the terms of reference for all persons to be hired; (v) the annual action plan; and (vi) the selection of the managing director for each of the new Endeavor programs.

C. Procurement of goods and services

- 4.8 In compliance with Bank policy, procurement of equipment and consulting services is limited to countries eligible for MIF. Contracting for services will be handled in conformity with Bank procedures for private-sector executing agencies. It is recommended that the Bank monitor contracting for services valued at less than US\$20,000 by *ex post* random sampling to verify compliance with Bank procedures. This is justified by the large number of short-term consulting

assignments and by the private-sector character of the Endeavor institutions, which will act in conformity with its management practices.

- 4.9 For activities related to transferring the Endeavor model, it is recommended that the executing agency contract directly with the Global Office of Endeavor Initiatives, without competitive bidding, to provide the technical assistance services of its affiliates in areas where it has a proven competitive advantage. Contracting for the remaining consulting services will follow established Bank procedures.
- 4.10 The Global Office is the sole provider of the Endeavor methodology. Additionally, using the Global Office is justified by: (i) its successful implementation of the methodology in Argentina; (ii) the professional training and high-level capabilities of the personnel (information on the key Endeavor personnel is available in the project's technical archives); (iii) the project's focus on maintaining methodological uniformity while integrating the results of other Endeavor experiences in the region; (iv) the evident economies of scale that the regional nature of Endeavor will generate for conducting a wide range of activities; (v) the advantage of creating a regional network linked by intranet, for more efficient development of the businesses and for financing them, which will facilitate the formation of strategic alliances. It should be noted that the Global Office of Endeavor Initiatives is a net contributor to the project and its credibility serves as a catalyst for private-sector financing for such events as the US Venture Forum, with sponsors covering 80% of costs.
- 4.11 The project activities for which use of the Global Office's services is recommended are: 1) the training of local Endeavor personnel in implementing the Endeavor methodology and in the use of its information system (MIF will contribute 40% of the cost, amounting to US\$59,000); 2) part of the work required to set up the institutional basis of Endeavor in the new countries, specifically interviewing candidates for the position of managing director, establishing a Board of Directors, and training new managing directors (MIF 63%, US\$93,000); 3) as a third component, a) the third stage of selecting Endeavor entrepreneurs, b) identifying and selecting the MBA students who will provide support for the Endeavor entrepreneurs (MIF 40%, US\$70,000); and 4) centralized publication of the materials needed to conduct certain project activities, and for disseminating the results. Forty percent of the activity will be financed by MIF (US\$70,000) for four years. In any event, in addition to the fact that the Global Office is making a positive net contribution to the overall project, including for the above-mentioned activities financed by MIF, the Global Office is also a net contributor (US\$62,000).
- 4.12 MIF has supported similarly structured projects. One of these was Training and Technical Support for Microenterprise Development in Latin America and the Caribbean (TC9201055RE), the objectives of which included support for and strengthening of local NGOs (affiliated with ACCION Internacional). Other projects include the operation with the affiliates of Women's World Banking

(WWB) in Colombia (TC 9307499, 9310020, 9310038, 9310054, and 9310046) and the expansion of Empretec, a program created by UNCTAD (TC 9902063). These operations focused on implementing a specific and original methodology from an institution, to create a regional or worldwide network.

D. Social and environmental considerations

- 4.13 The Endeavor operation and Internet-related businesses in general do not have a negative environmental impact, and even exhibit environmental and social sensitivity. For example, the selection criteria for the Endeavor Entrepreneurs include an environmental clause, and participant selection is based on the quality of ideas and managerial capacity, not on the basis of social origin. Additionally, the project will ensure Endeavor's attention to social and environmental factors as follows: First, the Endeavor teams will be trained in waste management and clean technology practices. Second, the intermediate evaluation will include a review of the environmental aspects of the Endeavor Entrepreneur businesses, and will recommend corrective actions if necessary.

E. Beneficiaries

- 4.14 The project will benefit various target populations: (i) at least 1,000 business school students from Latin American countries will benefit from the Endeavor Entrepreneur case studies, an important factor considering the lack of case studies of Latin American companies in business schools; (ii) approximately 2,000 individuals will learn about various topics relating to entrepreneurial capacity and venture investment, through the *Speaker Series* and *Venture Forums* events; (iii) at least 600 entrepreneurs and/or aspiring entrepreneurs will receive guidance from top-tier experts during the selection rounds; (iv) 80 entrepreneurs will be presented to the Endeavor Entrepreneur selection panel, and will become the seeds for entrepreneurship and venture investment in their countries; (v) the website will make it possible to disseminate information about successful stories among these entrepreneurs on a massive scale in various Latin American countries, multiplying the demonstration effect; (vi) students from leading local business schools will gain experience in working for Endeavor Entrepreneurs; and (vii) top-tier local business schools will be involved in developing the case studies.
- 4.15 It should be noted that Endeavor chooses entrepreneurs who need assistance owing to a lack of experience and to a lack of connections with entrepreneurial networks. Entrepreneurs who are already successful will work with the Endeavor team to expand the new generation in the entrepreneurial community in the respective countries.
- 4.16 Significantly, Endeavor will contribute more to the promotion and initial implementation of entrepreneurial capacity and venture investment than in subsequent stages. The real expansion of entrepreneurial capacity is not the role of

Endeavor; that is the role of investors, incubators, universities, and aspiring entrepreneurs themselves in each country, once Endeavor has created model entrepreneurs and formed a support network. Therefore the project will have a significant number of indirect beneficiaries. The demonstration effect, in particular, may generate a new influx of projects and entrepreneurs, as well as a greater societal appreciation of the entrepreneur's role.

V. COST AND FINANCING

- 5.1 The cost of the project is US\$5,720,000, of which MIF will contribute US\$1,750,000 in nonreimbursable resources. On the other hand, Endeavor Chile will be responsible for contributing US\$1,898,000; event sponsors will contribute US\$1,472,000 as a counterpart, and US\$600,000 will be covered by the fees paid by entrepreneurs selected by Endeavor. The counterpart of Endeavor Chile will be composed of cash contributions from the offices of the three beneficiary countries, in proportion to the MIF contribution, and US\$843,000 from the Global Office. The Endeavor institutions in the countries will have financial resources based on contributions from private entrepreneurs who support the program (the availability of these resources is a condition precedent to the first disbursement, see paragraph 4.7). A breakdown of the budget is presented in the following table. (The detailed budget is available in the project's technical files.)

Table 1 - Operating Budget (in US\$)

ITEMS	MIF	Endeavor Chile	Sponsors	Total	%
Component I: Institutional strengthening and dissemination of results	344,000	479,000		823,000	14%
Component II: Expanding the Endeavor Model to New Countries	408,000	186,000		594,000	10%
Component III: Developing entrepreneurial capacity	581,000	708,000	1,472,000	2,761,000	48%
Stage 1: Identification and selection of innovative entrepreneurs	216,000	233,000		450,000	
Stage 2: Support for entrepreneurs	247,000	357,000		603,000	
Stage 3: Support for entrepreneurial capacity and access to potential investors	118,000	118,000	1,472,000	1,708,000	
Coordination and operations	247,000	1,004,000		1,251,000	22%
Evaluation	90,000	-		90,000	2%
Auditing	-	45,000		45,000	1%
Contingencies	80,000	77,000		156,000	3%
TOTAL	1,750,000	2,498,000	1,472,000	5,720,000	100%

- 5.2 **Financial sustainability.** Since its legalization in 2000, Endeavor Chile is now authorized to receive local donations from institutions (foundations and businesses) and individuals (including the Board and Endeavor Entrepreneurs). These donations

will form the basis for the Endeavor institutions' financial sustainability in each country. Considering that Endeavor Argentina covered 78% of its budget with local financing in 1999 and will become self-sustaining within a few years, and that Endeavor Chile received almost US\$100,000 in 2000 (May 2000), Endeavor Chile will soon follow the same path, achieving self-sustainability in a short time. For this reason, MIF will finance Endeavor Chile operations only for the first two years of the project. In the two new countries, the project will support the initial implementation of the Endeavor model, with MIF financing 50% of fixed costs for the first 12 months of implementation. Each new Endeavor institution is expected to increase its level of self-sustainability through local donations, once the initial activities begin to show concrete results, and through the fees it charges.

- 5.3 Additionally, Endeavor has identified two ways to ensure long-term sustainability. First, the new Endeavor Entrepreneurs will contribute a portion of their shares, up to a value of US\$100,000, once its round of financing ends. Second, an Endowment Fund is being set up, which will be built based on financial contributions by donors from outside the region and by entrepreneurs working in the region. The members of the Global Board expect to collect US\$7 million this year to start financing the Endowment Fund. Similarly, the members of the Board of Endeavor Argentina and their Endeavor Entrepreneurs plan to obtain US\$4 million for a local endowment fund. Donations to the Endowment Fund will be shared equally between the Global Endowment Fund and the local endowment funds.

VI. RISKS

- 6.1 **Limited institutional capacity of Endeavor Chile.** This risk will be alleviated through recruitment of additional personnel, including an assistant for operations and an administrative assistant; the administrative assistant position will be wholly financed with MIF resources.
- 6.2 **Uncertainty in the business environment in the new countries.** This risk will be minimized through a prudent process of selecting the countries where the Endeavor model will be implemented, based on a careful analysis by independent consultants (paragraph 3.7). The result of this work will be evaluated by Endeavor and, in combination with the results of the first evaluation, will provide the basis on which the IDB will evaluate the selection of the proposed countries.

VII. MONITORING AND EVALUATION

- 7.1 **Monitoring** of project execution will be based on the annual business plan that Endeavor in each country submits for the Bank's approval, at the Chile country office. Additionally, Endeavor Chile will prepare and submit semi-annual progress reports and audited annual financial statements for the Bank's approval.

- 7.2 The project calls for three evaluations to be conducted by independent consultants contracted by the Bank. The **first evaluation** will be undertaken prior to the end of the first year of execution, starting from the first disbursement, and will focus on analyzing the activities and results of the institutional strengthening of Endeavor Chile and the results of the initial activities undertaken. It will examine the results of the analysis of the new countries, and will offer an opinion concerning the selection proposed by Endeavor, and the appropriateness of moving forward with implementation of the new programs. The **second evaluation** will be conducted during the third year, and will focus primarily on project implementation in the new countries, the results of project activities undertaken by Endeavor Chile, and the degree of sustainability that it has achieved. Additionally, this evaluation will offer specific comment on the performance of the Endeavor Entrepreneurs, the result of the educational events, and the handling of social and environmental concerns. The consultant will recommend corrective actions, if necessary. The **impact evaluation** will be performed six months after project execution is complete. The evaluation will focus on measuring the impact of project activities, and the lessons learned that will be useful for similar projects.
- 7.3 The evaluation methodology, to be prepared by the Executive Unit prior to the end of the first six months following the first disbursement, must be approved by the Bank, and shall take the following elements into consideration: (i) the entrepreneurial projects that have been supported effectively, and their economic characteristics; (ii) the number of entrepreneurs who were not selected but did participate in the selection process, and the impact that this has had on their development and present position; (iii) the number of projects receiving investment and a description of each; (iv) the impact of introducing the new technologies and of the development of technology-based ventures on the production system, in terms of jobs, dynamism, and exports; and (v) the effects on the environment that the innovations made may have had. Through the project team and the Office of Evaluation, the Bank can offer technical cooperation for developing this methodology.

ANNEX 1: LOGICAL FRAMEWORK Developing entrepreneurial capacity in Latin America

NARRATIVE SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>AL:</p> <p>Contribute to the development of high-growth entrepreneurial ventures in Latin America.</p>	<ul style="list-style-type: none"> Emergence of more dynamic entrepreneurial activities Spurred development of IT sector 	<ul style="list-style-type: none"> Business/commercial registry of each country in the region The IPO records at each stock exchange in the region Latin American IPO records at NASDAQ SME statistics and surveys in each country IT statistics by specialized market survey firms 	<ul style="list-style-type: none"> The level of entrepreneurial activities in US and other leading nations is kept high, demonstrating success. Latin American countries continue their efforts to maintain open and stable economies. Latin American countries improve their infrastructure information technology. Regulatory burdens for starting new businesses in the region are further reduced. The university and post-graduate education in business and technology in the region becomes further strengthened. Endeavor network continues to expand in the region. Other countries in the region assimilate the social structure innovation with or without direct involvement of Endeavor.
<p>PROPOSE:</p> <p>Strengthen Endeavor Locals management of operations and IT tools, incorporate lessons learned and disseminate successful cases.</p> <p>Facilitate the expansion of Endeavor methodology to new countries.</p>	<ul style="list-style-type: none"> Increased activities of each Endeavor Local with good control Increased knowledge on successful startups and Endeavor brand among Business community and general public. Successful implementation of the Plan of Operation for each new country 	<ul style="list-style-type: none"> Endeavor's progress reports Supervision by the Bank Evaluations Endeavor's progress reports Supervision by the Bank Evaluations 	<ul style="list-style-type: none"> No major social, political or economic disruptions during the project's execution period. Existence of stable and open macro economic conditions in respective countries. Leading economies of the world continue to grow, thus accepting increasing amounts of imports. Development of information technology infrastructure in

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NARRATIVE SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Support implementation of Endeavor methodology to:</p> <ul style="list-style-type: none"> - Create entrepreneurial success stories. - Create a favorable environment for entrepreneurship and venture investment. 	<ul style="list-style-type: none"> • Annual growth of sales and employment of the selected enterprises vis-à-vis those of others • Perception by entrepreneurs that the barriers to new enterprises have been reduced 	<ul style="list-style-type: none"> • Firms' records. • Survey of Endeavor Entrepreneurs (through evaluations). 	<p>respective countries.</p> <ul style="list-style-type: none"> • Existence of the group of wealthy individuals with deep pockets in respective countries
<p>OUTPUTS:</p> <p><u>Component I: Institutional Strengthening</u></p> <p>Endeavor Locals management and staff well trained with Endeavor methodology and IT tools management.</p> <p>Endeavor methodology further systematized.</p> <p>More case studies and web contents elaborated.</p> <p>Information of Endeavor operations widely disseminated.</p> <p><u>Component II: Expansion to New Countries</u></p> <p>New countries are selected for entry and plan of operations elaborated.</p> <p>Benefactors identified and funds raised for entry.</p> <p>Board organized.</p> <p>Managing Director and staff hired.</p> <p>Office space rented and IT tools installed.</p>	<ul style="list-style-type: none"> • New Endeavor management and staff demonstrating their learning in day-to-day operations • Existence of a new or revised material of Endeavor methodology • 20 case studies and 40 web articles elaborated • Frequency of access to Endeavor web site doubles over the 4 years. • Plan of operations elaborated in each new country. • 20% of the annual operating cost covered by local funds • Assignment of board members • Contracting of Managing Director and staff • Office and IT tools properly in function 	<ul style="list-style-type: none"> • Supervision by the Bank • Corresponding material • Endeavor's case study file • Endeavor's web pages • Web site counter • Plan of operation itself • Endeavor's progress reports • Constitutional document of new Endeavor Local • Contracts and statement of expenses • Supervision by the Bank 	

ANNEX 1: LOGICAL FRAMEWORK Developing entrepreneurial capacity in Latin America

NARRATIVE SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Component III: Entrepreneurship Development</p> <p>Pioneer entrepreneurs credited by the Endeavor's selection panels. Selected entrepreneurs' business plans and strategies improved. Selected entrepreneurs' technical and managerial capacity improved. Selected entrepreneurs' financing opportunities improved. Selected entrepreneurs' marketing opportunities improved.</p> <p>Knowledge on entrepreneurship and venture investment among participants increased. Knowledge of angel investment among potential investors increased.</p>	<ul style="list-style-type: none"> 80 entrepreneurs presented at the panel Good quality of finalized plans/strategies Entrepreneurs' self-estimation on their capacity 80% of selected firms accessed financing and new market outlets. 	<ul style="list-style-type: none"> Endeavor's progress reports Finalized plans and strategies Entrepreneur interviews (through evaluation) Endeavor's progress reports and surveys (final evaluation) 	<ul style="list-style-type: none"> Collaborative working relationship between Endeavor, Entrepreneurs on the one hand and eMBAs and VentureConnect experts on the other.
<p>Component I: Institutional Strengthening</p> <p>Purchase servers and PCs. Global Office provides services for training on site Endeavor Locals staff re. methodology. Hire consulting services for IT training and maintenance at Endeavor Locals. Prepare dissemination material and pay for publicity on media. Hire consulting services for preparing case studies and web contents. Hire consulting services for codification of methodology and lessons learned</p>	<ul style="list-style-type: none"> \$25,000 invested for the equipments 9 visits by the management team of Global Office to country offices 1 local firm contracted in each country office of Endeavor 1 specialized consultant contracted 1 specialized consultant contracted 	<ul style="list-style-type: none"> Statement of expenses Contracts and statement of expenses Contracts and statement of expenses Statement of expenses Contracts and statement of expenses Contracts and statement of expenses 	<ul style="list-style-type: none"> There exist untapped demand for knowing venture investment opportunities and mechanisms

ANNEX 1: LOGICAL FRAMEWORK Developing entrepreneurial capacity in Latin America

NARRATIVE SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Component II: Expansion to New Countries</p> <p>Research potential countries to enter.</p> <p>Hire consulting services to identify country benefactors, search and hire Managing Director, organize the Board, install IT and support other startup activities.</p> <p>Global Office and other country offices provide services for training new Managing Director and staff on search and selection of entrepreneurs, and the administration of Endeavor operations.</p> <p>Finance startup fixed costs.</p>	<ul style="list-style-type: none"> • 5 countries studied • 1 consulting firm contracted in each new country • 2 one-week visits to new countries by management of Global Office • 2 two-week visits by new managing directors to other country or Global Office 	<ul style="list-style-type: none"> • Country research report • Contracts and statement of expenses • Contracts and statement of expenses • Statement of expenses 	
<p>Component III: Entrepreneurship Development</p> <p><i>Phase 1: Selection of Pioneer Entrepreneurs</i></p> <p>Local business communities identify entrepreneurs.</p> <p>Endeavor Locals screen through interviews.</p> <p>Global Office provides services to support 3rd round of interviews and the selection panels.</p> <p>Invite business leaders to hold selection panels.</p>	<ul style="list-style-type: none"> • 660 entrepreneurs identified • 660 entrepreneurs screened at each interview round • 15 travels made by 2 staff of Global Office • 54 business leaders invited to each selection panel 	<ul style="list-style-type: none"> • Endeavor's progress reports • Endeavor's progress reports • Contracts and statement of expenses • Endeavor's progress reports 	<ul style="list-style-type: none"> • Local business communities have good and extensive contacts for identifying pioneer entrepreneurs. • The regulatory and business environment is not prohibitive for business startups in respective countries.

ANNEX 1: LOGICAL FRAMEWORK Developing entrepreneurial capacity in Latin America

NARRATIVE SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p><i>Objective II: Support Services for Entrepreneurs (eMBA and VentureCorps Programs)</i></p> <p>Recruit MBA students from top US B-schools and match them with the selected entrepreneurs.</p> <p>Send MBA students to support the entrepreneurs for a summer.</p> <p>Match local business leaders to support the entrepreneurs (VentureCorps).</p>	<ul style="list-style-type: none"> • 17 Recruitment trips made • 32 MBA students selected and matched with entrepreneurs • 32 MBA students traveled for a summer • VentureCorps volunteers supported all the Endeavor Entrepreneurs 	<ul style="list-style-type: none"> • Endeavor's progress reports • Endeavor's progress reports • Endeavor's progress reports 	
<p><i>Objective III: Support for Entrepreneurship Venture Financing</i></p> <p>Organize <u>Speaker Series</u> featuring venture capitalists, academics and senior business professionals.</p> <p>Organize investment panels in each country (<u>Local Venture Forums</u>).</p> <p>Organize investment panels in US (<u>US Venture Forums</u>).</p>	<ul style="list-style-type: none"> • 24 Speaker Series organized • 7 Local Venture Forums organized • 8 US Venture Forums organized 	<ul style="list-style-type: none"> • Endeavor's progress reports • Endeavor's progress reports • Endeavor's progress reports 	

PROPOSED RESOLUTION

**REGIONAL. NON REIMBURSABLE TECHNICAL COOPERATION FOR
THE PROGRAM FOR THE PROMOTION OF ENTREPRENEURSHIP AND VENTURE
CAPITAL IN LATIN AMERICA.**

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with The Endeavor Initiative, Inc. and/or its affiliates in Chile, and to take such additional measures as may be pertinent for the execution of the project proposal contained in Document MIF/AT-____ with respect to a technical cooperation program to promote entrepreneurship and venture capital in Latin America.
2. That up to the sum of US\$1,750,000 or its equivalent in other convertible currencies shall be authorized for the purpose of this resolution, chargeable to resources of the Small Enterprise Development Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a non-reimbursable basis.