Promoting High Impact Entrepreneurship in Mexico

Which evaluation or selection model is most effective at identifying high-impact entrepreneurs who will benefit most from the matching grants program? Are private sector experts better than traditional government panels in identifying them?

What is the impact of matching grants aimed at high-impact entrepreneurs on firms' performance (productivity, sales, job creation) and on innovation? How heterogeneous are the outcomes depending on initial firm characteristics?

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Context

The High Impact Entrepreneurship Program (HIEP), run by the Instituto Nacional del Emprendedor (INADEM, National Institute of the Entrepreneur) in the Mexican Ministry of the Economy, supports innovative SMEs through a matching grant scheme to improve their development and increase their capabilities to succeed. The program's main objective is to promote innovation to boost productivity and employment growth in the SME sector. The HIEP targets firms with either high growth impact potential or high social and environmental impact. Firms are required to offer an innovative product or service, or an innovative component in their business model.

However, after three years of running the program, there is concern whether the program is achieving the expected results, whether the design of the program is the most effective to maximize its impact, whether firms with high impact potential are being properly identified and whether this type of entrepreneurship needs government's assistance to grow.

Intervention

The evaluation has two key elements. First there will be two different selection panels. By comparing outcomes with the scores of the two panels (and its subgroups for the VC panel), we hope to understand which selection mechanisms best identify high-impact entrepreneurs. Second, not all eligible firms will receive grants, allowing us to tease out the impact of matching grants on firm performance.

Evaluation Design

As the figure below shows, eligible firms will have their business plan and pitches judged by only the traditional panel, only the expert panel (or venture capital, VC), or by both. At this stage, the research team will gather the judge's scores, which include entrepreneur profile, project viability, and project's scalability. These scores, along with administrative data from application and face-to-face survey will consist baseline data. This will

be followed-up by two further face-to-face surveys and a series of short online surveys.
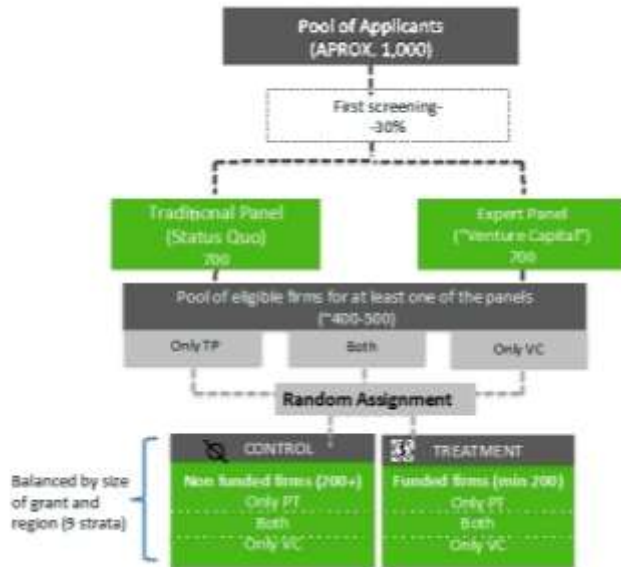
Policy Relevance

This evaluation will focus on a type of SME that has not been broadly explored in empirical analysis: innovative small companies with high growth potential. It will therefore generate knowledge about what works and what does not for this type of SME in the context of a middle-income country, and can provide insights to improve other programs aimed to target high impact entrepreneurs, as well as many matching grants programs in other emerging markets. This knowledge gap is increasingly relevant for the World Bank Group. In January of this year, INFODEV launched an 18-month study on growth entrepreneurs in developing countries. The objective of the study is to understand what the main obstacles are for these entrepreneurs and what policies can help to promote high growth entrepreneurship. Currently, the follow up of the firms is still going. Due to the change in Mexico's government administration, the data collection will be on a later stage. Nevertheless, the future results will be important for the SMEs support programs of the new government.

Materials

Methodology Note

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