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Business Incubator Financing and Financial Services in Chile

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Abstract: Business incubation in Chile is still in its nascent stages, with approximately 20-25 incubators supported primarily by a coalition of government and universities. Chilean business incubators tend to capitalize on regional resource strengths and have a strategic focus on high growth, high innovation, high impact businesses as a result of a government mandate to focus on developing business with high potential for economic development and job creation. The government's efforts to organize risk capital for early stage ventures to fill market capital market gaps and its support for angel networks as well as incubator funding are noteworthy. This paper provides an overview of the business incubation landscape in Chile, with special emphasis on incubator sponsorship and funding, services (both tangible and intangible) provided by incubators to their client firms, and the associated roles of government, academia and industry/incubator networks in fostering the growth of new ventures by creating a fertile environment for entrepreneurship.

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Keywords: Business incubation in Chile, incubator financial services, incubator services, government role in incubator development.

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Chile has a nascent, but growing business incubation industry with approximately 25-30 incubators (AccessNova Interview, 2006), making it the second largest incubation market in South America after Brazil. Since the early 1990s, the government has been investing heavily in business incubators to promote entrepreneurship. While government support of incubation in Chile is fairly ubiquitous, universities also play an important role by providing education and training, R&D transfer and other in-kind support, along with private investors, in creating a healthy innovation ecosystem to foster new venture creation and growth. Santiago Innova, the first incubator in Chile, was started in 1992 by the municipal government of Santiago, with the objective of creating jobs for the local economy (Santiago Innova, 2009). Since that time, the number of incubators in Chile has grown to approximately 25-30, with many of them concentrated in the urban center of Santiago and some of the rest spread out in the north and south in Iquique and Puerto Montt. Though still relatively small in number when compared to Brazil's 400-plus incubators, the Chilean model of incubation represents a concerted effort by government, universities and industry to foster new ventures through a systematic and well-organized infrastructure of support, with noteworthy attempts by government to organize risk capital for early stage financing of new ventures as well as different types of support for incubator funding and angel network development.

Out of the 25-plus incubators in operation Chile today, 21 of them are formal, that is, they are, first, members of the Chilean Incubation Association (Chile INCUBA), a trade association of business incubators, and, second, are financed through the Chilean Economic Development Agency (CORFO), the government agency that deals with small

business and entrepreneurship. The focus of Chilean incubators is on a wide variety of industries, with two particular things in common: high growth (i.e. doubling its sales per year) and innovation in products, services, or business model (Octantis Interview, 2006). The incubators are distributed geographically throughout Chile, so that every region has the capacity, resources, and expertise to support a potentially high-impact and creative business. Because innovation and high growth are CORFO's mandates (CORFO interview, 2006), all formal Chilean incubators, which are financed primarily through CORFO incubators, usually look for projects that will satisfy these two requirements. In this context, innovation is defined in rather broad terms and does not have to be high-tech; innovation can be demonstrated in products, services, or business models. While the primary focus is on fostering innovative companies with high growth potential, the government also looks for economic impact in terms of job creation in economically disadvantaged regions.

Incubators in Chile are designed to capitalize on regional resource advantages and to meet the specific economic needs of the particular region in which they are located. For example, the regional incubator in Iquique looks for innovative projects that take advantage of the region's geographic potential, such as mining, marine agriculture and tourism (Incuba Unap, 2009). Similarly, in accordance with CORFO mandates, Octantis in Santiago works with a variety of small firms in sectors such as, mining, health care, the food industry, food technology, environmental solutions, call center technology, tourism, security, financial solutions, and community special interests (Octantis Interview 2006).

The purpose of this paper is to provide an overview of the business incubation landscape in Chile, with special emphasis on incubator sponsorship and funding, services

(both tangible and intangible) provided by incubators to their client firms, and the associated roles of government, academia and industry in fostering the growth of new ventures by creating an environment for entrepreneurship. The paper is organized into two parts: the first part provides a description of the qualitative data collection methods used in this study. The second section specifies the research questions along with key themes that emerged from a content analysis of the interview data as well as the archival literature gathered from the incubators. Findings regarding the growth and impact of incubators in Chile are discussed in the concluding section.

Method

The paper is based on research that represents findings from seven structured, on-site interviews conducted with key business incubator stakeholders in Chile. Incubator managers and staff, policy makers and academics were interviewed for this study. The interview instrument for the semi-structured, in-depth interviews was developed after a thorough literature review and revised on the basis of pilot interviews conducted in the United States, as well as the authors' experience gained from similar interviews in the United States, Thailand, China and India. The pilot interviews served as a pre-test for instrument validation and changes were made to the interview instrument based on the findings and comments. The instrument was pre-tested and adapted to the Chilean environment by scholars and consultants with extensive experience in Latin America. The instrument was first translated from English into Spanish and then translated back by a Spanish-speaking colleague. It was then proofread and modified by another native Spanish speaker from an academic environment to ensure the accuracy of translation. The semi-structured interview format was selected, since this modality provides for focused

and systematic information collection, while allowing the interviewee to provide relevant contextual information appropriate to each case.

For each incubator visited, the president, vice president, or director/manager in charge of corporate affairs was interviewed. They were selected as key informants, since they were in the best position to provide an overview of the incubator's strategic direction, as well as its history and background. At the federal level, a person from CORFO was interviewed. Most of the interviewees spoke fluent English; an interpreter was used only in two cases, when the interviewees did not feel comfortable communicating in English. The interviewees were provided a copy of the instrument in Spanish either prior to the interview by e-mail, or handed a copy of the interview instrument at the beginning of the interview in Spanish as well as in English. All interviews were digitally recorded with the interviewee's permission and transcribed for analysis. On average, each interview lasted for 1.5 hours.

Research questions:

The following research questions were used to guide the structured interviews and the results of the study are organized along the same lines:

1. Who are the primary sponsors of incubators in Chile and how does this sponsorship impact funding for incubators and their strategic focus/ services?
2. How does Chile address gaps in the financing chain for new ventures, particularly in the early stages when risk levels are very high, and how do incubators address financing needs of incubatees through their service mix?

Sources of Incubator Support/Funding

Business incubators around the world are usually funded by a coalition of government, universities, private institutions, research centers, or a mixture of all those. The leading sponsor normally plays a major role in determining the desired outcomes of the incubator (Lalkala, 2001). Driven largely by a congruence of interests and overlapping goals, the main sponsor often partners with other institutions to support incubators (for example, government with universities or research institutes). Some of the partner entities mostly offer in-kind services, but they too look for innovation, research commercialization, and faculty/graduate student involvement as it serves their interests. Business incubators typically utilize a combination of three types of revenue models (*info*Dev Incubator Support Center, 2007). The first revenue model incorporates the revenue from rental income from tenants and other revenues derived from client fees for consulting and other services. This "landlord" model can be financially self-sufficient, given "free" buildings and minimum economies of scale. The second revenue model involves the incubator taking an equity position in its more promising client firms and has the potential to generate revenues from sharing in client success or royalty agreements on gross sales and brokerage fees on raising finance. This method however requires substantial initial investment and a great deal of patience, as it may take up to 10 years to generate revenues. The third, and most common, method is to rely on an ongoing sponsor funding, such as the university, government at the federal / state / local levels, of private foundation or industry support.

The Chilean incubation system utilizes a multi-tiered approach to incubator models focused on: 1) high growth, high impact, scalable ventures, 2) technological

innovation, and 3) regional focus or generalist incubators whose primary emphasis is job creation and local economic development. Almost all business incubators in Chile are funded primarily by a coalition of the government, universities, private institutions, or research centers, with government footing the lion's share of the costs of incubator setup and ongoing support through different dedicated lines of funding to support the life cycle financial needs of the incubators. University sponsorship includes both tangible and intangible support in the form of physical space, infrastructure, access to faculty and students, and in-kind services. The majority of incubators are physically located on university campuses to gain access to university expertise and resources. Private funding, which is relatively rare, usually comes from companies who hope later to acquire some of the technologies developed by new ventures at the incubators.

All interviewed incubator managers emphasize the tremendous role of government funding through CORFO, a government agency for the promotion of industry in Chile. However, since government funding is insufficient in almost all cases, other financial sources include partner universities and/or private institutions or investors. For instance, Octantis, the best known Chilean incubator, receives as much as 80% of its budget from CORFO through a government program (Octantis Interview 2006). In other cases there were plural sources of support, i.e. strong university sponsors, as in the case of DICTUC at Catholic University, where almost 35% is sponsored by CORFO (DICTUC Interview, 2006). In another case, the Access Nova incubator is fully owned by the University, but it still receives some funding from the government (Access Nova Interview 2006). Many incubators are able to raise other kinds of funding from various sources to complement government support, private funds in the case of Ventana at the

Catholic University in Santiago, and the incubator at Arturo Prat University in Iquique, infoDev (World Bank) grants in the case AccessNova, at the University of Chile in Santiago, or a combination of public/private support as with Octantis at the Adolfo Ibanez University in Santiago, and DICTUC at the Pontifical Catholic University in Santiago, Chile.

The Chilean incubator funding model indicates that incubators combine various revenue streams, relying mostly on government ongoing support (in many cases for up to 80%), but they also incorporate nominal rental and incubation service fees, and many take equity positions in their client companies to generate funds for ongoing operations. Primary sources of revenue for incubators in Chile are from rental fees, which provide a steady source of financial support in most cases. For example, AccessNova charged tenants a monthly nominal fee equal to US$350 for physical infrastructure and services (AccessNova Interview, 2006). Octantis also calculated direct costs and spread them into monthly payments for companies (Octantis Interview, 2006). Another revenue source for incubators, albeit a long-term one is taking an equity share in their promising incubatees. These are long-term assets, since it typically takes up to 10 years to realize returns and a portfolio of at least 20 companies to spread the risk (*info*Dev Incubator Support Center, 2007). Incubators in Chile often take between 10% (Ventana) and 35% (DICTUC) of an equity share. However, incubator managers realize that most of these investments may never realize a return on investment (Ventana Interview, 2006).

CORFO, the Corporation for the Promotion of Production, was established in 1939, as the agency for promoting the national productive development (CORFO: What are we?, 2006). As the government agency for economic development, this institution

provides loans and grants for innovative entrepreneurial businesses, while offering strong policy support for incubators to act as tools of entrepreneurial development. Since 2002, Innova Chile, a CORFO program, has established two lines for financing incubators. The first line is available for the creation of new business incubators providing up to 70% of the cost of the project, with a maximum of 300 million pesos, or about US$520,000 as of 04/09/09 (CORFO, Creacion de Incubadoras, 2008). Eligible candidates include universities and technology institutes. The second line is available for strengthening incubators and it offers 60% of the cost of the investment with a maximum of 300 million pesos, or about US$520,000 as of 04/09/09 (CORFO, Fortalecimiento de Incubadoras, 2008). Eligible candidates are existing incubators linked to universities or technology institutes that have developed successful projects. Each incubator gets, on average, 100 million pesos, or about US$175,000 as of 04/09/09 annually, depending on their projects and results. This support is to last for up to 6 years, with the assumption that incubators will by then achieve self-sustainability. As of 2006, the support was still scheduled to continue for a two year period (for the oldest incubators), but CORFO may re-evaluate these policies and continue its funding (CORFO Interview, 2006).

The government started promoting innovation in 1991 when it created two major funds: the Fund for the Promotion of Scientific and Technological Development (FONDEF), a program of the National Scientific and Technological Research Commission (CONICYT), and the Innovation and Development Fund (FDI), a program of CORFO (Fundacion Chile, 2005). There was also another CORFO grant program created in that period, the National Fund for Technological and Productive Development.

To further foster the environment for R&D, the government has been supporting Fundacion Chile, a “privately owned, non-profit institution, created in 1976 by the Government of Chile and ITT Corporation of the United States” (Fundacion Chile: General Introduction). After several restructuring developments and the merger of BHP Billiton, Escondida Mining as co-funding partner, the Foundation’s vision emerged as, “to become the country's leading technological institution, acclaimed nationally and internationally, for the creation and dissemination of innovative businesses that have a high impact on the institution's target sectors” (Fundacion Chile: General Introduction, 2009). This institution, although not formally an incubator, has been promoting technology transfer through incubating their own businesses in its areas of specialization since the early 1980s (Fundacion Chile: About Fundacion, 2009).

Fundacion Chile has played a very important role in the country's technological development, incorporating new technologies into its production and services sectors. The Fundacion’s biggest contributions to the country include the development of the control and certification of fruit for export, becoming pioneers of the Chilean salmon farming industry, introducing forest securitization as a financial instrument and incorporating human capital as a management basis for education and job competencies, and many more (Fundacion Chile: About Fundacion, 2009).

Services/Financial Services to Client Companies

Chilean incubators seek to promote job creation, economic development, innovation, and high growth by providing a wide variety of services that are typical to most incubators: physical space and infrastructure, business consulting and training, help with funding applications (government and private), patenting assistance and IP

protection, technology transfer, and networking. The main focus, however, seems to be on internal and external networking, assisting incubatees with finding funding, and providing university expertise to the start ups.

All Chilean incubators provided basic administrative services (office space, infrastructure, secretarial and administrative services). However, incubators tended to emphasize high value services such as consulting, training and networking. Consulting covers the gamut from business plan development to marketing, accounting, financial, and legal support, depending on the incubator staff's expertise. Through various partnerships, incubators also provide the technology expertise to assist the commercialization process. Technology-based incubators are also able to provide patenting and IP protection guidance and assistance. Training often includes workshops and coaching the "elevator pitch" so that entrepreneurs are ready to present to investors. Many incubators hosted business plan competitions in order to identify and support high potential, innovative ideas.

Today however, the major focus of Chilean incubators is on networking. This is often done informally as incubators host breakfast meetings with industry experts or bring in professionals to mentor their clients. Often this is of critical importance because these experts provide an objective expert assessment of the business idea. Moreover, these connections have potential to lead to new market access, supplier contacts, or even subcontracting. Incubators like Octantis link a technology entrepreneur with a business entrepreneur so that they complement each other and make the company stronger; the company is stronger because the team is stronger. This exercise goes on for a few months

and if the entrepreneurs “click,” they can formally commit to each other (Octantis Interview, 2006).

In addition to promoting external networking to their clients, incubators have started internal networking amongst clients. Because business incubation in Chile is still in its early stages and most incubators started operating in the early 2000s, historically there has not been a strong networking tradition. The Chilean Association of Business Incubators, Chile INCUBA, financed jointly by CORFO and by the incubators (DICTUC interview, 2006), was started in 2005 by 14 incubators and although today all formal incubators belong to the association, many incubators still do not see the benefits of belonging to it although they understand its importance.

One of the reasons for the creation of Chile INCUBA was for incubators to be able to raise a unified voice to CORFO with regard to incubation policies (DICTUC Interview, 2006). The objectives of Chile INCUBA are to strengthen support for the innovation process, to promote the role of business incubators as an interface between the scientific / technological sectors and business, to establish communication links for a continuous exchange of information and experiences between the various entities involved in incubation efforts, to serve as a representative voice for incubators at a national level, and to develop and train human resources in the management of incubators (Chile Incuba: About Us).

Financial Services to Incubatees

Many incubators in Chile provide access to financing for their client firms, but few have the resources to invest directly in their fledgling incubatees. Hence, government money is the most popular source of funding for entrepreneurs. Incubator staff spend a

significant amount of time helping entrepreneurs apply for federal funding through the Capital Semilla program, or to NACE, a government backed banking system initiative that provides loans of up to US$80,000 to clients with no commercial history, but a viable business plan (CORFO Interview, 2006). The technology-based incubators, whose clients include scientific or technological entrepreneurs, often help their tenants apply to CONICYT funds for research and prototyping money.

Incubators also connect their clients with angel investors and often train client entrepreneurs in their "elevator pitch" and how best to defend their idea to angel investors. Octantis estimated that it has helped its companies get US$1.2 million of angel capital (Octantis: Business Empowerment, 2006), which is usually invested in only a few promising companies and not spread out across all of them. In fact, many interviewees feel that it is very difficult to get private/angel investment, mostly because of the risk-averse nature of investors. Some incubators have established their own angel networks (like Octantis). However, the government has recently started a national angel network whose operation and administration is being financed by CORFO. Having recognized the value of an organized nationwide angel network, the government has stepped up to sponsor the creation and administration of an angel network.

All incubator managers interviewed concur that there is a significant gap in the funding process for new ventures. CORFO provides 6 million pesos, or about US$10,400, as of 04/09/09 (US$12,000 at the time of interview due to currency exchange rate differences), for initial development, and then 40 million pesos, or about US$69,300 as of 04/09/09 (US$80,000 at the time of interviews due to currency exchange rate differences), for subsequent operations. Private investors usually invest US$300,000 in

later stage projects. The capital market financing gap between the US$80,000 (in 2006; in early 2009, it's about US$69,300 due to currency exchange rate differences) and US$300,000 pose the biggest risk, and is now one of the main challenges for entrepreneurs and incubators.

Role of Government/University/Industry

Since incubators are a tool of economic development, governments across the world tend to invest in incubation to various degrees. The role of government is to develop the policy framework and supporting infrastructure and provide initial financing to help catalyze the new venture's growth. Industry involvement is usually demonstrated through mentoring, in-kind support or subcontracting, and it occurs when incubators have shown success or as a social responsibility tool (Lalkala, 2001). Corporate incubation programs, still a new concept and the purest form of industry involvement, work with clients to meet company objectives, often to spin in innovations or to spin out companies built around their own research. In addition, the role of universities is often crucial as many incubators are either sponsored by a university or are usually physically co-located in one. Incubators in general use universities as a source of technology and many seek to leverage university research efforts by providing a path to commercialization (O'Neal, 2005).

The lack of financing opportunities for early stage innovation, R&D, and commercialization is an issue that has been federally addressed by the Chilean government in recent years. The government is trying to serve as a catalyst for entrepreneurship and innovation by starting new financing programs, restructuring old ones, or acting as a facilitator between entrepreneurs and the private industry.

Government funding through CORFO is the biggest and most popular source of money for entrepreneurs. In 2001, the Capital Semilla (Seed Capital) program was started, later restructured in 2005. To apply for government funding, the entrepreneur is required to work with a CORFO-approved sponsor which might be an incubator, or the local Chamber of Commerce. The seed capital program provides two lines of funding (L1 and L2) for entrepreneurs. The first line, L1, provides up to 80% of the cost of the total project with a maximum of 6 million pesos, or about US$10,400 as of 04/09/09 (was US$12,000 in 2006 due to currency fluctuations) for a period of 5 months (CORFO, Capital Semilla Estudios de Preinversion, 2008). During this time, the entrepreneur can spend the money on market research, business plan development, and the formalization of the business. Only 1/6 of this money (1 million pesos, or about US$1,732 as of 04/09/09) can go to the sponsor. The second L2 line provides up to 90% of the total project with a maximum of 40 million pesos, or about US$69,300 as of 04/09/09 (was US$80,000 in 2006 due to currency fluctuations) for the operations and strengthening of the business and IP protection (CORFO, Capital Semilla Apoyo a la Puesta en Marcha, 2008). The sponsor can take up to 6 million pesos, or about US$10,400 as of 04/09/09 (was US$12,000 in 2006) from that money. However, one major disadvantage of the Capital Semilla (Seed Capital) program is that it covers only the business risk, not the technology risk- Capital Semilla funding does not provide for R&D and prototyping. The Capital Semilla program has been very popular among entrepreneurs, as seen in the following table:

Table 1: List of CORFO Approved Projects

Year	Approved Projects	Contribution (millions of pesos)
2001	9	145.500
2002	16	526.529
2003	31	975.838
2004	27	757.051
2005 L1	45	250.190
L2	24	593.985
Total	132	3.249.093

Source: CORFO, Estadísticas (www.corfo.cl) y presentación "Fomento a la innovación y el emprendimiento", 13/1/2006.

CONICYT (The National Commission for Scientific and Technological Research) is another government organization that promotes and funds scientific research. The mission of this public institution is "to promote, strengthen, and disseminate scientific research and technological innovation in Chile to contribute to economic, social, and cultural life" (CONICYT: What is CONICYT). This mission embeds two objectives: (1) promoting human capital formation by developing and strengthening basic science and technology, and (2) "consolidating an integrated system of public support for basic and applied research, phased in terms of the magnitude of the resources granted, the duration of the initiatives supported and the number of researchers involved" (CONICYT: What is CONICYT).

The government has increased the budget of CONICYT by 24.3% to US$90.277 million, out of which 79% goes to funding the scientific and technological programs (CONICYT: Budget CONICYT). Of these programs, Fondef is particularly aimed at financing R&D projects, defined as "those targeted to produce innovation processes, the

development of new products or services or other technological innovations whose industrial application or incorporation in the market or in the respective social sphere, whether consequently the results of the projects" (CONICYT: Program Fondef).

Aside from the initial government investment, entrepreneurs have no choice but to turn to the private sector. These are usually business angels who invest smaller amounts of money (usually US$20,000-$30,000). It usually takes at least 4-5 angels investors to accumulate the necessary amount for the company. The government has also realized that there is not enough private funding for entrepreneurs. In 1996, it started its risk capital F1 line program which matched every 1 peso of private money invested. This did not seem to attract more private investors, though, so in 2005 a second line, F2, was started. This program provides 3 pesos for each peso invested. The last resource for entrepreneurs is to seek bank loans. Banks in Chile have traditionally not been very friendly for start-ups, usually requiring a commercial history of activity and collateral. Recently, a first banking initiative, in partnership with the government, was started under the name of NACE ("born" or "birth"). It is the first time that banks are giving loans of up to $80,000 to entrepreneurs with no commercial history (CORFO Interview, 2006).

The study of the environment for business incubation in Chile led to a clear consensus regarding the role of the government in promoting, funding, and fostering entrepreneurship and incubation. CORFO funded all major incubators in Chile and offered many programs for entrepreneur funding (Capital Semilla, F1 and F2 lines, etc.). CONICYT, another government body, is also a major player in funding research and development projects. The government partnership with the banking industry to start the NACE initiative is yet another example of its strong focus on entrepreneurship. All

incubator managers were in consensus that, without the government support they received, the incubators would not be able to operate.

Because of all of this support, CORFO is able to mandate some rules for entrepreneurs and incubators. CORFO supports projects that bring together high-growth potential with innovation and research (CORFO Interview, 2006). The government did not set up strategic goals for incubators although it used some performance indicators to evaluate them (number of incubated companies, number of graduated companies, level of sales, number of employees, seed capital granted to tenants, taxes generated), which was then used to determine future incubator funding. On the other hand, it was evident that CORFO had created a lot of bureaucracy and red tape that sometimes restrained the enthusiasm of entrepreneurs.

University involvement in Chilean incubation efforts is historically very strong. All major incubators in Chile are either funded to some degree or work closely with universities. Faculty and students serve as major resources for project development and commercialization for university related incubators in many instances. Locating a business incubator on campus provides a wide variety of opportunities, like in-house technology development and commercialization, experiential learning for students, faculty engagement, fostering innovation and thus contributing to economic development and society at large, partnerships with government and industry, and finally, media attention. Universities often provided funding for incubators and infrastructure at no cost in light of the multiple benefits that flow to them from housing an incubator.

Industry involvement in Chile is not as strong and visible when compared to university and government participation. Only few incubators, like Ventana, were able to

raise private money from corporations for incubator funding. Corporate investment is usually limited mostly to investments in selected incubated companies that have potential innovations in fields related to their businesses. Other industry involvement is mostly demonstrated in strategic alliances with incubators. Corporations also tend to get involved in business plan competitions by serving as judges and sponsors. In that way, they are exposed to innovative ideas and are able to promote and capitalize on new, innovative ideas and technologies.

The table below summarizes the motives behind the involvement of these institutions with Chilean incubators.

Table 2

Group involved	Benefits
Government	Promotes national initiative of innovation and R&D; generates jobs, incomes and taxes; promotes regional development; forms partnerships with industry and universities; creates dialogue between key stakeholder groups.
Universities	Helps commercialize academic research; utilizes faculty and students; provides experiential learning opportunities; engages with business and community; promotes networking with other universities; and promotes community engagement.
Businesses	Provides access to innovative ideas and creative people; develops opportunities for acquisitions/joint ventures; and provides good marketing and community engagement.

Table 2. Adapted from Lalkala, R. (2001). Best Practices in Business Incubation: Lessons (yet to be) Learned. *International Conference on Business Centers: Actors for Economic & Social Development.* Brussels, November 14-15. http://www.bii.ge/eng/studies_&_Papers/LALKAKA_UK.pdf. Accessed November 14, 2007.

Conclusions

Chilean incubation is still in its early stages. Government and universities act in concert to support incubation efforts in Chile, with government playing a predominant

role through funding and policy support for incubation efforts. It is noteworthy that the government in Chile provides financial support for creating incubators, several lines of funding for early stage new ventures, as well as financial and operational support for angel networks. The emphasis for the most part is on high growth, high impact, and scalable ventures. A paucity of new ideas and entrepreneurial talent was one of the main stated concerns, along with the financing gap for early stage growth of new ventures. Incubators in Chile appear to operate under clearly stated government guidelines and performance metrics. A summary of key metrics for Chilean incubators is provided in the table below.

Table 3

Investment focus	**Revenue Sources**	**Main Strengths**	**Performance Metrics**
-high growth -innovation - entrepreneurial capability - fit with regional / local resource strengths	-equity - fees - commission on private investment	- networking support - own angel networks - strengthening client teams - focus on geographical potential	- number of applicants and incubated companies - number of clients who raise CORFO and private funds - total sales of clients - number of graduated companies

While the government has been providing support for new ventures through dedicated lines of funding for early stage ventures, an area for improvement seems to be the financing gap between US$80,000 (or the US$69,300 as of 04/09/09) and US$300,000. The risk capital line F2 was designed to encourage private investors to

invest more money with the intent of filling this gap. Angel networks appear to be gaining in popularity with the establishment of government supported angel networks. However, incubators need to work on formalizing their networks to make them more effective. Chile Incuba is the first step in this process but it needs to educate incubator management on its benefits.

Also, incubators need to assign their best resources more selectively to their high potential projects. For example, Octantis incubator has about 30 projects, out of which it believes 6 have high potential to make money. However, at this time, staff in many of the incubators is devoting an equal amount of time to all projects. Incubators need to consider allocating their resources where there is the most potential. Currently, the average client base of Chilean incubators is between 1 and 17 (Chile Incuba: That is Incubation), with a primary focus on the high value services such as consulting and networking. Incubators in Chile appear to be moving towards the "networked" incubator model by which they are able to share resources and experience. This is a positive sign because it shows their willingness to learn and cooperate with incubators within the country and abroad. Although Chilean incubation is still in its nascent stages, the country, particularly the government, in conjunction with universities, is showing commitment to the development of innovative, high impact entrepreneurship which bodes well for the future growth of this activity.

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