



Public policies to support MSMEs in Latin America and the Caribbean

Economic and Technical Cooperation

*Regional Meeting on Public Policies for the Promotion and Support of SMEs
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F O R E W O R D

This study on public policies to support MSMEs in Latin America and the Caribbean was prepared in compliance with Activity II.2.1 of the Work Programme of the Permanent Secretariat for the year 2014, entitled "Latin American and Caribbean Forum on public policies to promote and support SMEs". This activity responds to the need to identify the progress made in the implementation of best practices in our region on public policies to support the participation of SMEs in regional value chains. To that end, a compilation was made of the information presented during three subregional workshops held in La Paz, Bolivia; Tegucigalpa, Honduras; and Port of Spain, Trinidad and Tobago.

During its planning and design, this study focused on three basic objectives: support the initiatives and efforts of the Member States of SELA for the effective implementation of strategies and instruments to support micro, small and medium-sized enterprises (MSMEs) through advice, technical assistance and cooperation; gather and disseminate information on best practices in the design and implementation of public policies, as a result of efforts of the countries in the region to support MSMEs; and promote meetings among the various actors involved in the development of policies to support MSMEs for the exchange of experiences, implementation modalities and analysis of the different actions.

The document was prepared with three purposes: gain knowledge about the status and recent development of public policies to support MSMEs in Latin America and the Caribbean; identify instruments and actions which, due to their innovative character and relevance, may be used for future exchange of experiences and best practices; and identify common problems and concerns in several countries of the region that may be used for exchange of experiences, support, or follow-up by SELA or other agencies interested in promoting micro, small and medium-sized enterprises.

The first chapter of the document focuses on the importance of public policies for the development of SMEs, institutional aspects and challenges faced by the countries, while the second chapter presents the main conclusions and initiatives arising from the aforementioned subregional workshops.

Finally, the document offers a number of recommendations for a future study on the issues analyzed herein. The Permanent Secretariat wishes to express its gratitude and recognition to Dr. Carlo Ferraro as a consultant and his team, Carlos Aggio and Rubén Azcúa, for their valuable efforts in carrying out this study.

EXECUTIVE SUMMARY

This study focused on three basic objectives, namely: support the initiatives and efforts of the Member States of SELA for the effective implementation of strategies and instruments to support micro, small and medium-sized enterprises (MSMEs) through public policies that stimulate the performance of such companies by means of advice, technical assistance and cooperation; gather and disseminate information on best practices in the design and implementation of public policies that reflect the efforts made by the countries in the region to support MSMEs; and promote meetings among the various actors involved in the development of policies to support MSMEs for the exchange of experiences, implementation modalities and analysis of the different actions.

The first chapter of this report presents a brief description of the status of public policies to promote MSMEs in the region. This overview includes policy initiatives that are being implemented in some member countries that sent representatives to the workshops. The second chapter includes some outstanding elements of public policies to support MSMEs in the countries of the region, as well as proposals that emerged from the interaction and debates with public policymakers attending the three workshops held in Bolivia, Honduras and Trinidad and Tobago. These proposals serve as the basis for designing, implementing and following up a work programme on public policies to support MSMEs in Latin America and the Caribbean. The third section presents brief recommendations arising from both the study and the three workshops.

This analysis suggests that it is necessary to increase the relative importance of policies to support MSMEs and productive development in the context of State policies. Accordingly, it is necessary to attach priority to policies, allocate resources through budgetary improvements and ensure the continuity of policies through agreements and by consensus.

The design and implementation of effective policies requires the adoption of a conceptual approach and the implementation of new management methods and practices that should lead to the establishment of flexible and strong institutions. To formulate efficient policies, it is necessary to use good quality regular information that enhances the ability to design, implement and evaluate policies with the support of qualified technical personnel. In addition, the conduction of the three workshops resulted in a number of initiatives which, if supported in the future, will be an important contribution to the design and implementation of policies to support MSMEs in the region. Among these initiatives is a proposal to organize a regional network, in order to ensure the continuity of the working groups of said workshops, and to work on the following topics: statistical information systems; mechanisms to monitor and evaluate public policies; productive articulation, internationalization, entrepreneurship and innovation.

INTRODUCTION

During its planning and design, this study and consulting activities focused on three basic objectives, namely: support the initiatives and efforts of the Member States of SELA for the effective implementation of strategies and instruments to support micro, small and medium-sized enterprises (MSMEs) through public policies that stimulate the performance of such companies by means of advice, technical assistance and cooperation; gather and disseminate information on best practices in the design and implementation of public policies that reflect the efforts made by the countries in the region to support MSMEs; and promote meetings among the various actors involved in the development of policies to support MSMEs for the exchange of experiences, implementation modalities and analysis of the different actions.

Against this background, this document was prepared with three purposes: gain knowledge about the status and recent development of public policies to support MSMEs in Latin America and the Caribbean; identify instruments and actions which, due to their innovative character and relevance, may be used for future exchanges of experiences and best practices; and identify common problems and concerns in several countries of the region that may be subject to exchange of experiences, support, or follow-up by SELA or other agencies interested in promoting micro, small and medium-sized enterprises.

To that end, a research methodology was carried out on the basis of a review of available secondary information sources and consultations to political and technical authorities in charge of SMEs in the various countries of the region during three workshops. The process began with an analysis and a review of the literature on policies to support MSMEs in Latin America and the Caribbean. This task was based on the work of specialized consultants and studies prepared by different institutions (such as the IDB, the European Union, UNIDO, OECD, CAF), as well as the efforts made by ECLAC through the Productive and Business Development Division. In addition, the experience of the team of consultants in the design and evaluation of policies to support SMEs resulted in a preliminary diagnosis that was shared by the authors with policymakers at the subregional workshops.¹ Such participatory mechanisms created a space where attendees could validate or correct those aspects of the evaluation they considered necessary. Likewise, the direct contact with national policymakers led to the identification of recent initiatives that are worth mentioning given the results and of concerns and priority areas for future joint work.

Following this brief introduction, the document is composed of three sections. The first chapter of this report presents a brief description of the status of public policies to prom

ote MSMEs in the region. This overview includes policy initiatives that are being implemented in some member countries that sent representatives to the workshops. The second chapter includes some outstanding elements of public policies to support MSMEs in the countries of the region, as well as proposals that emerged from the interaction and debates with public policymakers attending the three workshops. These proposals serve as the basis for designing, implementing and following up a work programme on public policies to support MSMEs in Latin America and the Caribbean. The third section presents brief recommendations arising from both the study and the three workshops.

¹ In order to ensure the participation of the largest number and greatest diversity of countries, the workshops were organized in three cities in different parts of the region: La Paz, Bolivia, on 24 and 25 July (Andean Community and South America); Tegucigalpa, on 28 and 29 July (Central America); Port Spain, on 18 and 19 August (Caribbean).

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Finally, the annexes include a description of the three workshops, the list of participants and the main conclusions arising from each of them.

I. PUBLIC POLICIES TO PROMOTE MSMEs: IMPORTANCE FOR THE DEVELOPMENT OF THE SECTOR, INSTITUTIONAL ASPECTS AND MAJOR CHALLENGES

1. Relevance of MSMEs in the region

MSMEs are important actors for the economic development of Latin American and Caribbean countries. They represent a high percentage of the total number of companies providing a substantial contribution to the development of entrepreneurship. Micro, small and medium-sized enterprises in Latin America represent 95% to 99% of companies in the region, and their contribution is important in terms of employment, less in terms of production and irrelevant as regards direct exports.

TABLES

For a selected group of countries, Table 1 below shows the share by size of the group of companies, with MSMEs being markedly predominant. In countries like Mexico, Ecuador, and Peru, micro-sized enterprises represent more than 95% of the total number of companies.

TABLE 1
Latin America: the weight of SMEs.
Companies by size, 2010
(as percentages)

Proportion of companies by size				
	Micro	Small	Medium	Large
Argentina	81.6	16.1	1.9	0.4
Brazil	85.4	12.1	1.4	1.0
Chile	90.4	7.8	1.2	0.6
Colombia	93.2	5.5	1.0	0.3
El Salvador	95.4	3.8	0.6	0.2
Ecuador	96.8	2.5	0.5	0.2
Mexico	95.5	3.6	0.8	0.2
Peru	98.1	1.5	0.34	0.02
Uruguay	83.8	13.4	3.1	0.6
Trinidad and Tobago	79.6	17,5	2,4	0,5

Source: ECLAC and data prepared by the author based on information of each country (OSC-T&T Year 2007).

Moreover, the contribution of MSMEs to total employment is also relevant. As can be seen in Table 2, countries such as Peru, El Salvador and Colombia reported a contribution of MSMEs to over 50% of formal employment.

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TABLE 2
Latin America (selected countries): proportion of total employment by company size, 2010
 (as percentages)

Proportion of employment by size of company				
	Micro	Small	Medium	Large
Argentina	12.7	19.1	19.9	48.5
Brazil	18.8	21.6	12.2	47.4
Chile	25.0	24.0	14.0	37.0
Colombia	50.6	17.5	12.8	19.1
Ecuador	44.0	17.0	14.0	25.0
El Salvador	66.6	8.6	6.2	18.6
Mexico	45.6	23.8	9.1	21.5
Peru	77.7	10.5	6.4	5.4
Trinidad and Tobago	12.1	28.7	28.6	30.7

Source: ECLAC and data prepared by the author based on information of each country (OSC-T&T Year 2007)

In conclusion, Table 3 includes three indicators that show the economic importance of this segment of companies. For a sample of Latin American countries, the figures indicate that, in terms of employment creation, contribution to GDP, and participation in exports, MSMEs represent a significant share of employment generation (61%), an important but more modest contribution to GDP (30%), and a small amount of direct exports (9%).

TABLE 3
Latin America (4 countries): proportion of employment, GDP and exports by company size

	Micro	Small	Medium	Large
Employment	30.4	16.7	14.2	38.7
GDP	7.3	9.8	11.4	71.5
Exports	0.2	1.8	6.4	91.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC)

* The countries under review are Argentina, Brazil, Chile and Mexico. The table presents the percentage distribution of employment, GDP and exports of each type of company with respect to the total number of companies in the formal sector. Simple averages are used on the basis of official data. The classification criterion of company size corresponds to the definitions of promotion institutions in each country.

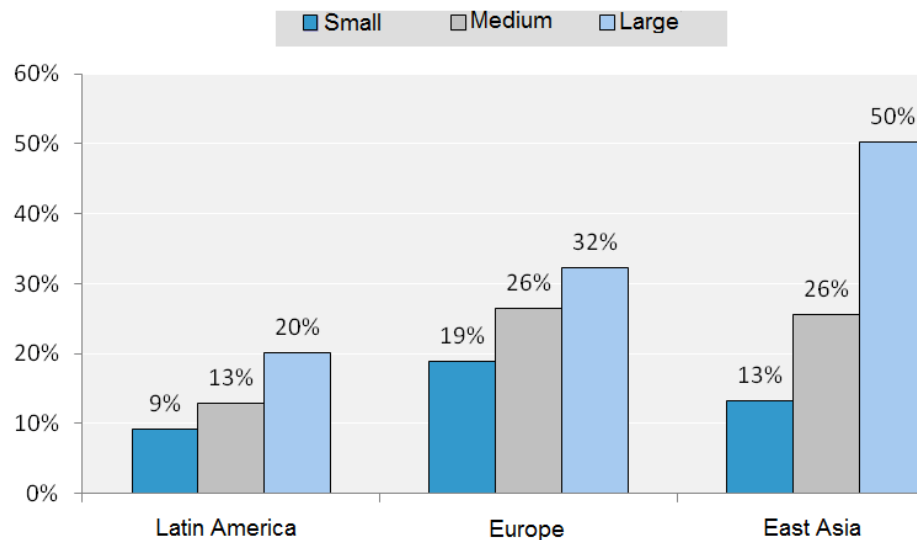
As mentioned in the previous paragraphs, Table 4 presents the share of MSMEs in national exports in countries such as Argentina, Brazil and Chile, where it was barely marginal and minority, which contrasts with the situation of the SMEs in countries of the OECD, such as Italy, Spain, Germany and France.

TABLE 4
Proportion of exports by company size
(as percentages)

	Argentina	Brazil	Chile	Spain	Italy	Germany	France
Micro	0.3	0.1	-	11.1	9	8	17
Small	1.6	0.9	0.4	13.3	19	12	10
Medium	6.5	9.5	1.5	22.6	28	18	15
Large	91.6	82.9	97.9	47.1	44	62	58

Source: "Latin American Economic Outlook 2013 – SME POLICIES FOR STRUCTURAL CHANGE" OECD/ECLAC 2012 (ECLAC: LC/G.2545).

CHART 1
Enterprises that export directly or indirectly, by size and by region, 2009-2010
(as percentages)



Source: "Latin American Economic Outlook 2013 – SME POLICIES FOR STRUCTURAL CHANGE" OECD/ECLAC 2012 (ECLAC: LC/G.2545)

The role of SMEs in development

As regards socio-economic development, special mention must be made of at least four aspects in which small and medium-sized enterprises can play an important role, leading to a process of development productive in economies where productive integration is promoted and technology-intensive activities have greater influence.

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1. SMEs can contribute to the coordination of production chains, strengthening relatively weak links, improving their technological content and incorporating more intensively knowledge in production.
2. The promotion of such a productive articulation process leads to job creation and, fundamentally, job quality. This aspect is also essential to raise average real wages in the economy and assist in the achievement of a better distribution of income.
3. SMEs play a decisive role in territorial development, when policies aim to add value through the processing of natural resources, promote the incorporation of small and medium-sized enterprises in productive linkages and integrate local producers in clusters and value chains that are beyond the local scope.
4. In such conditions, at least one part of small and medium-sized enterprises has the potential to become dynamic companies, if they can operate in a more stable business climate on the basis of solid and coherent policies.

In short, SMEs contribute to improving the competitiveness of the economy as a whole; productive, sectoral and regional development; socio-labour conditions and the distribution of income.

2. Main features of MSMEs and policies in the region

2.1. General features

Three or four decades ago, when the instruments to support smaller companies began to take shape, the first initiatives were created to support small and medium-sized enterprises². Over time, the instruments and policies to support SMEs and the analysis of smaller companies included the micro-sized enterprises. This effort was intended to respond to the demands and needs of such firms, which are taken into account for the initiatives to support and promote the countries in the region. Proof thereof is the fact that, when we talk about micro, small and medium-sized enterprises (MSMES), we refer to a broad universe composed of heterogeneous agents, ranging from subsistence micro and small-sized enterprises to highly competitive medium-sized enterprises, which can operate on the technological frontier and with innovation skills and presence in international markets.

In this context, MSMEs are important actors in the productive development of countries, and make a substantial contribution to job creation and development of entrepreneurship in economic agents of production. In general, MSMEs are very linked to domestic demand and have little participation in international trade, because they have a low degree of internationalization.

Most MSMEs are strongly oriented to the domestic market, with their purchase and sale transactions being concentrated on their relative closeness. This dependence on the domestic market makes them vulnerable to the effects of the crisis on domestic demand. Most of them provide services of products in end markets, but as their relative size and capabilities increase, they gain access to intermediate markets as providers of supplies and parts for other production companies.

MSMEs do not supply to a great extent the markets where they operate; they hold small portions of these markets, even when they are nearby markets.

² As a result of the disclosure of this category of companies according to their size, they were started to be recognized by their acronym SMEs, whose use in Spanish was approved as PYMES by the Real Academia Española.

Very few MSMEs are exporting, and the participation of such companies from Latin America and the Caribbean in exports is lower than that of companies from other regions. Their share in exports is lower as a result of their weak performance in terms of competitiveness, a marked productivity gap with respect to large companies and, to a large extent, a strong orientation of such firms towards the domestic market. In Brazil and Argentina, the participation of SMEs in exports accounts for just over 10% of the national total, while in the rest of the countries it is less than 3% (Ferraro and Stumpo, 2010).

2.2. Structural features

As we have noted, if micro, small and medium-sized enterprises in the region represent between 95% and 99% of companies and if their contribution is more important in terms of employment than in terms of production, we have a category of economic agents also characterized by low productivity.

In the region, within each country, the difference in productivity between these agents and large companies is much higher than that registered in developed countries.

TABLE 5
Relative productivity by company size, 2010
(as percentages)

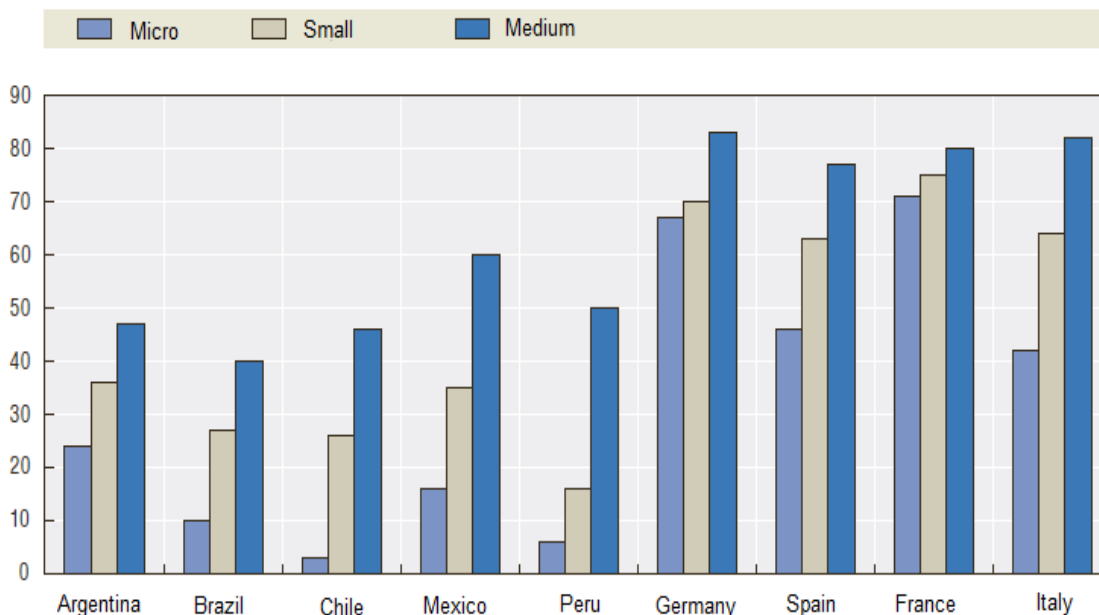
	Micro	Small	Medium	Large
Argentina	24%	36%	47%	100%
Brazil	10%	27%	40%	100%
Chile	3%	26%	46%	100%
Mexico	16%	35%	60%	100%
Peru	6%	16%	50%	100%
Germany	67%	70%	83%	100%
Spain	46%	63%	77%	100%
France	71%	75%	80%	100%
Italy	42%	64%	82%	100%

Source: ECLAC

Chart 2 below shows the information included in Table 5, so that the relative differences in productivity can be clearly visualized.

MSMEs in the region share certain characteristic patterns in their relative productivity levels. On average, MSMEs achieve relative productivity levels that are below those recorded in selected OECD countries. For example, small businesses in the region reach 16% to 36% of the productivity of large enterprises, while small businesses in European countries report 63% to 75% of the productivity of large enterprises. Differences in productivity have a bearing on wage gaps, impacting significantly income distribution and inequality within the region.

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CHART 2**Relative productivity in selected Latin American and OECD countries
(as percentages, productivity of large firms = 100%)**

Source: "Latin American Economic Outlook 2013 – SME POLICIES FOR STRUCTURAL CHANGE" OECD/ECLAC 2012 (ECLAC: LC/G.2545).

3. Evolution of policies and institutions to support MSMEs in the region

In the last two decades, Latin American and Caribbean countries have implemented programmes to support MSMEs, in many cases accompanied by a wide range of actions and instruments that have achieved different levels of effectiveness and scope within the framework of the process of creation and development of institutions. Today, virtually all countries in the region have national institutions that support smaller companies.

In a quick summary of the historical evolution of the issue of public policies to support SMEs on the agendas of governments, it should be noted that some isolated actions for SMEs were taken from the 1970s to the 1980s. While some governments actively intervened in the economy with policies to support particular sectors or groups of companies, SMEs not always occupied a space on the agenda of public policies (Kufas and Goldstein, 2011). In those years, few countries had an entity responsible for SMEs, and when there was an interest in supporting this sector, isolated measures were taken without a comprehensive plan.

In the 1990s, policies for productive development reported a significant change as a result of recommendations of the Washington Consensus and the profound reforms introduced in each country in that decade. In that context of privatization of public enterprises and opening of economies with an impact on the movement of goods and capital, the dominant view highlighted the market as the best coordinator and a good mechanism for allocating resources. As regards policies to support MSMEs, non-selective and non-targeted general horizontal actions prevailed.

In this context, in the middle of this decade, SMEs were attached greater priority on the agenda of governments. In many cases, they were considered a possible solution to unemployment, a

problem exacerbated by the effects of economic liberalization on domestic production (Kulfas and Goldstein, 2011).

Initially, most frequent interventions were financing programmes carried out through first-tier mechanisms. Today, the initiatives cover different areas of intervention with tools that aims to facilitate access to funding, technology, technical assistance, training, foreign trade, public procurement, and promote the development of partnerships, productive agglomerates and clusters.

Although advances have been made in the design of novel and innovative policy instruments in most countries, the effective achievements have been limited and with low impact on the performance of companies. Thus, it can be said that the existing gap between the efforts made and the results obtained is basically the result of low consistency among the objectives being pursued, the instruments used, the programmes and budgets allocated (Kulfas and Goldstein, 2011). This poor performance is also attributed to the development of support institutions and the learning capacity of organizations involved in the design and implementation of policies (Ferraro and Stumpo, 2010).

In general, policies to support MSMEs have greater presence in statements and proposals of governments than in practice with concrete results and verifiable impact on beneficiaries. Although policies to support MSMEs are highlighted in statements and proposals of governments, they are designed and implemented by government officials with insufficient financial resources, few technically qualified human resources and poor-quality information.

The poor results of government actions to support SMEs are due to problems in the design of policies, related to the unclear definition of objectives of public intervention and an incomplete theoretical framework based only on market failures (Kulfas and Goldstein, 2011).

This approach coexists with a structuralist view originated in developing economies, where the SME policy is part of the productive development policy and is oriented not only to solve market failures, but also to create conditions for the development of new markets and new forms of coordination between the public and private sectors (Ferraro and Stumpo2010)

This view is intended not only to correct distortions, but also to generate changes that stimulate the transformation of the productive structure, in order to shape new forms of production with the incorporation of the technological change as a significant variable to access products with higher value added and increasing levels of sophistication. This also means to pursue selective policies to promote the growth of the most dynamic companies and encourage the creation of technology-based firms.

In Latin America and the Caribbean, both approaches coexist without an explanation by governments of the bases for the design of public policies or of the role assigned to MSMEs in the economic development. In some cases, system-wide goals are proposed, but they do not fully materialize in the actions undertaken.

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3.1. Main areas for action of the MSME policy

The countries in the region have tools and services to support SMEs in several areas. Following are the most important fields of action:

- i. Creation of enterprises;
- ii. access to financing;
- iii. technical assistance and training;
- iv. innovation and management improvements;
- v. internationalization;
- vi. productive articulation, and
- vii. public procurement.

During the past twenty years, the countries in the region have promoted initiatives to implement policies to support SMEs based on business cooperation and inter-agency collaboration, in order to improve the productive and competitive performance of companies and to create a thriving, innovative and dynamic business environment. These initiatives are part of the so-called "productive articulation policies" (Ferraro and Gatto, 2010).

While productive articulation policies form part of the public agenda in the vast majority of countries in the region, experiences have been varied in terms of objectives and outcomes. One of the keys to success of public policies to support SMEs is continuity. However, productive articulation policies need time to establish links between the public and private sectors and among enterprises making up clusters.

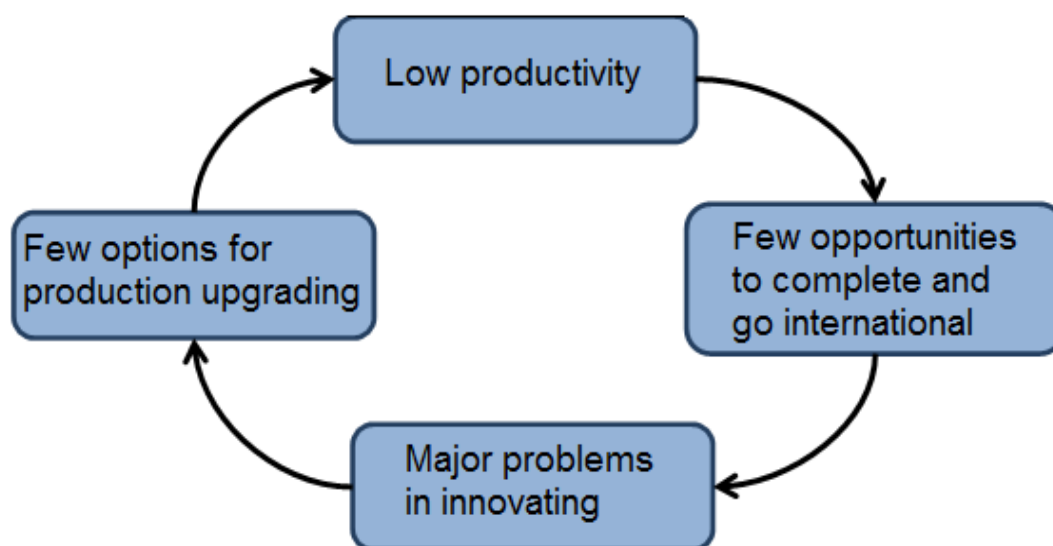
In the last decade, public policy in Latin America has incorporated the objective of promoting the creation of companies, more commonly known as entrepreneurship. Different bodies have reported on the positive evolution of this policy in terms of objectives and instruments. Although this policy seems to focus on micro-sized enterprises, the various dimensions that promotion instruments take on involve both ordinary actors (companies) and institutions making up the entrepreneurial ecosystem (Chambers of Commerce, financing entities, training institutions, accelerators, incubators, universities, technology transfer centres, local governments, etc.) Box 1 presents, by way of example, a summary of entrepreneurial development strategies in Central America.

BOX 1. Entrepreneurial development strategies in Central America

In Central America, under the leadership of CEMPROMYPE, the strategy SICA EMPRENDE was launched. This initiative was promoted by the Heads of State and Government of the member countries of SICA and suggests that entrepreneurship should be at the centre of development policies of countries, encouraging entrepreneurs from a comprehensive and coordinated perspective with an ecosystem approach, which recognizes that developing businesses is certainly a crucial task that requires the articulation and coordination of actors. This supranational strategy has materialized in national strategies and programmes in several countries with the cooperation of the governments of Colombia and Taiwan.

In May 2014, Dominican Republic launched RD-Emprende, which aims to foster the entrepreneurial thinking in order to stimulate the creation of ethical and sustainable enterprises, strengthen the ecosystem to support entrepreneurship, promote the development of a chain for financing entrepreneurs and boost entrepreneurship as cross-cutting pillar at all levels of national education. The goal is to transform dreamers into doers, employers into employees, and to create a socio-economic movement that leverages the country's business platform.

In July 2014, a Strategy for the Promotion of Entrepreneurship in Honduras was launched to foster 'inclusive and sustained economic growth for job creation and poverty reduction, supporting young people and groups of women entrepreneurs, providing them with tools and innovative processes that enable them to push forward as entrepreneurs.' This is carried out through five areas of work consisting of: I) Support instruments; II) financing for seed capital and investment; III) institutional coordination among public and private institutions, academia and activists; IV) mentality and culture (news agency and investment promotion), and V) educational system (training for teachers on the subject of entrepreneurship).

CHART 3**The vicious cycle that limits the internationalization of MSMEs**

Source: Economic Commission for Latin America and the Caribbean (ECLAC)

Furthermore, programmes to promote external insertion basically aims to increase the export coefficient of MSMEs, even though the concept of internationalization, linked to the objective of improving competitiveness, is much more complex than the aforementioned one. The participation of SMEs in exports is small as a result of their weak performance in terms of competitiveness, low productivity and strong dependence on the internal market. In the countries of the region, where SMEs have a greater presence in exports, their participation is over 10%, while in the rest of countries, their participation is less than 3% (Ferraro and Stumpo, 2010).

3.2. Effectiveness of programmes and difficulties resulting from their implementation

Despite the progress made in the design and implementation of programmes and public policies to support SMEs, there are some flaws associated with the limited scope of programmes, few impact assessments, inter-institutional coordination difficulties and, above all, lack of focus in policies, which have vague and even contradictory goals. Apparently, there are no strategic lines that guide public policy initiatives to support MSMEs, which are considered important actors in the economic development of a territory.

It is difficult to draw conclusions and make serious analysis from the scant information available and the few performance evaluations of policies to support SMEs in the region. Many programmes that are released on the institutional Web sites of specialized bodies are not implemented, and many times calls for proposals and projects are confused with activities already carried out; a decisive factor is linked to the meager budgets for the SME policy.

As for assessment, there have not been impact analyses that include the incorporation of quantitative and qualitative variables, while some programmes only provide information on some additional data related to the number of assisted companies.

All the foregoing overshadows a serious discussion aimed at unraveling the myths about policies to support MSMEs, trying to identify the effectiveness of their actions and instruments, the results obtained, the reasons that lead the governments' action and the learning mechanisms to be incorporated to improve the design and implementation of public policies.

3.3. Support institutions: advances

In the last two decades, some important institutional changes raised the level of authorities that promote SMEs in different countries. For example, such countries created secretariats to support SMEs, in some cases at the ministerial level, and depending on the Presidency, they established vice-ministries and specific areas for government action to promote this type of companies (see map of institutions).

However, their inclusion in the government organization chart has not always meant more enforcement power, more political weight and more economic and financial resources.

In fact, the budgetary resources are often scarce or non-existent and the operation of support institutions depends on extra-budgetary resources and contributions from international organizations or international cooperation. In general, support institutions urgently need qualified human resources to meet the new requirements of companies and the economic dynamics characterized by high volatility and uncertainty in the context of a growing globalization.

The way in which SME promotion agencies are formed is one of the factors that affect the planning and effectiveness of policies. The degree of autonomy, budgetary availability, quantity and quality of human resources are some of the elements that define the institutional configuration.

Map of public institutions that support MSMEs in Latin America and the Caribbean



Source: Prepared by the author based on information from each country

Autonomy, availability of qualified human resources and sufficient budgets are some of the features of the agencies making up the institutional framework, although no linear relationship has been established between the existence of these elements and an effective SME policy, since the ideal institutional configuration depends on the features that predominate in each country, the philosophy that lies behind the creation of policies and the needs and potential of companies (Kulfas and Goldstein, 2011).

3.4. Institutional development

Institutional development is key to the continuity of policies and creation of learning and implementation abilities. The environment in which policies for SMEs are implemented is one of the factors determining their effectiveness. The institutional structure of promotion agencies, the prevailing intervention systems and the existing regulatory framework are part of this context or environment in which policies are implemented.

The institutional framework, which is part of this complicated environment, is made up of official agencies involved in the promotion of SMEs, as well as other institutions that implement policies and use specific instruments, including development banks, scientific and technological promotion institutions, centres for the promotion of exports, business chambers, non-governmental institutions, extension agencies, among others.

A common practice in most countries is the use of networks of agencies or centres for the development of MSMEs to guarantee streamlining policies and closer relations with employers. Examples of these are business development centres, extension agencies, among others.

BOX 2. *Business Development Centres*

Several countries in Central America have launched Business Development Centres for SMEs. In this connection, CONAMYPE of El Salvador, in collaboration with other institutions, has been a pioneer in creating 15 Development Centres of Micro and Small-sized Enterprises (CDMYPE), which offer, for free or co-financed with employers, the following services:

- Business consulting
- Advice on the use of information and communication technologies
- Advice on female entrepreneurship
- Financial advice
- Technical assistance
- Training

The Salvadoran model, inspired by the Small Business Development Centres (SBDCs) of USA, was validated in the context of SICA and then 'exported' through South-South cooperation mechanisms to other countries in the region. According to CEMPROMYPE, there are more than 30 Centres operating in several countries of Central America, where such centres have specific features according to the needs and possibilities of each country (Guatemala, Costa Rica, Honduras and Dominican Republic).

Source: Prepared by the author based on information relieved in the Tegucigalpa workshop (28-29 July)

Most countries in the region have incorporated new standards to improve the attention paid to businesses with certain measures, such as those designed to simplify procedures, expand the range of support programmes or facilitate the participation of SMEs in public procurement.

The way MSME promotion agencies are formed is one of the factors affecting the planning and effectiveness of policies. The degree of autonomy, antiquity, budgetary availability, quantity and quality of human resources are some of the elements that determine the institutional configuration.

Several situations coexist in the region, where some countries show a strong institutional development; others have their institutional framework under construction; and some others are characterized by weak institutions (Ferraro and Stumpo, 2010).

Inter-institutional coordination and articulation are essential for the efficiency of policies to promote MSMEs. The goal is for the promotion agencies making up the institutional framework to coordinate actions at the country level, establish networks and incorporate public and private institutions that promote instruments to support MSMEs.

The institutional framework is relevant for MSME policies to gain strength and have an impact. In addition, emphasis should be made on the need for coordination among the different levels of public and institutional authorities (e.g. to achieve a balance between focalization of instruments and second or third-tier schemes that offer greater coverage).

In addition, the decentralization in the implementation of instruments and programmes to support MSMEs, bringing them into the territories where beneficiary companies are, has brought about some positive examples and experiences over the past two decades. However, it has also evidenced the existing difficulties in achieving a greater and more efficient operational decentralization of such instruments by expanding their coverage and geographical distribution. Furthermore, the institutional framework is complemented by a legal framework that provides predictability and a platform to the objectives and instruments of policies to support MSMEs. Most countries in the region have designed regulatory frameworks related to the promotion of MSMEs, and a set of pending tasks has been identified, including the effectiveness of laws and decrees, the focus on objectives for the design of instruments, the best dynamic understanding of problems faced by MSMEs and the incorporation of effective evaluation systems.

BOX 3. CHILE: role of CORFO and SERCOTEC in policies to support MSMEs

The total factor productivity has fallen systematically in Chile, according to the Production Development Corporation (CORFO) and the Adolfo Ibáñez University. While in the 1990s this figure on average reached 1.4%, during this century it dropped by more than half, reaching only 0.6%.

The deterioration is even more worrying considering the structure of the Chilean economy, where most companies are rather small and with scant prospects for growth and survival. According to the information provided by the Internal Revenue Service, in 2012 labour productivity of micro-sized enterprises was 20% lower than that of small and medium-sized enterprises, while all of them covered only one-fifth of the labour productivity reported by large companies.

In this context, the government, through the challenges raised in the Agenda of Productivity, Innovation and Growth, points to a productive transformation that allows for greater productivity through economic diversification. To that end, it is essential to remove the barriers limiting access to production and management techniques in smaller companies, allowing them not only to grow and generate more jobs, but also to participate in the challenges and opportunities of this new proposal.

Among the measures taken to fulfil these objectives, the Production Development Corporation (CORFO) has decided to transfer all programmes for improving management of micro and small-sized enterprises to the Technical Cooperation Service (SERCOTEC). Such programmes include the Associative Programmes for Micro-Sized Enterprises (PAM), *Fomento a la Calidad* (FOCAL MYPE) and the Technical Assistance Funds (FAT). The ChileEmprende centres will also be transferred to SERCOTEC in order to contribute to the creation of the network of Business Development Centres, which will aim to improve the relevance, integration, and coverage of the management support services provided by the State.

1. **Technology Extension Centres** to promote the spread, development and strengthening of technological-productive practices and capabilities of SMEs in certain sectors of the economy. Each Centre should develop a set of coordinated services (diagnostics, specialized consultations, trainings, among others), aimed at improving access to technological solutions.
2. **Strengthening of Capacities for Technological Dissemination** to improve the productivity of enterprises through the development of absorption capacities for innovation. CORFO will co-finance the development of projects that provide access to, disseminate and transfer knowledge, techniques and production practices. Co-financing will also be available for groups of companies that travel to gain knowledge about technological solutions related to their problems; support for professionals and technicians who wish to gain, through internships, relevant knowledge for the company in which they work; and the recruitment of experts to solve specific problems.
3. **Promotion of Productive Innovation** through CORFO's support to business innovation in processes and products with two types of subsidies, the contribution of which could not exceed US\$ 100,000. The first will support the prototype phase of the project, while the second will cover the validation and packaging processes.

Source: Prepared by the author based on information provided by Lorena Farías, CORFO, Chile.

In order to present an approach to the importance of the policy to support MSMEs, Table 6 includes an estimate of the aggregate expenditure of support institutions in selected countries of the region. As can be seen, the allocation of resources is low, less than ten per thousand of GDP.

TABLE 6
Expenditure of institutions that support SMEs, 2005
 (percentage of GDP)

Country	Expenditure	Country	Expenditure
Argentina	0.004	Mexico	0.015
Brazil	0.085	Nicaragua	0.022
Chile	0.030	Panama	0.027
Colombia	0.008	Paraguay	0.005
Costa Rica	0.004	Peru	0.004
Ecuador	0.005	Dominican Republic	0.033
El Salvador	0.019	Uruguay	0.002
Guatemala	0.006	Venezuela (Bol. Rep. of)	0.024
Honduras	0.005	Latina America	0.018

Source: ECLAC

TABLE 7
Objectives of SME policy in Latin America

Objective/Country	Chile	Argentina	Brazil	Ecuador	Mexico	Colombia	El Salvador
Job creation	X ^a	X	X	XX	X	X	XX
Development of human capital	X	X	X	X	X		X
Reduction of market failures	XX	X		X	X	X	X
Greater productivity	XX		X		X		X
Increase of competitiveness	XX	X	XX	XX	XX	X	XX
Innovation	X	X	X		X		X

Source: ECLAC

^a Boxes with "XX" are more relevant than those with "X." Three items stand out as objectives of policies to support SMEs: job creation, reduction of market failures and increase of competitiveness

Table 7 shows a summary of objectives and their degree of importance in a group of selected countries in the region. As can be seen, there is certain uniformity of policies focused on job creation and increase of competitiveness. The objectives of reduction of market failures,

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development of human capital and greater productivity do not arise evenly in the countries included in Table 7.

As for the areas of intervention of the policy to promote MSMEs, Table 8 presents seven different topics for seven Latin American countries. Some policies, such as that designed to promote the creation of companies, focus on micro-sized enterprises, while innovation, technical support and training are directed towards small and medium-sized enterprises.

TABLE 8
Areas of intervention of MSME policy in Latin American countries

	Chile	Argentina	Brazil	Mexico	Colombia	Ecuador	El Salvador
Creation of firms	MSMEs	Micro	Micro	Micro	Micro		Micro
Access to finance	MSMEs	MSMEs	MSMEs	MSMEs	MSMEs	MSMEs	MSMEs
Technical support and training	SMEs	SMEs	MSMEs	SMEs	MSMEs	MSMEs	MSMEs
Innovation and improved management	SMEs	SMEs	SMEs	SMEs	SMEs		MSMEs
Increase in exports	Micro	Micro	Micro	Micro	Micro		SMEs
Productive articulation	SMEs	MSMEs	Micro	MSMEs	MSMEs	MSMEs	MSMEs
Public procurement	Micro	MSMEs	MSMEs	MSMEs	MSMEs	MSMEs	MSMEs

Source: ECLAC

BOX 4. BOLIVIA: Ideas governing public policies to support micro and small-sized enterprises

The Ministry of Productive Development and Plural Economy (MDPyEP) has defined four action lines on public policies to support MSMEs, which have been reflected in its sectoral plan and are described below.

1. **Selective industrialization**, which aims to increase the level of industrialization of manufacturing and agro-industry, coordinating and prioritizing State and private investment in production complexes to generate employment, value added and productive sovereignty.
The MDPyEP is taking action for a streamlined and transparent management in order to reduce time, costs and a number of procedures in the process to create productive units, with an emphasis on MSMEs. For that purpose, it coordinates the establishment of a single window with other public institutions.
The main instruments and programmes are linked to: a) systems of productive information, planning and follow-up that support decision making to measure, evaluate, adjust and redirect policies, plans, strategies, programmes and projects of the sector; b) bureaucracy reduction to eliminate obstacles to the creation and operation of productive economic units, especially subsistence micro-sized enterprises; c) non-bureaucratic, non-patriarchal transparent plurinational public management to optimize the administrative, operational and technical management of entities of the productive sector, improving their processes, developing technological capabilities and implementing quality management systems for the improvement of public management.
2. **Generation, distribution and equitable redistribution of productive resources for actors of the plural economy**, with emphasis on small-scale production and the community economy, to improve and generate decent employment, contribute to overcoming extreme poverty and ensure sustainable livelihoods of the entire population. This policy line aims to ensure equitable access to production financing, training and specialized technical support.
The financial services programme provides for adjusting and diversifying the supply through the implementation of new alternative financial instruments and products, according to the production and reproduction unit method.
Training for production aims to coordinate the production system with the education system by improving the implementation of curricular designs and promoting technical support in the design, adaptation, training, development and implementation of demonstration projects, and advice to public and private institutions in the implementation of projects related to the development of production and management processes).
3. **The policy for improving the terms of trade among the forms of organization of the plural economy, ensuring equity in the distribution of surplus**. This action line aims to regulate, standardize and generate agreements in priority productive complexes to improve the productive and commercial interrelationship among the forms of organization of the plural economy, giving priority to micro and small producers.
Through productive-commercial clusters for small producers, the Ministry seeks to generate spaces where suppliers of raw materials, inputs, accessories or services, industrial transformers, micro and small productive and marketing units, and large corporations converge, enabling buyers of intermediate or final goods to find what they require at a fair price and with adequate quality.
4. **The policy of commercial insertion with sovereignty** that seeks to improve and diversify access to markets with emphasis on small-scale production and transformation of domestic raw materials, expanding the domestic market and the value-added exportable offer to market niches. The main instruments are:
 - a) Incentives for production of micro and small productive units with partnership and protection of domestic market: generation of infrastructure and marketing conditions appropriate for internal trade and promotion of handicraft and value-added products;
 - b) Development and diversification of public procurement of products, so that MSMEs can better access public procurement and contracting processes at their different levels of government;
 - c) Development and diversification of the external market;
 - d) Implement mechanisms to deepen and expand the range of exportable value-added products, so that exporting producers can improve and expand their participation in the external market, supporting entrepreneurship and exporting productive units, mainly from the community social economy, and micro and small productive units through the promotion, search for markets, financing, training and technical support.

Source: Prepared by the author based on information provided by Julio Delgado, Vice-Ministry for Micro and Small-Sized Enterprises, Bolivia.

4. Lessons and challenges from the experiences

4.1 Objectives and strategies

The role assigned to MSMEs in development processes is reflected in the prioritized objectives of policies to promote these enterprises. In general, public policies to support MSMEs in the region cover a range of objectives that, in some cases, is wide and not always coherent and justified. Among the most important goals are: to generate more jobs, promote exports and productivity, improve innovation capacity and competitiveness, foster the development of human capital, promote regional development and reduce market failures.

Beyond considerations related to the focus of the policy (whether neo-liberal or not), the promotion of competitiveness is the most prominent goal within the region. All countries implement programmes for companies to be more competitive, improve their position in domestic markets and can be inserted into international markets. To that end, they implement training, technical assistance and financing programmes to promote technological modernization and innovation and, in some cases, programmes to promote partnerships.

In this connection, increased competitiveness of SMEs, especially of medium-sized and/or dynamics enterprises, implies an improvement for the competitiveness of the economy as a whole. Thus, job creation, reduction of market failures and competitiveness are the three main objectives proposed by the SME policy in the region.

4.2 Design and implementation

The heterogeneity of beneficiaries requires a high capacity to select policies, which would be reflected in the objectives, instruments and modalities for their implementation.

In particular, it should be noted that the policy to support MSMEs should avoid the gradual transformation of supporting instruments into purposes, as has been the case in the last two decades in the region. It is a question of attaching priority to the policy objectives and of designing instruments that must evolve in time within the framework of the policy and its objectives.

In some countries, there have been advances in the design of specific instruments by introducing some distinctions that enable better focus within the universe of policies to promote smaller enterprises. In Brazil, for example, the different stages of the enterprise life cycle are taken into consideration (entrepreneurs who want to start a business; companies that have less than two years of existence; and companies that have more than two years); in Mexico, there are five types of enterprises that reflect the different stages of the potential development of MSMEs (start-ups, micro-sized enterprises, SMEs, the so-called gazelles and trailblazing enterprises). These distinctions determine the allocation of resources and the eligibility of these different types of companies for support programmes; they are a way of targeting public policies to support MSMEs.

4.3. Coordination of public actions and enhanced diagnostic and evaluation capacity

When countries have several public institutions that from different spheres participate in the design and implementation of policies that have an impact on the performance of MSMEs, it is necessary to coordinate such interventions in order to strengthen their impact and effectiveness and avoid duplication of instruments and efforts. This applies to actions among authorities at the

various subnational levels, ranging from national to local areas. Coordination is also required among the different thematic areas, such as science and technology with industry and related fields in agriculture, tourism, etc. In addition, coordination of actions among different institutions in charge of public policies contributes to the creation and strengthening of a truly MSME promotion system.

Despite advances in the field of diversification of financial instruments to support micro, small and medium-sized enterprises, there is a clear-cut division and a lack of complementarity between the design and implementation of financial and non-financial instruments. In this connection, there is still a way to go, coming up with proposals linking financial and non-financial services.

For its part, the region still lacks mechanisms to enhance the knowledge of the characteristics of companies, verify their performance and monitor the results of the instruments applied. Some countries in the region have developed instruments, such as Argentina, with the Observatory on Employment and Business Dynamics (OEDE) and the discontinued MAPA PYME; and Brazil, with the SEBRAE Observatory. However, there is a lack of tradition and culture in the implementation of mechanisms for evaluating instruments and policies.

4.4. Need to focus interventions

In view of the broad range of MSME beneficiaries and the generally scarce resources, it is necessary to define objectives, instruments and intervention methodologies that effectively adapt to the various capacities and potential of companies, taking into account the real institutional implementation capacities.

It is not a question of excluding this or that segment of companies, but to adapt and focus the objectives and support mechanisms to the specific characteristics of the different economic agents, in the context of an analytical framework that defines the role of each business segment.

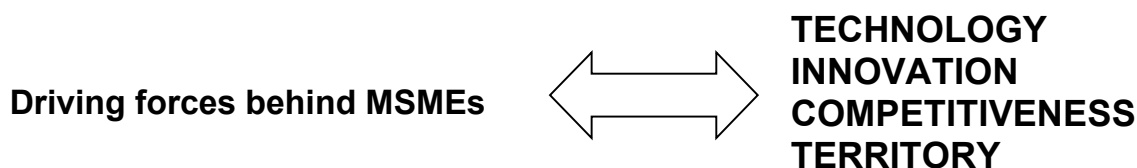
The policy and thus the emerging instruments should understand that the MSME sector is a heterogeneous group, which presents strong asymmetries among its members, not only in size but also in antiquity, sector, growth capability, role of technology, among other factors. Policy makers should fully interpret the demands for support and the logic of action of MSMEs.

4.5. Connection with project for productive transformation of countries

The structural heterogeneity is a distinctive feature of the region, which is evident in the large productivity gaps among sectors and among agents within each sector. In addition, each MSME and each country have their own specific features. The situation of micro, small and medium-sized enterprises is an accurate reflection of the existing heterogeneity in the region.

It is on the basis of these structural features that the policy to promote MSMEs should be conceived and designed as part of the policies for productive development and not in isolation.

In this regard, it is also important to understand that MSMEs are agents making up productive networks, whose development is much more complicated than that of individual agents but whose impact on competitiveness and the socio-economic development of a territory is significant. In this context, it is vital to ensure the continuity of policies and instruments, since these long-term actions involve inter-agency and business links that widely exceed the scheme of market transactions.



4.6. Challenges in promoting policies to support MSMEs

We have noted some progress in the information systems for the design of policies and the assessment mechanisms. However, there is no critical mass of experiences in public policies in the region that include impact assessments with positive results from the use of efficient instruments.

In recent years, some countries have made progress in the reorganization of its institutions (e.g. Brazil, Chile, Uruguay and the Central American countries that have coordinated actions through CENPROMYPE, among others).

Micro-sized enterprises have been incorporated into policies that ten years ago were designed essentially for SMEs, expanding the universe of beneficiaries and the complexity of demands that are not explicit. At the same time, mechanisms for the promotion of the productive articulation through clusters and partnerships have been incorporated into the policy agenda of most countries.

That is why the region is able to go from reporting “innovated experiences” and “successful cases” to having a wide range of instruments with broader scope and coverage at its disposal, organized through coherent and articulated policies. To that end, it is necessary to make some headway from fragile agreements between public and private sectors without the participation of other actors to the development of mechanisms to strengthen the public-private coordination. It is necessary to decentralize the design and implementation of policies in response to the needs and capacities of the various sub-national realities

In the field of public policies to support MSMEs, there are no simple and short-term solutions to structural and complex problems. In order to address them, it is necessary the continuity, effort and commitment not only by the public sector, but also by the private sector and the broad economic and social sectors. In summary, the most important challenges at the institutional level include the construction of a stronger support system that provides for a long-term agreed upon project in the context of a stable and sustainable mechanism, aimed at supporting the process of productive transformation of countries. At this level, it is necessary to generate and incorporate institutional learning processes for the redesign and adaptation of instruments according to the needs and demands, as well as to increase the capacity of human resources in support institutions and improve access to financial resources and budgets.

In addition, it is necessary to increase the relative importance of policies to support MSMEs and productive development in the context of State policies. In this connection, emphasis should be made on attaching political priority, allocating sufficient resources through budgetary improvements and giving continuity to policies through agreements and by consensus.

For the design and implementation of effective policies, it is important to deal with a conceptual approach and address new management methods and practices intended to institutions that are both flexible and strong.

In order to design effective policies, it is necessary to have good quality, regular information that increases the ability to design, implement and evaluate policies with the support of qualified technical specialists.

II. MAIN CONCLUSIONS AND INITIATIVES ARISING FROM SUBREGIONAL WORKSHOPS

Within the framework of this study, three subregional workshops were conducted with the participation of more than 120 people, including public policymakers specializing in SMEs and representatives of the private sector and academia in the region. The first workshop was held in La Paz (Bolivia) and was aimed at the countries of the Andean Community and South America; the second was conducted in Tegucigalpa (Honduras) and attended by representatives of Central American countries; and the third took place in Port of Spain (Trinidad and Tobago) and was attended by the Caribbean countries³.

This section is divided into two subsections and aims to present the main conclusions and initiatives that emerged from the workshops. The first subsection describes the methodology developed especially for this study and includes the topics and speakers for each workshop. The second subsection outlines the major initiatives that, if they are supported in the future, will be a contribution to the design and implementation of SME policies in the region. Among the initiatives are a proposal for a networking methodology to give continuity to the working groups of the workshops, as well as some cross-cutting issues related to statistical information systems, evaluation of public policies, productive articulation and innovation.

1. Methodology of workshops

In general, the workshops were divided into two parts and focused on the development of the following objectives and dynamics.

1.1. Part 1

In all cases, the first part of the two-day workshops began with a formal opening by political authorities of the host country, followed by presentations of different speakers. After the opening session, the first presentation was made by one of the members of the studies and consultancy team hired by SELA. It was aimed at sharing the preliminary diagnosis, developed on the basis of secondary sources, with policymakers in each subregion. Comments, suggestions, and remarks made by participants were incorporated into the study and are included in the first section of this document.

On the first day, some representatives of the countries attending the workshop made presentations. Authorities in charge of the MSME policy briefly explained the current national policy in their countries and future challenges. These presentations were followed by a session of questions and answers. The dynamics of the presentations was intended for speakers to address practical issues on the implementation of the various instruments and the main problems they

³ The full list of participants is included in Annex I. The details of each workshop are available in Annexes IIA, IIB and IIC.

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faced. This enabled participants to identify recently implemented initiatives that, given their successful results, justify their dissemination. In addition, participants could identify concerns and priority areas for joint work that can be addressed in the future. Members of multilateral organizations, such as ECLAC, CEMPROMYPE, ACS and OECS, also made presentations on the activities and work carried out within the framework of these institutions (see Table 9).

TABLE 9
Detail of presentations made on the first day of the three workshops

	Workshop 1 La Paz, Bolivia	Workshop 2 Tegucigalpa, Honduras	Workshop 3 Port of Spain, Trinidad and Tobago.
PRESENTATIONS MADE BY COUNTRIES	Lorena Farías (CORFO)- Chile Fernando Aguirre (Ministry of Industries and Productivity)- Ecuador Blythe Muro (Ministry of Production)- Peru Pablo Villar (DINAPYME)- Uruguay Luis Baudoin (Vice-Minister of Domestic Trade and Exports)- Bolivia Martín Bazarco (Vice-Minister of Micro and Small-sized Enterprises) Bolivia.	Carlos Gunther (Vice-Minister of MSMEs)- Honduras Ileana Argentina Rogel Cruz (CONAPYME)- El Salvador Sigfrido Lee (Vice-Minister of the Ministry of Economy)- Guatemala Ignacio Méndez (Vice-Minister of Promotion of Small and Medium-sized Enterprises)- Dominican Republic Laura López Salazar (Ministry of Economy, Industry and Commerce)- Costa Rica	Alan Cooper (Ministry of Labour and Small and Micro Enterprise Development)- Trinidad and Tobago Juana Franklin-Leacock (Business Development Officer, Ministry's Small Business Development Unit)- Barbados Jeliel Darius (Ministère du Commerce et de l'Industrie)- Haiti Douglas Webster (Ministry of Industry, Investment & Commerce)- Jamaica Audrey Gomes (Ministry of Tourism, Industry and Commerce)- Guyana
OTHER ACTORS OF THE REGION	Marco Dini (Economic Commission for Latin America and the Caribbean - ECLAC)	Ingrid Figueroa (CEMPROMYPE)	Ingrid Jacobs (Association of Caribbean States) Vincent ilbert (Organization of Eastern Caribbean States – OECS)

Source: Prepared by the author based on the agenda for the workshops

1.2. Part 2

The second day of the workshops was attended by international experts, who accompanied this consultancy team and made a presentation on best practices in the SME policy. These presentations (see Table 10) dealt with different issues and instruments that had not been discussed on the first day and focused on working in groups.

TABLE 10
Detail of presentations made on the second day of the three workshops

	Workshop 1 La Paz, Bolivia	Workshop 2 Tegucigalpa, Honduras	Workshop 3 Port of Spain, Trinidad and Tobago.
PRESENTATIONS ON SPECIFIC TOPICS BY EXPERTS	Carlo Ferraro, SELA's Consultant Local development, clusters and productive articulation Marco Dini (CEPAL), Productive articulation	Carlos Aggio, SELA's Consultant SMEs and Innovation Carlos Lopez Cerdah Ripoll, Director of Competitiveness and Comprehensive Training Productive articulation	Rubén Ascúa, SELA's Consultant Internationalization of companies Productive articulation Ana Caroline Suzuki Belluci, (Ministry of Development, Industry and Foreign Trade) Productive articulation

Source: Prepared by the author based on the agenda for the workshops

A work in group on a specific topic, which was intended as a space to identify and discuss the most relevant factors for the promotion of MSMEs in the region, took place in the second part of the second day of workshops. This required participants from different countries of Latin America and the Caribbean to share their experiences and lessons learned. To that end, attendees were invited to choose the group dealing with the issues closest to their interest and experience so that they could contribute their ideas and knowledge. Based on a participatory methodology, each workshop was intended to develop a preliminary diagnosis and to generate proposals for the solution of the key problems that hinder the competitiveness of MSMEs in Latin America and the Caribbean.

Working in groups

Except for the first workshop (La Paz, Bolivia), where all participants formed a single group, the two remaining workshops were divided into two groups (see Chart 2.1). Each working group included a moderator / facilitator, whose function was to trigger discussion among participants. For this purpose, a methodology for collaborative visualization was used so that everyone could present their ideas. Once collected, all ideas were grouped by subject matter with the help of participants and the facilitator. Once a consolidated set of issues or problems to be addressed was created, the next step was to prioritize them, categorize them and make proposals for the design of solutions to the problems detected.

CHART 2.1**Issues addressed by groups in each workshop**

Workshop 1. La Paz, Bolivia	<ul style="list-style-type: none"> • Local development, productive articulation and clusters
Workshop 2. Tegucigalpa, Honduras	<ul style="list-style-type: none"> • Innovation • Productive articulation
Workshop 3. Port of Spain, Trinidad & Tobago	<ul style="list-style-type: none"> • Productive articulation • Internationalization of enterprises

Source: Prepared by the author based on the agenda for the workshops

Exchange of views

Each group prepared a summary of the results of their work, which was presented and discussed in a plenary session. Following are these results:

2. Main results of the workshops

This section includes the main initiatives that emerged from the workshops. While their degree of development and accuracy is unequal, this study presents all the suggested initiatives that, at the discretion of this consultancy team, can be broadly applied to the entire region. For an effective implementation of some of the proposals, it is advisable to address and implement them at the subregional level (as the workshops were conducted).

2.1. Working and monitoring method of workshops

In all workshops, a concern arose to bring these meetings together towards a common work programme. Accordingly, a proposal was made to give continuity to the activities of the workshops through a methodology that could help outline a work programme shared by SELA and other multilateral organizations in the region, such as ECLAC, CEMPROMYPE, ACS and OECS.

Although the proposal emerged as a need for immediate implementation in the first workshop, the organization of the last two events provided all the necessary elements to put it into practice in the coming months. To that end, the following components are suggested:

- i) Identification of the main issues of interest to the institutions (e.g. productive articulation, business development centres, sustainability or escalation of initiatives);
- ii) Dissemination of information on events of interest in which the institutions involved participate;
- iii) Exchange of successful experiences among institutions.

For that purpose, a proposal was made to design a mailing list based on the list of participants. This should serve as the basis for development of the network. Thus, a first activity of the network would be the dissemination of interesting activities (seminars, events, trade missions, etc) in which the institutions are expected to participate or are involved in the organization.

To flesh out the proposal, institutions should indicate their sensitive areas of interest, pointing out one or two subjects on which they will be working during this year as a first approach to the most important concerns in the short term. In addition, institutions could present a positive experience on any of the public policy issues addressed in the workshops. To present this experience, they must comply with some minimum requirements, namely: this experience should be a programme or tool already put into practice (it should not be something to be done); it should have some degree of consolidation and elements confirming its success; it should be documented; and it should be about an experience worth spreading and making known in terms of learning and exchange.

This would make it possible to advance in strengthening links within the network according to specific topics, identifying areas and common problems where there is real interest.

With the leadership of SELA and the involvement of other institutions, this work methodology could be considered the initial form of organization to carry out at least partly the agenda of the following topics.

2.2 Statistical information

In all workshops, there was a strong consensus on the need to improve statistical systems so as to offer reliable, up-to-date and internationally comparable information on the situation of MSMEs in the countries of the region. It must be noted that, in addition to the participation of government authorities in charge of the SME policy in the countries, National Statistical Institutes must be added. It is important to mention that this methodology was applied a few years ago by the Andean Community.

In principle, a workshop could be organized with the following objectives:

- Raise awareness and encourage the implementation of statistical instruments in the countries where no initiative is under way;
- Harmonize the current efforts of the different countries. To that end, a minimum set of questions could be defined by consensus and included in all the instruments of the region, in order to ensure a minimum, intra and extra-regional comparability;
- Seek international funding to implement a long-term regional project, starting with a small number of countries with a view to incorporating new countries gradually;
- Monitor and evaluate public policies to support SMEs.

A strong demand by methodology was identified to assess and analyze what countries are doing in the field of public policies to support MSMEs. In general, special emphasis has been made on showing what they are doing. In some cases, there are process indicators (budget execution, assisted SMEs, inaugurated business development centres, etc.), but there is little evidence of the impact they are having and there are no reports on advances in concepts, such as additionality of resources and sustainability of projects. It is necessary to work on raising awareness of the need to evaluate policies and transferring specific methodologies to evaluate specific instruments (innovation, exports, etc.).

2.4. Productive articulation

This subject, which came up strongly in the countries of Central America and the Caribbean, has little progress and a long way to go. In the case of Honduras, emphasis was made on projects in three different places and sectors, which reflects the high interest in implementing partnership programmes in the Latin American region. In this connection, both meetings and exchanges of experiences could be organized to turn concerns into specific programmes.

2.5. Innovation

Efforts in terms of analyses and policies to promote innovation in SMEs show an uneven development across the region. While the topic has been addressed for years in the countries of the Southern Cone and the Andean region, it has been considered less often in public policy agendas, in particular those oriented towards SMEs, in Central America and the Caribbean. In these countries, several initiatives arose and could be fostered in the future, namely:

- a) Incorporate the issue of innovation into the agenda of CEMPROMYPE for 2015. Although there are other priorities and an additional item may divert attention, evidence shows that CEMPROMYPE gives legitimacy to issues;
- b) Work on statistical issues, including a module on innovation in statistical surveys expected to be carried out;
- c) Based on the low visibility of the issue in business development centres, emphasis was made on training staff that may be confused about the definition of innovation and associate it mostly to ICTs, entrepreneurs or large companies. In addition, a proposal was made to work on the idea of incorporating some service into said centres and designing a financial instrument according to the company size.

CONCLUSIONS

As a result of the three workshops, some initiatives emerged and, if supported in the future, will be an important contribution to the design and implementation of policies for MSMEs in the region. Among the above-mentioned initiatives is a proposal to organize a networking methodology to give continuity to the working groups of the workshops, as well as some cross-cutting issues related to statistical information systems, mechanisms for monitoring and evaluation of public policies and other related issues, such as productive articulation, internationalization, entrepreneurship, and innovation.

RECOMMENDATIONS

In this study, we have noted some progress in information systems for the design of policies and assessment mechanisms in the last decade. However, there is no critical mass of experiences in public policies in the region that include impact assessments with positive results from the use of efficient instruments.

In recent years, some countries have made progress in the reorganization of its institutions (e.g. Brazil, Chile, Uruguay and the Central American countries that have coordinated actions through CENPROMYPE, among others).

Micro-sized enterprises have been incorporated into policies that ten years ago were designed essentially for SMEs, expanding the universe of beneficiaries and the complexity of demands that are not explicit. At the same time, mechanisms for the promotion of the productive articulation through clusters and partnerships have been incorporated into the policy agenda of most countries.

That is why the region is able to go from reporting "innovated experiences" and "successful cases" to having a wide range of instruments with broader scope and coverage at its disposal, organized through coherent and articulated policies. To that end, it is necessary to make some headway from fragile agreements between public and private sectors without the participation of other actors to the development of mechanisms to strengthen the public-private coordination. It is necessary to decentralize the design and implementation of policies in response to the needs and capacities of the various sub-national realities

In the field of public policies to support MSMEs, there are no simple and short-term solutions to structural and complex problems. In order to address them, it is necessary the continuity, effort and commitment not only by the public sector, but also by the private sector and the broad economic and social sectors. In summary, the most important challenges at the institutional level include the construction of a stronger support system that provides for a long-term agreed upon project in the context of a stable and sustainable mechanism, aimed at supporting the process of productive transformation of countries. At this level, it is necessary to generate and incorporate institutional learning processes for the redesign and adaptation of instruments according to the needs and demands, as well as to increase the capacity of human resources in support institutions and improve access to financial resources and budgets.

In addition, it is necessary to increase the relative importance of policies to support MSMEs and productive development in the context of State policies. In this connection, emphasis should be made on attaching political priority, allocating sufficient resources through budgetary improvements and giving continuity to policies through agreements and by consensus.

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For the design and implementation of effective policies, it is important to deal with a conceptual approach and address new management methods and practices intended to institutions that are both flexible and strong.

In order to design effective policies, it is necessary to have good quality, regular information that increases the ability to design, implement and evaluate policies with the support of qualified technical specialists. These aspects are not being duly dealt with in most countries. Given their cross-cutting nature and relevance, they should be addressed together, and SELA's contribution could be of immense help to raise awareness and encourage countries to launch initiatives that could be then financed through their own resources or other sources of international cooperation.

In addition, as a result of the three workshops, some initiatives emerged and, if supported in the future, will be an important contribution to the design and implementation of policies for MSMEs in the region. Among the above-mentioned initiatives is a proposal to organize a networking methodology to give continuity to the working groups of the workshops, as well as some cross-cutting issues related to public policies, such as productive articulation, internationalization, entrepreneurship, and innovation.

A N N E X I

**REGIONAL WORKSHOP ON PUBLIC POLICIES TO PROMOTE SMEs
SELA - VICEMINISTRY OF MICRO AND SMALL-SIZED ENTERPRISES OF BOLIVIA
La Paz, 24 and 25 July 2014**

This workshop was attended by about 20 people, 50% of whom were from Bolivian institutions strongly related to the design and implementation of public policies to support MSMEs, and the rest from various South American countries. A homogeneous group was formed with a suitable size for discussion and exchange of ideas and experiences.

Details about the presentations are shown in the table below, including the presentations made by guests from participating countries and by Consultant Carlo Ferraro.

SUMMARY OF PRESENTATIONS

	Speakers and subjects
Day 1	<p>Special presentation: Carlo Ferraro Public policies for SMEs: Their importance for the sector's development, institutional aspects and future challenges</p> <p>Presentations made by the host country: Luis Baudoin, Vice-Minister of Internal Trade and Exports, Bolivia Martín Bazurco, Vice-Minister of Micro and Small-Sized Enterprises, Bolivia.</p> <p>Presentations made by other participating countries: Lorena Farías (CORFO) - Chile Fernando Aguirre (Ministry of Industry and Productivity) - Ecuador Blythe Muro (Ministry of Production) - Peru Pablo Villar (DINAPYME) - Uruguay Marco Dini (Economic Commission for Latin America and the Caribbean - ECLAC)</p>
Day 2	<p>Carlo Ferraro, SELA's Consultant Local development, clusters and productive articulation Productive articulation</p>

The presentation on the evolution of policies and institutions to support SMEs, dealing with progresses and future challenges in this area, was widely welcomed. A debate was carried out on how to make SMEs participate in the productive transformation process in the countries, by adding value to their production in order to reduce their dependence on non-renewable natural resources and commodities.

On the second day, a single group was organized to discuss the subject of productive articulation, clusters, conglomerates and partnership programmes in response to the interests and the number of participants. The issue was agreed upon by consensus on the basis of the exchanges of the previous day about the partnership programmes being promoted in Bolivia and other invited countries. This gave rise to a workshop that reviewed the current conceptual framework and the main initiatives underway in the region's countries, which can be useful for people working on these issues.

Upon an initiative of the Deputy Minister of Micro and Small-Sized Enterprises of the host country, Martín Bazurco, who underscored the need for these meetings to deal with specific issues and to draft a common agenda, an agreement was reached to ensure continuity of the workshop through

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a network among the participating institutions. As a result, Marco Dini, of ECLAC, made a proposal to continue the activities of the workshops, which could become a shared SELA-ECLAC agenda.

PROPOSED NETWORKING MODALITY

1. Identify the main topics of interest for the institutions involved in the event (for instance, productive articulation, business development centres, sustainability and scaling up of initiatives).
2. Disseminate information about events of interest in which the institutions are participating.
3. Exchange successful experiences.

For this purpose, a proposal was made to prepare a mailing list based on the list of participants, which should serve as a basis to set up the network. Thus, the first activity of the network would be to disseminate information about activities of interest (seminars, events and trade missions, among others) in which the institutions are going to participate or are organizing.

In order to provide contents, the institutions should identify sensitive areas of interest for institutions pointing out one or maximum two subjects that in which they will be working throughout the year, as an initial approach to the most important concerns of the institutions in the short term. In addition, the institutions could also describe a positive experience as regards the topics related to SMEs during the workshops they are carrying out. To present experiences, the institutions must meet some minimum requirements, since the experience must involve a programme with a bit of history (it should not be a plan to be carried out), which has a minimum consolidation and elements enabling to verify its success, which is well documented and is an experience worth being reported and announced in terms of teachings and exchanges.

This would allow for forging links within the network according to specific topics, while identifying common areas and problems where there is real interest.

TRAINING PROPOSAL

Participants in this workshop requested activities to train human resources as regards the issue of productive articulation.

LIST OF PARTICIPANTS

ORGANIZER

Germán Caires, Permanent Secretariat of SELA

FACILITATOR

Carlo Ferraro, SELA's Consultant

SPECIAL GUEST

Marco Dini, Official of Economic Affairs of the Economic Commission for Latin America and the Caribbean (ECLAC)

BOLIVIA

- Luis Baudoin, Vice-Minister of Internal Trade and Exports
- Bárbara Cornejo, Specialist of the Ministry of Economy and Finance
- Carmen Cuevas, Technical officials of the Ministry of Economy and Finance

- José Alejandro Salguero, Head of the Unit of Strategic Planning of the Ministry of Productive Development and Plural Economy
- Gonzalo Helguero Méndez, Head of the Unit of Development and Promotion of the Ministry of Productive Development and Plural Economy
- Mariana Chispas, Official of Bureaucracy Reduction of the Ministry of Productive Development and Plural Economy
- Gary Montaña, Adviser of the Ministry of Productive Development and Plural Economy
- Julio Delgado, Head of Unit of the Vice-Ministry of Micro and Small-Sized Enterprises
- Libertad Zeballos Castillo, Official in charge of Raw Materials and Inputs of the Vice-Ministry of Micro and Small-Sized Enterprises
- Ana Gabriela Gómez, Official in charge of Normalization of Productive Competition of the Vice-Ministry of Micro and Small-Sized Enterprises
- Liliana Vega, Online Consultant of the Vice-Ministry of Micro and Small-Sized Enterprises
- Karim Ramírez Jiménez, Consultant of the Vice-Ministry of Micro and Small-Sized Enterprises
- Cecilia Valda Haquín, Official, Vice-Ministry of Micro and Small-Sized Enterprises
- Yamil Cesar Dávila Gutiérrez, Assistant-Messenger, Vice-Ministry of Micro and Small-Sized Enterprises
- Patricia Quintana, Official, Vice-Ministry of Micro and Small-Sized Enterprises
- Carmina Arguedas, General Advisor to the PRO-BOLIVIA National Coordination
- Verónica Ramos, General Manager of *Banco Desarrollo Productivo*
- Jorge Bohórquez Hurtado, Planning Manager of BDP SAM

CHILE

- Lorena Farías, Adviser to CORFO

ECUADOR

- Fernando Aguirre, Director of Development of MSMEs and Entrepreneurship, Ministry of Industry and Productivity

PERU

- Blythe Muro Cruzado, Director of e-Coordination for Market Articulation, Ministry of Production

URUGUAY

- Pablo Villar, National Director of DINAPYME – MIEM

A N N E X I I

**REGIONAL WORKSHOP ON PUBLIC POLICIES TO PROMOTE SMEs
SELA - VICEMINISTRY OF MICRO AND SMALL-SIZED ENTERPRISES OF HONDURAS
Tegucigalpa, 28 and 29 July 2014**

This workshop was attended by about 40 people, 75% of whom were from Honduran institutions strongly linked to the design and implementation of public policies to support MSMEs, and the rest from various Central American countries.

Details about the presentations are shown in the table below, including the five presentations made by guests from participating countries and by Consultant Carlos Aggio and the special guest, international expert Carlos López Cerdán Ripoll.

SUMMARY OF PRESENTATIONS

	Speakers and subjects
Day 1	<p>Special presentations: Carlos Aggio, SELA's Consultant Public policies for SMEs: Their importance for the sector's development, institutional aspects and future challenges Ingrid Figueroa Santamaría CENPROMYPE's strategy to promote SMEs in the SICA region</p> <p>Presentations made by participating countries: Carlos Gunther, Vice-Minister for SMEs-SSE - Honduras Ileana Argentina Rogel Cruz, CONAPYME - El Salvador Sigfrido Lee, Vice-Minister of Economy - Guatemala Ignacio Méndez, Vice-Minister for Promotion of Small and Medium-Sized Enterprises – Dominican Republic Laura López Salazar, Advisor of the Ministry of Economy, Industry and Trade - Costa Rica</p>
Day 2	<p>Carlo Ferraro, SELA's Consultant SMEs and innovation Carlos López Cerdán Ripoll, Director of Competitiveness and Integral Training Productive articulation</p>

The two working sessions were fruitful and intense. The host country attached great importance and visibility to the workshop and made it coincide with the launching of the National Entrepreneurship Strategy in a ceremony headed by the President of Honduras.

The first presentation was conducted by Consultant Carlos Aggio. It had two objectives. First, to kick off the debates and reflection on current SMEs policies in Latin America and the Caribbean and share successful cases in other countries, and second, to list experiences of Central American countries.

In general, the presentations made by participants contained analytical slides which validated the information shown in Section 1 of this document and described the most important instruments for SMEs in the countries. There are two topics in the policies for SMEs that can be seen in all the countries of the region where CEMPROMYPE operates as a unifying and referential entity in the search for best practices. Those topics are: 1) the Business Development Centres (CDEs) and 2) Entrepreneurship.

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Taking as a model the U.S. Small Business Administration, several countries (El Salvador, Honduras, Costa Rica and Dominican Republic) have established a network of Business Development Centres. These centres have been operating for a few years now, and in some cases months. They do not have an accurate record of their level of activity or the quality of their services, which is an aspect that must be improved in the future. In addition, several countries referred to initiatives with rural microenterprises, artisans and partnerships.

On the second day, two main presentations were made: i) SMEs and innovation and ii) productive articulation.

- With respect to innovation, emphasis was made on the fact that this issue is not included in the regional agenda. Participants expressed interest in the instruments analyzed, but also in raising questions about innovation in the statistics being prepared.
- The presentation served to clarify doubts about the issue of innovation.
- The lack of systematic and reliable information was a hot issue for discussion, and both CEMPROMYPME and the countries are working on that issue. Several countries were interested in the subject of innovation from the statistical standpoint and in accessing the forms of the National Surveys on Innovation used in Argentina and other countries in the region.
- Participants talked about the links between universities and enterprises taking advantage of the participation of several academicians. The presentation on productive articulation was based on the analyses made during the first session about the degree of isolation of SMEs and the concepts of clusters and networking, among others. The speaker gave several examples.
- After the presentations, two groups were teamed up to work on the two issues discussed. Based on the problems identified in their countries, participants could outline concrete initiatives including their justification, objectives and activities.

The two teams outlined three initiatives each:

INNOVATION

- a) Include the issue of innovation in the CEMPROMYPE Agenda for 2015, understanding that there are other priorities and adding another issue would distract attention from them; however, evidence shows that CEMPROMYPE helps to legitimize issues.
- b) Work on statistical topics, including a module on innovation in statistical surveys to be carried out.
- c) Little or no visibility of this issue in Business Development Centres. Participants suggested training staff who are currently confused about what exactly is innovation and associate it to ICTs, entrepreneurs or large companies; in addition to working on the idea of adding some type of service in these centres and even a financial instrument that should be differential according to company size.

PRODUCTIVE ARTICULATION

In this group, the discussion focused on specific local issues (Honduras). Three potential cases where a productive articulation project could be carried out were underscored:

- a) Work on a supply chain to distribute snacks and meals in public schools (Honduras).
- b) Working with craftsmen of wood trunks located on the outskirts of Tegucigalpa.

- c) Work with an agricultural cooperative.

There was an agreement about the advisability of setting up a mailing list and about the conditions to continue discussing these issues in the future.

LIST OF PARTICIPANTS

ORGANIZER

Germán Caires, Permanent Secretariat of SELA

FACILITATOR

Carlos Aggio, SELA's Consultant

SPECIAL GUESTS:

Ingrid Figueroa, Executive Director of CEMPROMYPE

Carlos Lopez Cerdán Ripoll, Director of Competitiveness and Integral Training

COSTA RICA

- Laura López Salazar, Advisor of the Ministry of Economy, Industry and Trade
- Rolando Marin Alvarado, Advisor

EL SALVADOR

- Merlín Barrera, Vice-Minister of Trade and Industry, Ministry of Economy of El Salvador
- Ileana Argentina Rogel Cruz, Executive Director of the National Commission for Micro and Small-Sized Enterprises, CONAPYME

GUATEMALA

- Sigfrido Lee, Vice-Minister, Ministry of Economy
- José Enrique Gil Natero, Director of International Cooperation of the Ministry of Economy
- Víctor Ramírez, Consul of the Embassy of Guatemala in Trinidad and Tobago

HONDURAS

- Alden Rivera Montes, Secretary of State for Economic Development
- Carlos Gunther, Vice-Minister of MSMEs-SSE of Honduras
- Emilio Del Cid, Technical Adviser of the General Direction of Intellectual Property
- Jenny Rodríguez Medina, Examiner of the National Commission for Banking and Insurance
- Merlyn Ponce, Official of Core Sectors, Chamber of Trade and Industry of Tegucigalpa
- Julieta García, Head of Business Management, Direction of Science and Technology (DICTA-SAG)
- Eduardo Posadas, Director of *UTH Avanza Centro de Investigación*
- María Elena Quilodrán, General Director of Analysis and Assessment of Social Policies, Secretariat of Development and Social Inclusion
- Héctor Ramírez, Chairman of the Board of Directors of the Honduran Council of the Social Sector of the Economy - COHDESSE
- Juan Carlos Valero, Chairman of the National Association of Medium and Small-Sized Industries of Honduras (ANMPIH)
- Solange Láinez, Executive Official of Financing (FINAM) CABEI
- Wendy Rodríguez, Legal Assistant of the Secretariat for Economic Development
- Noé Escalante, National Coordinator CDE-MIPYME, Secretariat for Economic Development

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- Olvin Anibal Villalobos, Technical Advisor of the Government Secretariat for General Coordination
- Carlos Fiallez , Director of Opportunities for Vulnerable Sectors, Sub-Secretariat for Social Integration
- Javier Mejía, General Vice-Rector of the Technological University of Honduras UTH
- Xiomara Godoy, Technical Assistant of the General Direction of Intellectual Property
- Marcos Antonio Vega, Associate Professor of Business Agriculture, Pan-American Agricultural School, Universidad Zamora
- Alba Gabriela Garay, Specialist in Innovation, SCGG/IHCIETI

DOMINICAN REPUBLIC

- Ignacio Méndez, Vice-Minister of Development of Small and Medium-Sized Enterprises, Ministry of Industry and Trade
- Leonardo Valverde, Regional Coordinator of SMEs, Vice-Ministry of Development of Small and Medium-Sized Enterprises, Ministry of Industry and Trade
- César Pérez, Counsellor Minister, Embassy of the Republic Dominican in Trinidad and Tobago

A N N E X I I I

**REGIONAL WORKSHOP ON PUBLIC POLICIES TO PROMOTE SMEs
SELA-MINISTRY OF LABOUR AND SMALL AND MICRO ENTERPRISE DEVELOPMENT
OF TRINIDAD AND TOBAGO
Port of Spain, 18 and 19 August 2014**

This workshop was attended by about 40 people, two-thirds of whom were from institutions of Trinidad and Tobago, the host country, which are linked to the design and implementation of public policies to support MSMEs, and the rest from various countries of the Caribbean and the region (including commercial attachés from several Embassies).

Details about the presentations made in the headquarters of the Association of Caribbean States are shown in the table below, including the five presentations made by guests from participating countries, Consultant Rubén Ascúa and by the special guest, international expert Ana Caroline Suzuki Belluci.

SUMMARY OF THE PRESENTATIONS

	Speakers and subjects
Day 1	<p>Special presentations Rubén Ascúa, SELA's Consultant Public policies for SMEs: Their importance for the sector's development, institutional aspects and future challenges Ingrid Jacobs (Association of Caribbean States) Vincent Philbert (Organization of Eastern Caribbean States, OECS)</p> <p>Presentations made by participating countries Alan Cooper, Ministry of Labour and Small and Micro Enterprise Development - Trinidad y Tobago Juana Franklin-Leacock, Business Development Officer, Ministry's Small Business Development Unit - Barbados Jeliel Darius, Ministère du Commerce et de l'Industrie - Haiti Douglas Webster, Ministry of Industry, Investment & Commerce - Jamaica Audrey Gomes, Ministry of Tourism, Industry and Commerce - Guyana</p>
Day 2	<p>Rubén Ascúa, SELA's Consultant Productive articulation Internationalization of enterprises Ana Caroline Suzuki Belluci, Ministerio do Desenvolvimento, Industria e Comercio Exterior Productive articulation, the experience of the Local Productive Arrangements</p>

After the opening ceremony, the first presentation was conducted by consultant Rubén Ascua. It had two objectives. First, to kick off the debates and reflection on current SMEs policies in Latin America and the Caribbean and share successful cases in other countries, and second, to list experiences of Central American countries. In this context, four emerging issues were raised for discussion at the workshop: differences in terms of productivity between SMEs and large companies, meaning of internationalization, types of new businesses to be supported, and innovation in SMEs.

This presentation was followed by other two by supranational organizations (ACS⁴ and the OECS⁵) and then by those made by participating countries. The presentations fully coincided with the

⁴ La ACS is made up by the following countries: Antigua and Barbuda, Commonwealth of the Bahamas, Barbados, Belize, Republic of Colombia, Republic of Costa Rica, Republic of Cuba, Commonwealth of Dominica, Grenada, Republic of Guatemala, Cooperative Republic of Guyana, Republic of Haiti, Republic of Honduras, Republic of El Salvador, Jamaica,

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assessment made by the consulting team of the importance of MSMES for the economy, employment and exports; then they described the most important instruments in the countries. Several instruments were identified which were aimed at improving access to financing and providing technical assistance in areas such as internationalization, competitiveness and human resource training. In its presentation, the ACS referred to the project of Small Business Development Centres (SBDCs), in line with the topic analyzed at the workshop conducted in Central America (Honduras). The issue of support to entrepreneurs is part of the general agenda but it is not presented as a main policy.

The presentations made by the countries included a lot of quantitative information concerning the programmes and instruments and often mentioned impact studies and assessments, as well as the need to intensify efforts to better evaluate the programs in operation. Another issue discussed was the need for comprehensive studies covering the whole Caribbean region including systematized quantitative information, and for a system to regularly update those statistics on the MSME sector. Participants used the term Micro and Small Enterprises (MSEs) rather than SMEs (in Trinidad and Tobago, the term Mini-Micro Companies is often used).

The second day featured three presentations. The first one, on productive articulation, was organized as an introduction to the issues of business linkages, interaction with institutions and the public sector, and innovation and entrepreneurship. It gave rise to a rich exchange on the cultural differences and the significant distance between the Caribbean and South American countries. Participants raised the challenge of analyzing productive articulations as a much broader and comprehensive task that should go beyond the linkages between the public and the private sectors, in which the public sector must operate as actor and promoter.

The second presentation focused on describing the Local Productive Arrangements Programme (LPA) which has been operating in Brazil for one decade. The speaker made emphasis on the evolution of this experience, the size gained by the programme (1,300 LPAs), the relevance of the figure of coordination of LPAs, the importance of productive assessments, the training programmes (even those aimed at facilitators and coordinators), and the financial and investment instruments.

Additionally, the presentation underscored the importance of the Observatory of LPAs for the performance of the programme, the inclusion of clusters belonging to the so-called creative or cultural industries (27 LPAs of this type) and the definition of working cores at state level. Progress is also being made towards the creation of an online platform for training and exchange among the participants.

Innovation stands out as a matter mentioned among those attending but was not included in the presentations made on the first day. There is confusion about the concepts of innovation and internationalization (much more than exports). The lack of systematic and up-to-date statistical information emerged as one of the most important requirements to be dealt with in an Observatory for the entire Caribbean.

United States of Mexico, Republic of Nicaragua, Republic of Panama, Dominican Republic, Federation of St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Republic of Suriname, Republic of Trinidad and Tobago, and Bolivarian Republic of Venezuela. Its Associate Members are: Aruba, Curaçao, French Guiana, Guadeloupe, Martinique, St. Maarten, and Turks and Caicos Islands.

⁵ La OECS is made up by nine States: Antigua and Barbuda, Commonwealth of Dominica, Grenada, Montserrat, St Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines. Anguilla and the British Virgin Islands are Associate Members of the OECS.

After lunch, in accordance with the agenda, a brief presentation on internationalization and SMEs was made. On this issue, questions were raised about the concept of internationalization and its links to SMEs, clusters and innovation. In this regard, concerns were raised about the need to deepen knowledge about these four issues in the region.

Then, in view of the number of participants, a proposal was made to organize two working groups to analyze the following topics:

- 1) Productive articulation, clusters and entrepreneurship
- 2) Internationalization and innovation.

In each group a secretary-rapporteur was designated so that, based on the problems identified in their countries, they can start thinking about specific initiatives, including justification, objectives and activities. The most important issues discussed were:

GROUP 1: PRODUCTIVE ARTICULATION

The Group discussed the issue of how to promote coordination among the enterprises participating in clusters and/or value chains, since in the countries of the Caribbean companies basically compete with each other and cooperate little. One of the proposals of this group was to develop a joint project where all stakeholders cooperate and participate, including enterprises and institutions. The design and implementation of the project will depend on the needs of each cluster.

One question arose: What are the necessary and desirable links within a cluster? Mention was made about links with financial, research, training and support institutions, with development centres, industry associations and chambers of commerce; in short, links with all types of institutions.

In addition, a common problem of the Caribbean countries was illustrated with the example of a small garment design company that wishes to expand. How could it be supported? Participants agreed that the best emerging option would be through an incubator with the participation of some university.

Another important question underscored by the members of the group was: What is the best model to develop a small enterprise? In principle, any enterprise should be based on an appropriate assessment which identifies the needs of the company so as to seek support tools that provide solutions to those needs. It is important to count on an institutional context that speeds up this process.

The debate shifted to the question of how to transform subsistence enterprises into dynamic and entrepreneurial businesses (a typical problem in the Caribbean). Emphasis was made on the importance of business planning for the future, taking into account the potential evolution of a cluster (leaving aside the individual analysis of the company).

Participants also pointed to the need to improve control and monitoring of the execution of development resources by recipient entrepreneurs. Companies are required to partially co-finance such projects.

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An issue on which action must be taken, in the opinion of the participants, is that businessmen do not trust the governments. A debate was held on the role of the Group Coordinator, the actor who establishes the links between the companies and the government.

Brazil's training plan as part of the LPA programmes was taken as a model for the Caribbean in order to train LPA managers (entrepreneurship). Consultant prepared materials and methodology, ran a pilot test, and made evaluation to launch the programme.

Participants also analyzed the issue of coordination among support institutions since it is very complex. Adopting the model used in Brazil would depend on creating a Permanent Working Group (with active participation of the institutions).

GROUP 2: INTERNATIONALIZATION

First of all, the Group analyzed the definition of internationalization of SMEs for the design of support public policies. It is a process of innovation that enables MSMEs to participate in international markets as exporters, and it is a way to improve the inputs of their productive activity.

Then participants analyzed the mechanisms that make up this process, identifying the following:

- 1) Creation of a national brand that includes smaller companies.
- 2) Removal of barriers to enter international markets.
- 3) Innovation and standardization as a process to create brand differentiation and grab attention of niche markets, but which meets the standards required by the international market.
- 4) Productive and commercial integration, including productive agents as well as the countries of the region in such integration.

Participants also raised the question of the requirements to transform domestic enterprises in world-class companies which comply with international standards. They concluded that a solid coordination of the actions of development institutions and their instruments in the Caribbean region. Among the activities to promote the internationalization of SMEs the most important ones were: training (knowledge about regulations, required standards, etc.); infrastructure, communication and policies coordinated among the various levels of government; and development of a fund to finance these activities, but with a regional scope.

At the same time, they agreed that the enterprises themselves need to coordinate their actions and strategies. In this connection, the public sector intervention must necessarily promote the strengthening of the core capabilities of MSMEs to enter international markets. Moreover, the country and regional (Caribbean) macro policies should provide a framework conducive to such internationalization objective. In addition to training, they said that centres for the promotion of foreign trade should be developed as a public policy priority to which the foreign services of the country (embassies) should contribute in a virtuous manner. Thus, the Caribbean Common Market (CARICOM) emerges as an antidote to the diaspora of Caribbean countries in the productive and internationalization areas.

E-commerce also offers valid alternatives to promote the internationalization of Caribbean SMEs. On this subject, examples such as that Jamaica and the reggae can be used to design policies to commercially promote the differentiation of Caribbean products and services. It is also necessary

to promote a more active role of the Chambers of Commerce and the private sector in the process of negotiating foreign trade and integration agreements posed by different governments.

Cultural change was also mentioned as a precondition to effectively promote greater international insertion of Caribbean MSMEs. Thus, there is need for a government long-term plan which provides a series of well-focused and differentiated tools and public services.

LIST OF PARTICIPANTS

ORGANIZER

Antonio Leone, Permanent Secretariat of SELA

FACILITATOR

Rubén Ascúa, SELA's Consultant

SPECIAL GUEST

Ana Caroline Suzuki Belluci, General Coordinator of Productive Local Arrangements, Ministry of Development, Industry and Foreign Trade of Brazil

BARBADOS

- Juana Franklin-Leacock, Business Development Officer, Ministry's Small Business Development Unit

COLOMBIA

- Chabelina Maharaj, Assistant to the Ambassador, Embassy of Colombia in Trinidad and Tobago

EL SALVADOR

- Hector Celarie, Counsellor Minister, Embassy of El Salvador in Trinidad and Tobago

GUYANA

- Audrey Gomes, Training and Development Officer of the Small Business Bureau, Ministry of Tourism, Industry and Commerce

HAITI

- Jeliel A. Darius, Économiste; Coordinateur do Centre de Développement de l'Entreprise et de L'Entreprenariat, Ministère du Commerce et de l'Industrie

JAMAICA

- Douglas Webster, Senior Director, Ministry of Industry, Investment and Commerce
- H.E. Sharon Saunders, High Commissioner, High Commission of Jamaica

DOMINICAN REPUBLIC

- César Pérez, Counsellor Minister, Embassy of Dominican Republic in Trinidad and Tobago

TRINIDAD and TOBAGO

- Michelle Isava, Ministry of Arts and Multiculturalism
- Herold Gopaul, Programme Director, Ministry of Community Development

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- Vilma Fortune, Senior Planning Officer (Ag.), Ministry of Energy and Energy Affairs
- Zindzi John, Energy Professional Assistant, Ministry of Energy and Energy Affairs
- Brian De Fereire, Trade and Environment Specialist, Ministry of Environment and Water Resources
- Beena Persad, Planning Officer II, Ministry of Food Production, Land and Marine Affairs
- Nireen Jasper, Foreign Service Officer III, Ministry of Foreign Affairs
- Learrie Barry, Ministry of Gender, Youth Affairs and Child Development
- Saara Williams, Research Officer 1, Ministry of Health
- Nina Antoine, Senior Economist, Ministry of Housing and Urban Development
- Hon. Errol Mc Leod, Minister, Ministry of Housing and Urban Development
- Debra D'Abreau, Planning Officer II, Ministry of Labour and Small and Micro Enterprise Development
- Michelle Gonzales, Planning Officer I, Ministry of Labour and Small and Micro Enterprise Development
- Atiba Borde, FairShare Officer, Ministry of Labour and Small and Micro Enterprise Development
- Luciana Thomas, FairShare Officer, Ministry of Labour and Small and Micro Enterprise Development
- Shawn Reece, FairShare Officer, Ministry of Labour and Small and Micro Enterprise Development
- Makesi Alexander, Sector Liaison, Ministry of Labour and Small and Micro Enterprise Development
- Alan Cooper, Policy Analyst, Ministry of Labour and Small and Micro Enterprise Development
- Allison Francis, District Coordinator, Ministry of Labour and Small and Micro Enterprise Development
- Quweina Roberts, Project Analyst, Ministry of Labour and Small and Micro Enterprise Development
- Mrs. Ermine Christopher-Salino, Sector Liaison Coordinator, Ministry of Labour and Small and Micro Enterprise Development
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