



LATIN AMERICAN
AND CARIBBEAN
ECONOMIC SYSTEM



SIECA
SECRETARÍA DE INTEGRACIÓN
ECONÓMICA CENTROAMERICANA

CAF DEVELOPMENT BANK
OF LATIN AMERICA



Final Report

Economic and Technical Cooperation

*Regional Seminar on productive articulation for the strengthening and development of small and medium-sized enterprises (SMEs) in the region
Guatemala City, Guatemala
5 and 6 December 2018
SP/SAPFDPYMESR/IF-18*

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Printed in the Permanent Secretariat of SELA, Caracas, Venezuela.

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I. RAPPORTEUR'S REPORT

1. The [Regional Seminar on productive articulation for the strengthening and development of small and medium-sized enterprises \(SMEs\) in the region](#), organized by the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA), CAF-development bank of Latin America and the Secretariat for Central American Economic Integration (SIECA), was held in Guatemala City on 5 and 6 December 2018.
2. The main objectives of the Seminar were as follows: (i) Promote strategic partnerships among SMEs at the regional level, in order to identify commercial advantages and strengths of the participating countries; (ii) gain knowledge about the main initiatives in regional public policies that support SMEs; and (ii) present a methodological proposal, additional to those already used by countries, for the development of a preliminary map of cross-sectoral production niches with which the identification of potential opportunities for SMEs in each link of the value chain is possible.
3. In accordance with the adopted [agenda](#), four working sessions were conducted. The first session addressed the main challenges that the productive transformation process faces in the region. In addition, emphasis was made on the importance of intersectoral synergy to promote public actions that favour productive linkages. In the second session, participants presented national initiatives in the field of productive transformation for integration into value chains. In this connection, representatives of member countries of the Pacific Alliance, MERCOSUR and the SICA presented public strategies carried out in each of their countries. The third session dealt with cooperation opportunities to enhance trade and productive development in the region. The fourth and last session addressed the methodological proposals for the determination of sectors with productive potential.
4. Participants included representatives of governmental focal points for MSMEs, trade promotion agencies, ministries of industry, trade and production of the following Member States of SELA: Argentina, Belize, Brazil, Chile, Costa Rica, El Salvador, Guatemala, Mexico, Nicaragua, Paraguay, Peru, Dominican Republic and Uruguay; representatives of the following organizations: the Economic Commission for Latin America and the Caribbean (ECLAC), the Social Institute of MERCOSUR (ISM-MERCOSUR) and the Central American Bank for Economic Integration (CABEI); and diplomatic representatives of embassies accredited to the Republic of Guatemala, private consultants and representatives of the academic sector.
5. Presentations are available through the [agenda](#) for the event.
6. The Permanent Secretariat provided participants with [documents](#) that served as the basis for the exchange of ideas at the Seminar.
7. At the opening session, the following participants took the floor: Ambassador Javier Paulinich, Permanent Secretary of the Latin American and Caribbean Economic System (SELA), and Mr. Eduardo Espinoza, Director of the Centre for Studies on Economic Integration (CEIE) of the Secretariat for Central American Economic Integration (SIECA).
8. The event was closed by Econ. Karla Sánchez, Analyst of Studies and Proposals of the Direction of Studies and Proposals of SELA, and Mr. Eduardo Espinoza, Director of the Centre for Studies on Economic Integration (CEIE) of the SIECA.

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10. The [Photo gallery](#) of the Seminar includes some key moments of the development of the event.

II. CONCLUSIONS

Following are some considerations made by the participants concerning the topics addressed, which are expected to help define the steps to be followed by the countries that will make up the Productive Articulation Programme for the strengthening and development of SMEs in Latin America.

1. The characterization of the productive duality of Latin American economies is related to the existing structural heterogeneity in the region. Latin American and Caribbean economic policies are aimed at the creation of linkages and the improvement of access to international markets. For the creation of linkages, it is necessary to continue with the sectoral analysis in reaching pacts for productivity, stimulate intersectoral collaboration and select strategic value chains.
2. When referring to the various challenges that Latin America and the Caribbean must face to achieve a true productive transformation, participants highlighted intersectorality, i.e. inter-institutional collaboration that generates coordinated policies and actions towards a common goal. It should be noted that industrial policy or productive development policy is, in fact, a set of policies that is not developed by a single institution, but by multiple stakeholders. Therefore, it is useful to create intersectoral mechanisms and synergies, from planning to joint financing, for the productive transformation of countries in the region.
3. Another key challenge is the increase in the value added to production. To that end, it is necessary to climb national value chains and create regional linkages with others that provide greater diversification and dissemination of knowledge. Participation in value chains allows access to new technologies, development of entrepreneurial skills, and construction of innovation networks that tend to increase productivity and improve the quality of employment and wages. In this connection, participants stressed the need to create inter-sectoral policies of support programmes involved in different areas of the business environment, including formalization, technical training, financing, internationalization and innovation, among other key issues.
4. Technical incentives and financial analysis are fundamental for the promotion of national and regional linkages. Many restrictions found in analyses of national value chains are related to technical limitations related to the lack of certification and the need for accompaniment in the processes to generate quality products that may compete in the market. As regards financial analysis, it is necessary to design inclusive funding programmes and financial support services, based on the specific study of what modalities have existed and exist within the framework of value chains. Another relevant aspect is the construction of networks of suppliers and partnerships with anchor companies that promote the role of SMEs.
5. It is necessary to implement specific policies for SMEs that provide for the elimination of those elements that make them more vulnerable, since these enterprises are part of a much weaker sector that requires particular attention in the areas of labour costs, access to financing, access to knowledge, and support to their internationalization, among others. The relative cost, for example, of paying a minimum wage for a large company is lower than that for an SME, representing a very high percentage of total costs for the latter.

6. In order to improve access to international markets, market intelligence is essential for trade consolidation and best use of trade agreements. It should be noted that one of the aspects to be taken into account is the possibility of accumulating regional origin within the framework of trade agreements. In addition, it is important to promote dialogue and boost synergies between commercial and investment promotion agencies, with the aim of broadening and improving access to international markets.
7. Increases in value are extremely important. That is why companies should move the chains so as not to remain in a single activity. In addition, companies should take into account the challenges posed by the new industries, the 4.0 industry, adapt to the emerging industrial revolutions and assume what this productive transformation implies for employment and small enterprises.
8. Participants recognized that Latin American and Caribbean countries have made significant progress in selecting sectors and value chains in a transparent manner, but stressed that, in terms of value chains, the creation of methodological tools that give technical strength to the selections made is still a necessity.
9. In short, it is necessary to improve the coordination of policies, intersectoral work, and prospective studies. Among the analytical exercises, it is necessary to include future market trends, new technologies, and the promotion of training of workers, aspects linked to logistic corridors and other issues of trade facilitation. All these are key elements for the productive transformation of the Member States of SELA.