

“SMEs and Local Development in Chile”



GOBIERNO DE CHILE
SERCOTEC

Background Chile

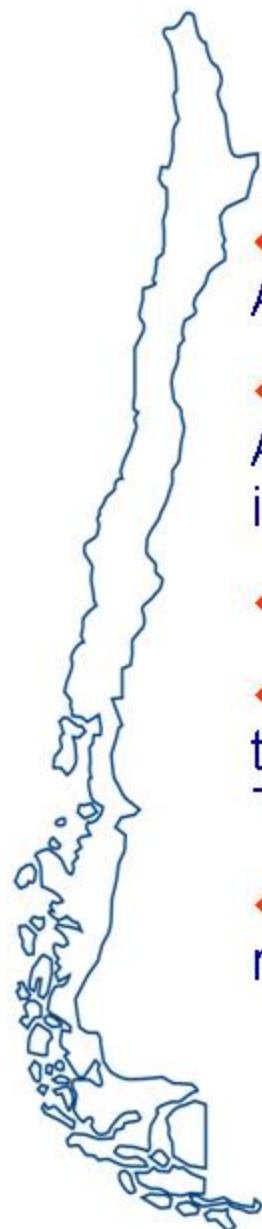
Economical Context

Social Context

Situation of the SMEs

Chile Emprende

Background Chile

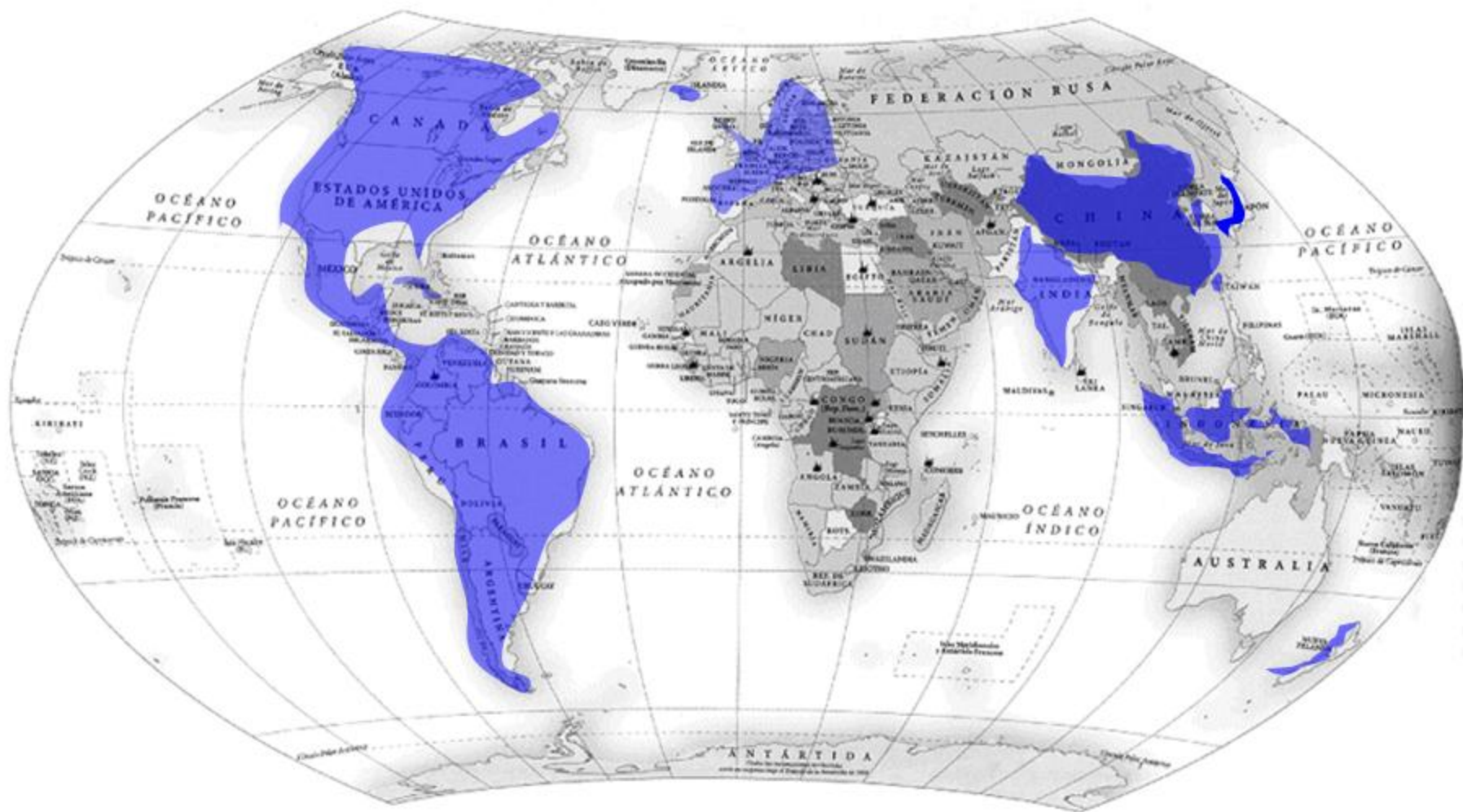


- ◆ Chile is located in the margin of southwest of South America
- ◆ Its surface is over 2 millions km². It has territories in the American, Oceanic and the Antarctic continents. Its coast is over 8.000 km long
- ◆ 16,5 millions inhabitant
- ◆ It has a remarkable landscape: from the driest desert in the North to the rainy thick vegetation in the cold South. The central zone has a Mediterranean climate
- ◆ It is a unitary State, divided into 15 regions – two of them recently created- and 345 communes (municipalities)

An open economy

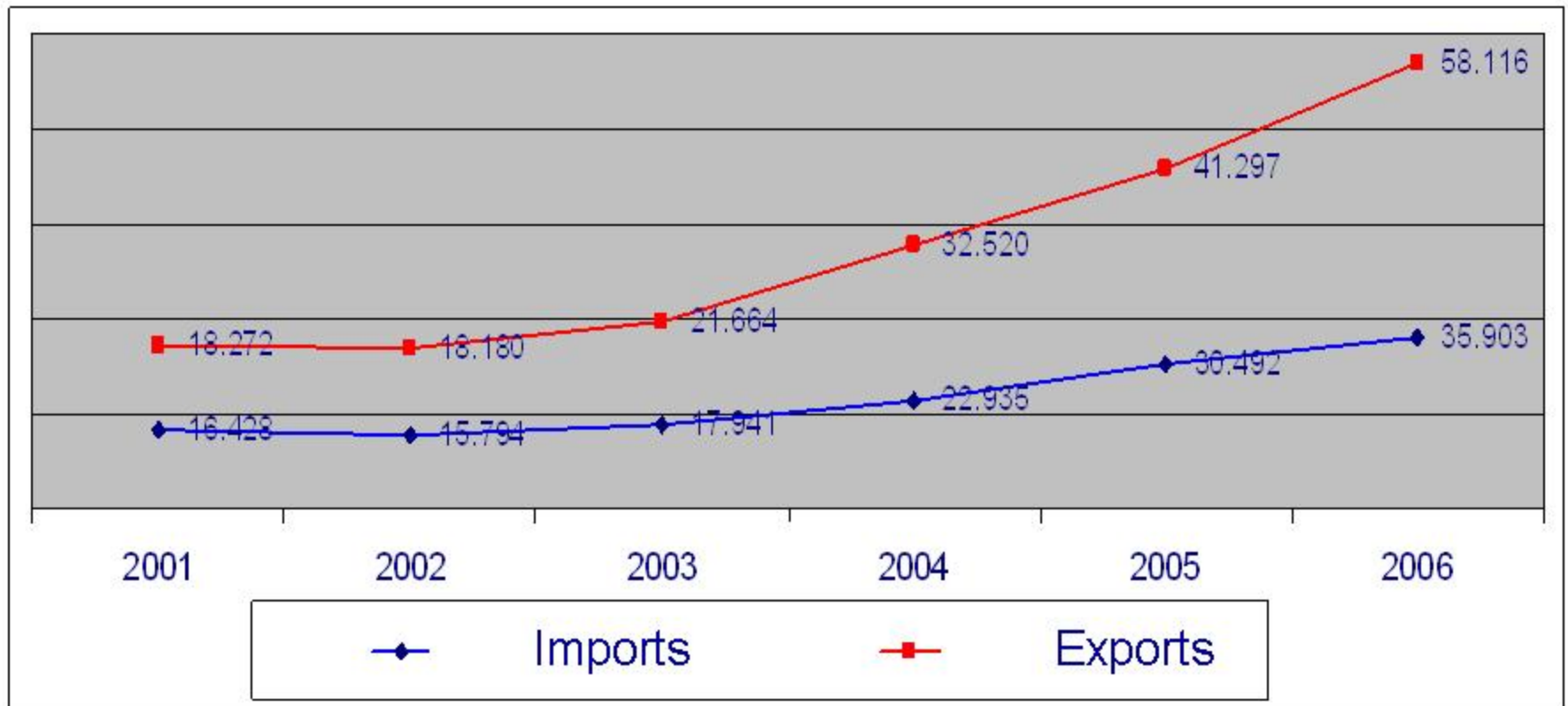
- ◆ Chile GDP (2006) 146 billions of US \$
- ◆ Chile is a small economy that agreed to be opened to the world. The restoration of the democracy boosted this measures
- ◆ Nowadays, Chile has Free Trade Agreement (FTA) with 60 countries, some of them with the largest economies of the world. It represents a potential universe of 3 thousand millions consumers, nearly half of the world population
- ◆ In the year 2006, the exports represent 44.4% of the GDP. The copper represents 56.6% of the total exported value
- ◆ Three quarters of the Chilean foreign trade is under FTA
- ◆ After three years of the agreements, the exports with USA raised 42.2%, and after four years, the exports with Europe raised 65.7%

Free Trade Agreement Map



Balance of trade evolution

(MMUS\$)



Social Context (Poverty)

- ◆ Poverty reduction: from 38,6 to 13,7 % between 1990 and 2006
- ◆ In the same period of time, the extreme poverty or indigence, was reduced from 12,9 to 3,2 %
- ◆ Improvement in the infrastructure coverage
- ◆ Improvement in the educational scope, although still lack information and communications technology coverage. An improvement in educational quality is needed.

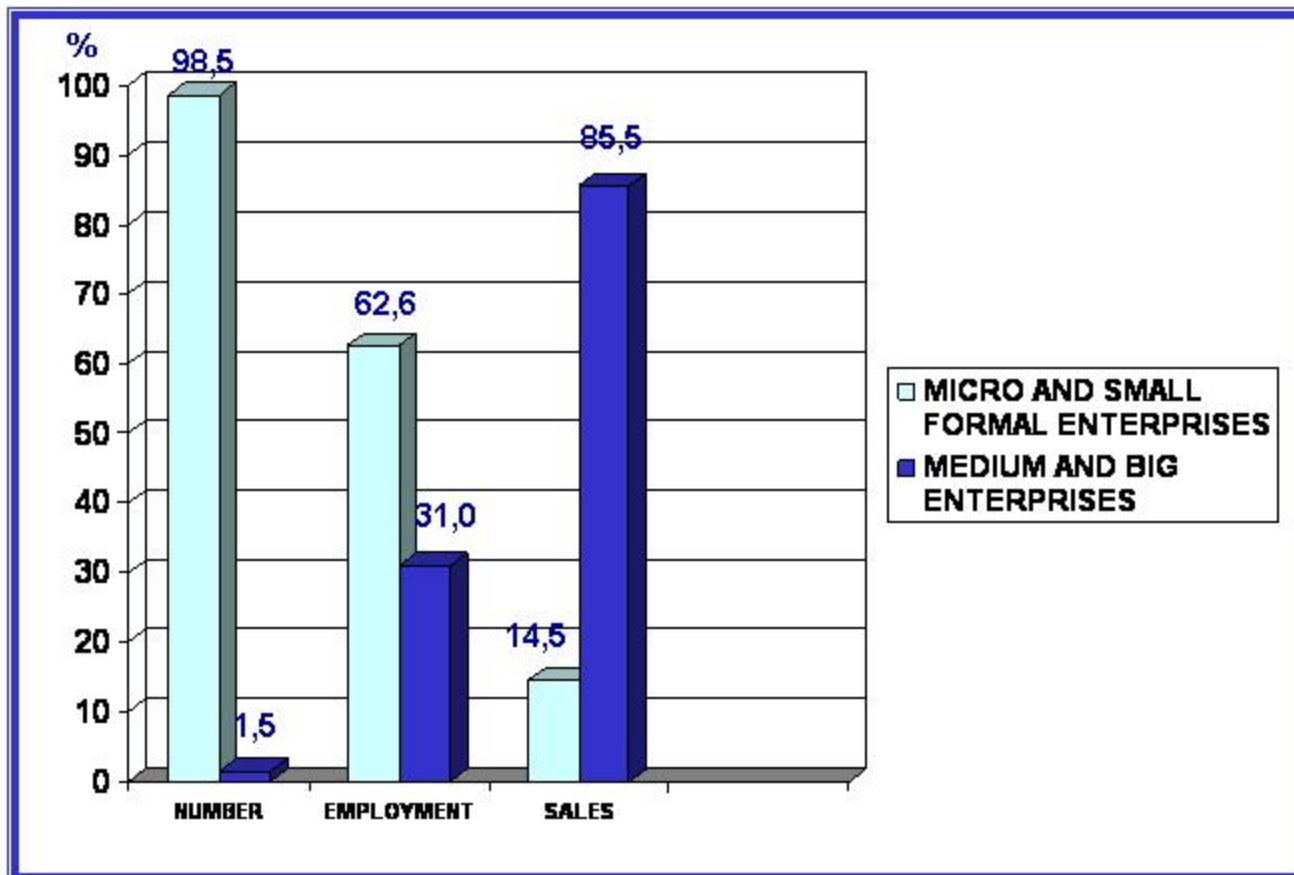
Enterprise Distribution by Size

(by Net Sales in US \$)

MICRO	From 1 to 110.000
SMALL	From 110.001 to 1.160.000
MEDIUM	From 1.161.000 to 4.600.000
BIG	Over 4.601.000

Enterprise Distribution

by size, number, sales and employment (In %)



Advance to equity

- ◆ Policies to remove inequality, sustaining high growth rates and decreasing poverty.
- ◆ Change in the public policies and programs support of small enterprises and their territorial environment: design, governance and management.
- ◆ In this context emerge “**Chile Emprende**”

What is Chile Emprende?

- ◆ Chile Emprende is a governmental initiative to boost business opportunities development for Micro and Small enterprises within a well defined territories.
- ◆ The program consider as territories:
 - ◆ Council groups (municipalities) with basic elements for a common identity,
 - ◆ They should have a relative geographic, social, cultural and a productive coherence that let them have a common and complementary set of opportunities.
 - ◆ They have a critical mass of private & public actors and municipalities, willing to work and invest to capture and take advantage of development opportunities.

Participants

◆ National

Solidarity and Social Investment Fund(FOSIS)

Agricultural Development Institute (INDAP)

Training and Employment National Service(SENCE)

Technical Corporation Service (SERCOTEC)

Chilean Development Agency (CORFO)

Under Secretary for Regional and Administrative Development

◆ Regional

Regional Governments, Public Services Regional Directions

◆ Territories

Municipalities, Entrepreneurs

The Program's Actions

- ◆ Promote cooperation among entrepreneurs and their relationships with markets, based on a public-private management.
- ◆ This management is expressed through territorial working groups denominated Consejo Público Privado (Public-Private Council) in which entrepreneurs, municipal delegates, and managers of regional promotion productive services make decisions on priorities, projects and budgets.
- ◆ Through these councils, a shared development project is built and conducted: The Territorial Plan.
- ◆ The Plan works around development opportunities in which small enterprises can be inserted, based on the territory's potentialities and its entrepreneurial base.
- ◆ The Government supports the development of instruments to help enterprises to achieve the required standards to compete in the global markets.

Some results

- ◆ Presently, 39 territories participate in Chile Emprende, which gather 176 municipalities or councils, where live a third part of the Chilean population, nearly 6 millions people.
- ◆ In some territories where the program is operated, there have been some advances:
 - ◆ Overcoming the poverty conditions of some hundreds of families, and increase de sales and the incomes of the Micro and Small entrepreneurs.
 - ◆ Productive and commercial links between SMEs and bigger enterprises and integration of SME entrepreneurs in chains for exports.
 - ◆ Creation and development of new tourist destinies and new innovative products to reach highly competitive markets,
 - ◆ Creation of favourable new environment for the development of entrepreneurs .

Evolution of the Program

- ◆ It started as a experimental experience in 2001, boosted by four services - INDAP, FOSIS, SENCE y SERCOTEC-, which were looking for the development of public policy options to go forward equity.
- ◆ It institutionalizes at the end of 2004. Considering the initial results and the evaluations, the Government decided to change the experimental initiative to an ample public policy.
- ◆ In 2005 it expands from 10 to 24 territories.
- ◆ In 2006 operate in 27 territories and it has its own item in the national budget law.
- ◆ In 2007, President Bachelet decided to extend it to 15 new territories.
- ◆ In 2008 operate in 39 territories.

Debate and proposal

- ◆ To a successful insertion to the global market, the smaller enterprises have to increase their competitiveness and to introduce Innovation in products and process.
- ◆ To make this possible, it is needed cooperative relationships among the small enterprises, public institutions and academic centres of research and training
- ◆ In this framework, to establish a territorial institutionality, which boost these relationships to use well their specifics potentials in a productive local structure, is fundamental.
- ◆ It is not enough to have just groups of sectorial enterprises. It is necessary provide the territory with an environment which facilitate the innovation, opening the access to the knowledge, the technology and the continuing learning process, as well as to the market and the financing system.
- ◆ Therefore, it is necessary to integrate the elements of local identity as well as the cultural, social and political- institutional aspects.

Dialogue about opportunities

- ◆ In each territory where Chile Emprende operates, what guide the relationship among participant actors and therefore their agreement and duties, are the development opportunities of the Micro and Small enterprises.
- ◆ In this relation with the markets, it has become aware of the requirements that enterprises have to achieve to reach de quality standards and difference needed to a successful commercial insertion.
- ◆ The path to overcome the difference is the working plan of entrepreneurs, councils and sectorial, regional and national publics services. In this context a public - private cooperation is necessary.

Effects of the territorial agreement

- ◆ Decentralization and transparency in the allotment of public resources.
- ◆ The direct participants assume the follow up of the agreements.
- ◆ Shared responsibility: The enterprises are co responsible with the public sector in being careful to perform the agreement achieved.
- ◆ The public technocracy is losing the monopoly of the decision about what is good and not good to the local enterprises .

Chile Emprende Method's work

Systemic Approach



Coordination among different size of enterprises; within the public Institutions; and among publics and private entities.

A network approach



Building a common space, to facilitate a "face to face" dialogue

The territory as a resource

Definition of shared objectives : considering private interest, identify common ground opportunities.

A development project



Creating institutional conditions for the public and private agreements and the management "from the bottom up"

The territorial institutionality



Key Points

Inclusion, innovation y competitiveness

- ◆ Change of mentality
 - ◆ Look for opportunities vs. routine experiences
 - ◆ Achieve agreements by consensus vs. outside decisions
 - ◆ Territory as center of innovation and development vs. sectors approach
- ◆ Convoke all the involve actors: public, private and local representatives
- ◆ Associate private interest with common good
- ◆ Incorporate technology and capture new investments
- ◆ Human resources development at territorial level
- ◆ Identify and promote best practices on SMEs and local development

Santiago City

Thanks for
your attention

