IDB GROUP SUPPORT TO THE SMALL AND MEDIUM ENTERPRISE SECTOR (1990–2002)

ACHIEVEMENTS, LESSONS, AND CHALLENGES

MARCH 2003

The Inter-American Development Bank
Sustainable Development Department

MICRO, SMALL, AND MEDIUM ENTERPRISE DIVISION

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FOREWORD

In recent years, government and private sector interest in small and medium-sized enterprises (SMEs) has increased significantly in Latin America and the Caribbean. SMEs play a key role in job creation, adding value, and enhancing productivity in the region's economies.

However, SMEs face competitive challenges resulting from globalization, opening of regional integration, and revolution in information and communications technologies, as well as from national reform and modernization. Within the context of strategies for business development and competitiveness, IDB Group operations continue along the path begun in the 1990s to improve the business and policy environment in which SMEs operate and promote the supply of financial and business development services to ensure that SMEs have the capacity and resources needed to compete.

This technical report summarizes the achievements, lessons, and challenges of IDB Group operations over the period 1990–2002. As a regional development organization, the IDB Group (which includes the Inter-American Development Bank, the Inter-American Investment Corporation, and the Multilateral Investment Fund) has worked with governments and the private sector to overcome SME deficiencies and explore alternatives to maximize SME development across the region. The major challenge for the IDB Group now is to renew its institutional capacity and available instruments to carry out member-country initiatives effectively and efficiently.

We hope this report contributes to a better appreciation of IDB Group support to the SME sector in the region, the sharing of results and lessons learned from our activities, and the uniting of our efforts to confront the challenges of the new decade.

Antonio Vives
Deputy Manager, Private Enterprise and Financial Markets Sub-Department
Sustainable Development Department

CONTENTS

THE IDB GROUP

The IDB Group consists of three institutions: the Inter-American Development Bank, the Multilateral Investment Fund (MIF), and the Inter-American Investment Corporation (IIC). Each of these institutions develops projects together with the governments of member countries, the private sector, and nongovernmental organizations (NGOs), with the aim of obtaining the financial and technical resources needed to promote microenterprise.

THE INTER-AMERICAN DEVELOPMENT BANK

Founded in 1959, the IDB is a multilateral development bank, whose mission is to accelerate economic and social development in the countries of Latin America and the Caribbean. In addition to making financing available to borrowing member nations, the Bank also provides technical assistance for preparing, financing, and implementing development plans and projects and makes private investments when private capital is not available on reasonable terms. To this end, the IDB uses its own capital as well as funds obtained in financial markets and from donor countries.

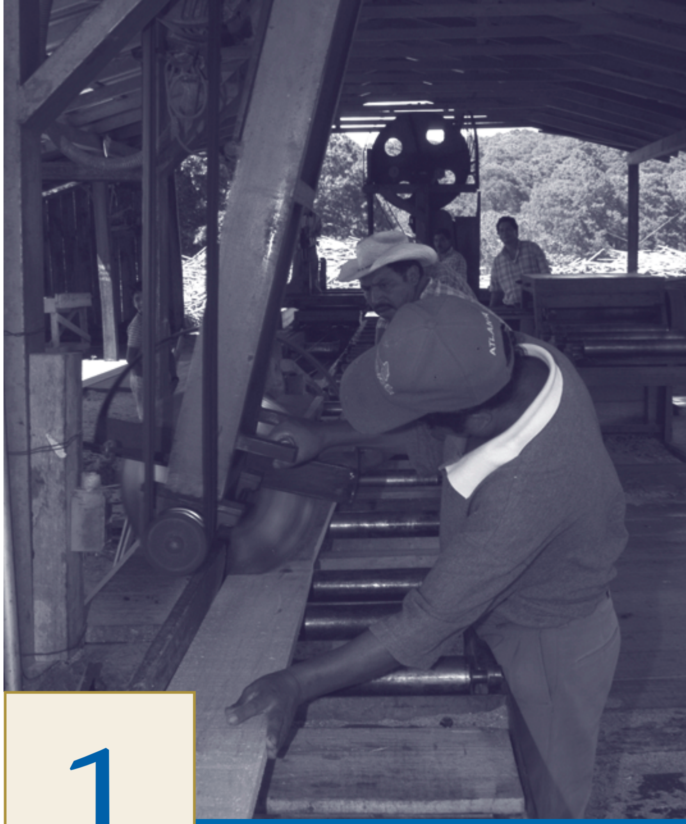
THE MULTILATERAL INVESTMENT FUND

Created in 1993, the MIF promotes private sector investments in Latin America and the Caribbean to foster broader private sector investment in the economy. The MIF provides grants for technical assistance as well as loans and equity for investments in intermediary institutions promoting small and microenterprise development. MIF operations include four basic areas of activity: 1) microenterprises, 2) small-business development, 3) market functioning, and 4) financial and capital markets.

THE INTER-AMERICAN INVESTMENT CORPORATION

Created in 1989, the IIC promotes private sector development through capital investments and long-term loans for projects that are not eligible for traditional financing. The IIC focuses its activities on small and medium-sized businesses. Although IIC projects do not target microenterprises, the Corporation's staff often offer their knowledge of capital investment issues to MIF staff working on microenterprise investment projects.

For more information, visit the IDB website at www.iadb.org



1

SMEs in Latin America and the Caribbean

Small and medium enterprises are estimated to account for at least 10 percent of the number of total businesses in most Latin American countries and between 20–40 percent of total employment. In the 1990's, 30 percent of new jobs were created by SMEs. Small companies have played a major role in developing clusters and productive chains that can compete in international markets and also show great potential for innovation and support for technological development.

Market deficiencies hinder the full development of the sector and justify the implementation of policies that support social equity, better market functioning and increased competitiveness.

Increased productivity is a central goal of the new policies that support SMEs. Goals include overall efficiency in the sector, consolidation of existing competitive advantages, and stronger coordination between the public and private sector in the design and implementation of programs to boost competition.

Across the Latin American and Caribbean region, government and private sector interest in SMEs has increased significantly in recent years. SMEs play a key role in generating employment, adding value, and enhancing productivity in the region's economies. Despite the sector's great potential, many obstacles hinder its development. SMEs are under increasing pressure from globalization and economic liberalization. The IDB Group, as a regional organization that promotes development, has made great efforts to alleviate the sector's problems and help it overcome the challenges it now faces.

This report describes activities that the IDB Group has carried out since 1990 to support SMEs within the context of the sector's needs and challenges. Highlighted first are the importance of SMEs in the region, justification for implementing policies to support the sector, and its evolution over recent years. Sections 2 and 3 describe the IDB Group's strategic framework and SME-related actions, including improvement of the business environment, access to financing, and markets for business development services. Section 4 summarizes lessons learned from support operations. Finally, Section 5 summarizes the challenges that the IDB Group will face in the upcoming years in its support for SMEs.

Importance of SMEs

Nowadays, no one doubts the importance of SMEs to the economies of Latin American and Caribbean countries, despite not being able to determine their precise importance. The sector's definition varies from country to country and even between economic sectors. Inconsistent data make it difficult to assess the scale of the SME sector, in which businesses are continually emerging and collapsing.

Despite limited information, it is estimated that SMEs contribute 20–40 percent of jobs and comprise approximately 10 percent of businesses in most Latin American economies. The sector's economic importance stems from employment creation: During the 1990s, SMEs created three out of every ten new positions.

The SME sector's presence is important in the manufacturing field. In Latin American and Caribbean countries, more than 90 percent of manufacturing enterprises are small or medium-sized. SMEs employ more than half of the region's manufacturing work force, contribute more than one-third of output, and represent 30 percent of total investment in the sector. Figures 1–3 show SME participation for 10 countries in the region, including the total number of enterprises and jobs.

Number of enterprises

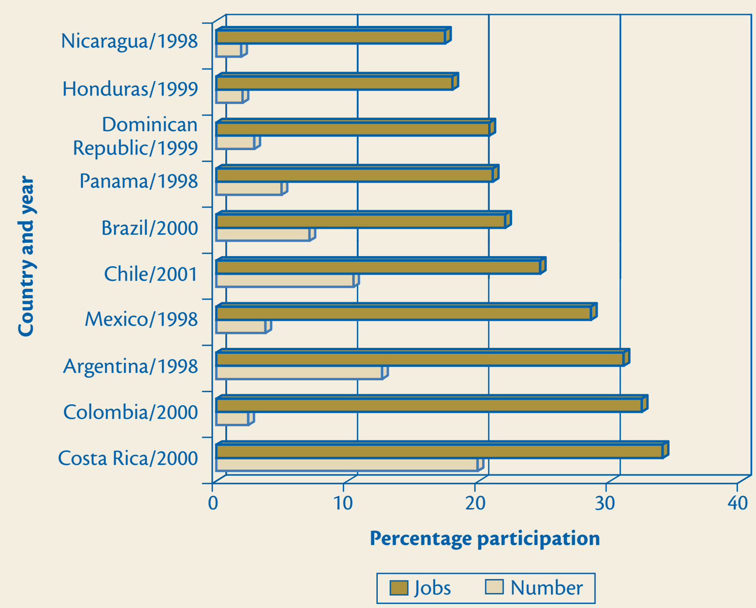
The 10 countries included in Figure 1 account for 900,000 SMEs. This figure represents 8 percent of all existing businesses and is 20 times greater than the number of large enterprises in these countries. The relation between the number of SMEs and the total number of enterprises ranges from

2 percent in Nicaragua, Honduras, and Colombia, to 20 percent in Costa Rica. Many factors account for this difference, including parameters used to define SMEs, degree of sectoral formality, and data-collection methods.

Employment

Despite the low number of SMEs in relation to total number of businesses, SME participation in generating employment is very important. The total number of SME workers in the ten countries cited exceeds 15 million, which is approximately one-third of all private sector jobs. It should be stressed that in Argentina, Colombia, and Mexico, SMEs generate more jobs than do large enterprises; in other Latin American and Caribbean countries, they generate 70 percent of the number of large-enterprise jobs.

Figure 1. SMEs in Latin America



Economic importance

It is not possible to compare the importance of the SME sector in each country of the region based on the information available and the use of standard indicators. In Brazil, for example, SME worker salaries in the year 2000 totaled nearly US$20 billion, which is 15 percent of the total amount of salaries paid by businesses during that year and 4 percent of the country's Gross Domestic Product (GDP). In Chile, SME sales during 2001 totaled about US$20 billion, representing 17 percent of the Chilean economy's total recorded sales and close to 30 percent of GDP.

SMEs have also contributed significantly to the economies of the smallest countries in the region. In Honduras, for example, SME sales in 1999 reached nearly US$5 billion, equivalent to 80 percent of the country's GDP. In Panama, SME production reached US$3.4 billion in 1998, or one-third of the country's GDP.

Figure 2. Percentage of Enterprises, by Size

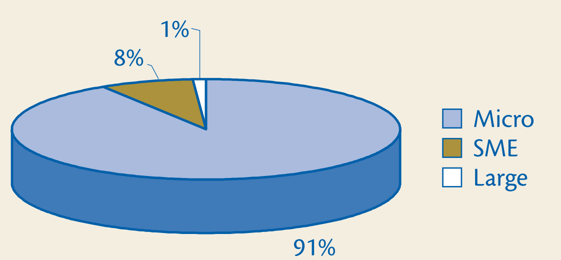
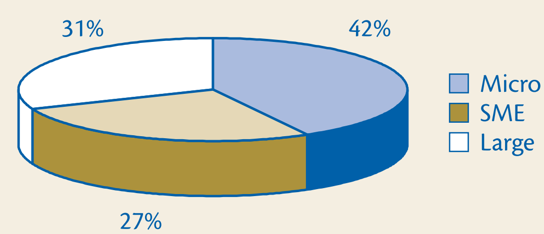


Figure 3. Enterprise Participation in Employment, by Size



Why Should We Support SMEs?

Besides contributing to job creation, SMEs play a key role in developing clusters and productive chains that are competitive and international in scope. In addition, small enterprises also have the potential to innovate and facilitate technology dissemination in national economies. Market deficiencies prevent the SME sector from realizing its full potential and justify the implementation of supportive policies aimed at achieving social equity, sound market functioning, and supporting increased competitiveness of national economies.

In addressing poverty, unemployment, and income redistribution, policies that favor entrepreneurial activity rather than welfare have proven more effective and sustainable in helping individuals who lack access to capital. SMEs are labor intensive, and have a lower capital cost with respect to job creation. Also, in times of crisis, SMEs tend to create more jobs than do large companies, facilitating transition and adjustment processes.

In addition, SME development promotes economic competitiveness. The fact that SMEs are numerous favors a competitive production environment and prevents the collusive practices that can occur when there are few producers. Because of their size, SMEs tend to use decentralized production methods, resulting in increased specialization. Their small scale, combined with an owner-manager organizational structure, allows SMEs to respond more quickly to external changes than large enterprises with bigger structures, thereby contributing to the dynamism of the overall productive system. Finally, SMEs play a role of coordination between micro and large enterprises, constituting a strategic bridge toward improving the competitiveness of the entire private sector.

SME Growth during the 1990s

During the 1990s, SMEs in the region faced challenges and opportunities in terms of structural reforms and economic liberalization. The new economic model emphasized macroeconomic stability and tended to reduce or eliminate protectionist policies, promote liberalization of the domestic financial system and capital markets, streamlining of the tax structure, privatization of state agencies, and opening up the job market.

Public policies on entrepreneurial development changed greatly with the new economic model. Subsidized credit, high tariffs, and tax subsidies lost importance, as did national purchasing power. Emphasis shifted to implementing horizontal policies focused on demand, export promotion, dissemination of new technologies, and development of human resources. These new instruments significantly improved the SME business environment.

Another change that occurred in the last ten years was that imported products gained greater presence in markets where SMEs played an important part. Driven by the new economic model, opening the market to international competition, combined with globalization, pressured SMEs to develop at a faster pace than the rate of development of factors of production in domestic markets. This trend created—and continues to create—disadvantages for SMEs as they face new competition and challenges to their survival and growth.

Development of information and communications technologies also played a role in the SME business environment in the 1990s. Such technologies offer greater opportunities for business expansion and improvement of business operations in general, particularly those of SMEs. However, the rate at which SMES have acquired these new technologies tends to be lower than that for larger companies. Also, SMEs have another technological disadvantage in that they have greater difficulty integrating Internet and electronic business applications into their business operations.

Finally, the late 1990s saw renewed interest in the implementation of policies that encourage competitiveness based on clusters and productive chains. This interest was spurred on in part by stories from all parts of the world about SMEs achieving high levels of competitiveness as a result of their collective action. In many Latin American and Caribbean countries, national-level studies were conducted that set aside the traditional sectoral focus and instead analyzed productive chains with promising competitive potential. Based on such studies, national plans for competitiveness were developed, the results of which are only now beginning to be known.

SMEs in the Coming Years

Latin American and Caribbean countries have begun this decade with a relatively polarized industrial structure; that is, many thousands of informal microenterprises coexist alongside a few companies, which represent a large part of the GDP. As a result, SME participation in the productive structure is relatively small. Nevertheless, owing to SMEs' major contribution to creating jobs and making the productive system more flexible, SME development continues to have strategic importance.

Ever-increasing competition (based on factors such as innovation and quality) and broad processes of market integration (principally the Free Trade Agreement of the Americas) have led to new and greater challenges for SMEs. Despite their ability to react and adapt to change, SMEs still face serious constraints. Lack of access to financing, knowledge, markets, and economies of scale make it difficult for SMEs to meet the conditions of the new competitive market, and they run the risk of being excluded from productive global chains.

Therefore, the critical challenge facing SMEs in the new decade is to increase their competitiveness. Much work remains to be done in this area. On average, productivity of Latin American SMEs is less than 40 percent of large enterprises (this difference is much less in industrialized regions). In the European Union and the United States, average SME productivity is 65 percent of large enterprises. This difference must be reduced to enable SMEs in the region to participate successfully in international trade.

Increasing productivity is the central purpose of the new policies promoting competition, which aim at greater collective efficiency in the SME sector, while creating and consolidating existing competitive advantages. The new strategy also aims at strengthening public and private sector coordination in the design and implementation of these programs. Given the global competition SMEs already face, it is hoped that implementing such policies will stimulate SME competition in the Latin American and Caribbean region.

2

Support Strategies for SMEs

Support for SMEs has played an increasingly important role in the IDB Group's agenda to accelerate development of the economies in the region. SMEs are flexible, innovative, and an important part of national economies. The IDB's initial support for SMEs grew out of the 1994 Eighth General Increase in Resources. Within its mandates, in 1995 the IDB approved the Strategy for Business Development for Small and Medium Enterprises, which aimed at supporting SME competition so that SMEs could contribute to long-term economic growth and job creation.

The Institutional Strategy, adopted by the IDB in 2000, updated the strategic efforts of the 1994 repositioning of resources and redefined the institutional goals based on four fundamental priorities: modernization of the state, reform of the social sector, regional integration, and increasing competition.

Development of the private sector—and in particular the development of SMEs—are important in each of these areas. But as we enter this new century, becoming more competitive may be the main challenge currently confronting the SME sector. The Strategy to Increase Competition and Operational Guide for Programs to Increase Competition for Small and Medium Enterprises, prepared by the IDB in 2002, present the areas and focus of SME-support efforts.

SUPPORT STRATEGIES FOR SMEs

Since the early 1990s, support to SMEs has gained increasing importance in the IDB Group agenda. Because of their economic importance and potential for flexibility and innovation, SMEs have become an excellent instrument for accelerating economic development in the region.

The IDB's Eighth General Increase in Resources (1994)

The first event that pushed the SME theme directly onto the IDB agenda was the Eighth General Increase in Resources, which took place in August 1994. The strategic mandates resulting from this repositioning of resources led the IDB to increase its activities in the SME environment, recognizing the role of SMEs in economic growth, reduction of poverty, improvement in social equity, government modernization, regional integration processes, and the sustainable use of natural resources.

Entrepreneurial creativity and economic growth. SMEs can take better advantage of entrepreneurial creativity; they are more effective in applying new technologies and creating new jobs. Improving their efficiency accelerates development and increases the capacity of countries in the region to compete successfully in international markets.

Reducing poverty and improving social equity. Because of their capacity to generate new jobs and their critical role in the total number of jobs created, SMEs are key actors in human-capital development. Creation of small-scale enterprises represents a viable alternative for local populations, not only for generating income, but also for promoting personal development and social productivity in both urban and rural areas.

Modernization of the State. Small enterprises not only benefit from a more efficient bureaucracy, they can also serve as effective suppliers of the many goods and services that the state needs to function smoothly.

Regional integration. Regional integration can be strengthened by the participation of SMEs in new external market operations and in business cooperation agreements. Expanding markets through regional integration can make businesses more competitive by using economies of scale, purchasing cheaper inputs from regional sources, and accessing a greater variety of factors of production.

Sustainable use of natural resources. A key factor in improving the ability of SMEs to compete internationally is the use of environmental management systems. Environmental performance standards for businesses are being incorporated into local and international regulations, market demands, and international quality certification and procedures, such as the ISO 14000 regulations. SMEs face challenges and opportunities in areas ranging from the use of natural resources and clean technologies to labor security.

Enterprise Development Strategy (1995)

Within the strategic framework of the Eighth General Increase in Resources, the IDB approved the Enterprise Development Strategy for SMEs in 1995.[1] Its goal is to promote the ability of SMEs to be more competitive so that SMEs can contribute to long-term economic growth and employment.

By the mid-1990s, most countries in the region had implemented reforms aimed at opening their economies to international competition. Nevertheless, domestic capital and labor markets had not sufficiently developed to ensure successful adaptation of SMEs to this competitive environment. Unlike large enterprises, which can more easily absorb transaction costs, SMEs found themselves at a disadvantage. In this context, the Enterprise Development Strategy proposed a series of actions to compensate for the inequities that affected SME development in the new business environment. The aim was to create the conditions and instruments necessary to help SMEs compete in local and international markets.

From 1995–98, national-level strategies were developed in 13 Latin American and Caribbean countries to help implement the Enterprise Development Strategy. The countries were Argentina, Bolivia, Brazil, Chile, Colombia, the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, and Uruguay. This exercise made it possible to incorporate the enterprise perspective into IDB Group operational programming and to increase the number of SME-related projects. It also made it possible to have a general vision of national policies supporting the SME sector and to create new mechanisms of dialogue and coordination between public- and private-sector institutions, resulting in a fruitful exchange between countries.

Challenge of Increasing Competition

The Institutional Strategy, adopted by the IDB in 2000,[2] updated the strategy of the 1994 repositioning of resources and reformulated the institution's goals according to four basic themes: modernization of the state, social sector reform, regional integration, and competitiveness. Development of the private sector, particularly SMEs, is important in each of these areas; however, promoting competition is the theme that best represents the challenges confronting this business stratum at the start of the 21st century.

The Competitiveness Strategy, prepared by the IDB in 2002, is designed to promote enterprise development in the region. The strategy aims to improve the economic and institutional environment for private sector development and increase productivity. It states that sustainable growth in competitiveness requires a horizontal approach exemplified by many IDB activities. Proposed actions aim to correct or compensate for deficiencies in market functioning and focus on the following areas:

- Access to financing and raising capital
- Access to human resources, training, and labor relations

[1] See Annex 1, Document GN 1885.

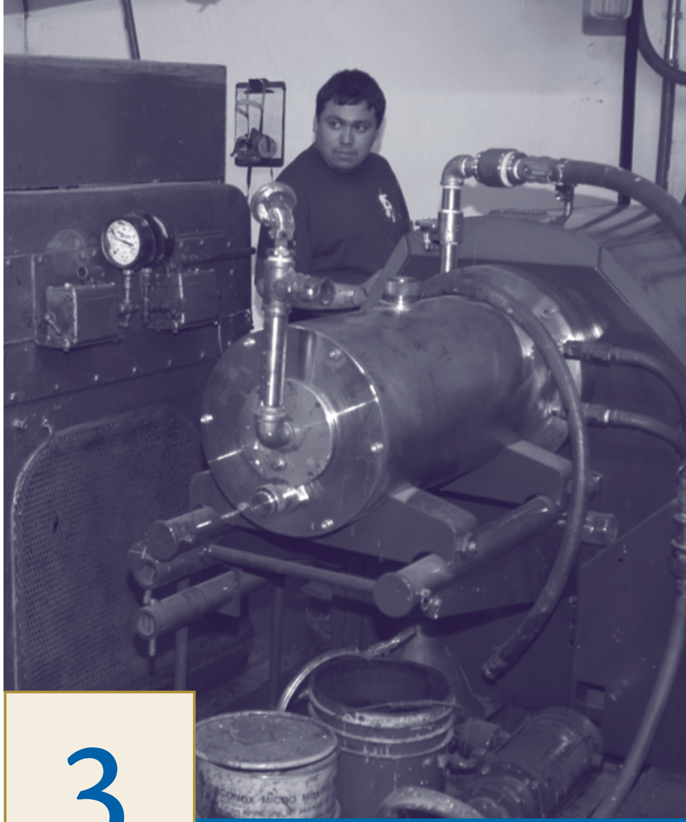
[2] See IDB Document GN 2077-3, *Action Plan for Implementing the Institutional Strategy.*

- Availability of infrastructure (roads, ports, telecommunications, energy, etc.)
- Access, assimilation, and creation of new technology and knowledge
- Quality of public institutions linked with the functioning of productive, private activities
- Productive and sustainable management of natural resources capital.

The Operational Guide for SME Competitiveness Programs (available in Spanish only) was prepared by the IDB to establish operative guidelines within the framework of business development and competitiveness strategies. Such guidelines help IDB staff members and executing agencies to identify, design, implement, and evaluate programs that promote competition. The guide integrates lessons learned with regard to best practices of activities by the IDB Group, as well as other national and multilateral institutions. Moreover, it establishes the central aim of SME programs that promote competition: To increase productivity of factors of production (capital and work) in SMEs. To achieve this goal, the guide proposes concentrating efforts in the following areas:

- Improvement of the business environment
- Development of SME financial markets
- Development of business services markets
- Support for innovation and technology dissemination
- Strengthening of productive chains and business networks
- Promotion of the entrepreneurial spirit

Since the early 1990s, the IDB Group framework of policies, strategies, and operational guidelines has demonstrated that the private sector in general, and SMEs in particular, comprise a critical instrument for accelerating economic and social development in Latin America and the Caribbean. The next section summarizes operations that the IDB Group has conducted in support of SMEs.



3

Amount of Support to SMEs

The IDB Group has long recognized the importance of small and medium enterprise in development in the region, as well as the challenges that SMEs confront. The variety of activities undertaken by the IDB, the IIC, and the MIF in support of SMEs—including financial activities, projects and instruments—can be grouped in four main categories: improving the business environment, financial services, business development services, and promoting and disseminating strategies.

Between 1990 and 2002, the IDB Group invested US$14.9 billion in direct and indirect support for SMEs. A major part of these resources was aimed at improving access to medium- and long-term loans. The MIF emphasized improvement of small-business competitiveness through the development of business services, while the IIC offered loans and capital investment.

AMOUNT OF SUPPORT TO SMEs

The IDB Group has long recognized the importance of SMEs in the Latin American and Caribbean region, as well as the challenges they face. For this reason, the IDB Group has collaborated with member states and the private sector to provide the financial and technical resources needed for SME development. The IDB, the IIC, and the MIF support SMEs through diverse activities, projects, and financial instruments, which can be grouped into four categories: 1) improvement of the business environment, 2) financial services, 3) business development services, and 4) development and dissemination of strategies.

From 1990 to 2002, the IDB Group invested US$14.9 billion in direct or indirect operational support to SMEs. Most IDB resources have focused on improving SME credit access, particularly medium- and long-term credit. The MIF's emphasis has been on improving the competitiveness of small enterprises through business development services. Finally, the IIC has transferred resources to SMEs through loans and capital investment, in accordance with its mission (see Table 1; see Annex 2 for a detailed list of IDB Group projects).

Table 1. Support to SMEs (1990–2002)
(in US$ millions)

	Improving the business environment	Financial services	Business development services	Total
IDB	3,352	7,449	2,724	13,525
IIC	—	1,047	—	1,047
MIF	36	162	196	394

Improving the Business Environment

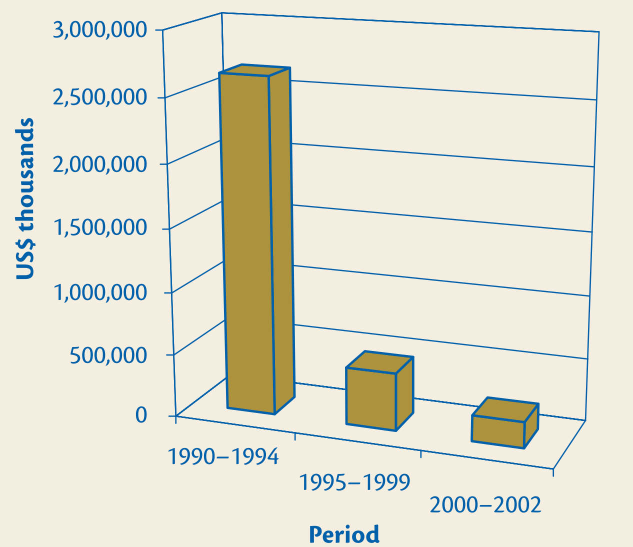
It is essential for enterprises in the region to develop a framework of rules for a free market economy. This requires the elimination of obstacles and barriers that block access to the market, the strengthening of institutions that guarantee competition, and the freedom to establish cooperative relations between enterprises that do not involve market distortions.

Sectoral reform loans

During the first half of the 1990s, the IDB used structural reform loans to support liberalization and opening of the region's economies, as well as to establish the basic pillars of a regulatory and institutional market framework. Credit operations—known as "sectoral investment loans" because they aimed at liberalizing domestic and foreign investment in each country—were designed to support governments in macroeconomic adjustment, while asking them to make structural reforms to promote market-based resource allocation and reduce the government's intervention in the economy.

The importance of these loans decreased over the course of the 1990s (see Figure 4). Nevertheless, a sustained effort was made to improve the private sector environment of each country through loans to modernize public administration, foster the decentralization process, improve the justice system, and increase national regulatory capacity, etc.

Figure 4. IDB Sectoral Reform Lending Affecting SMEs



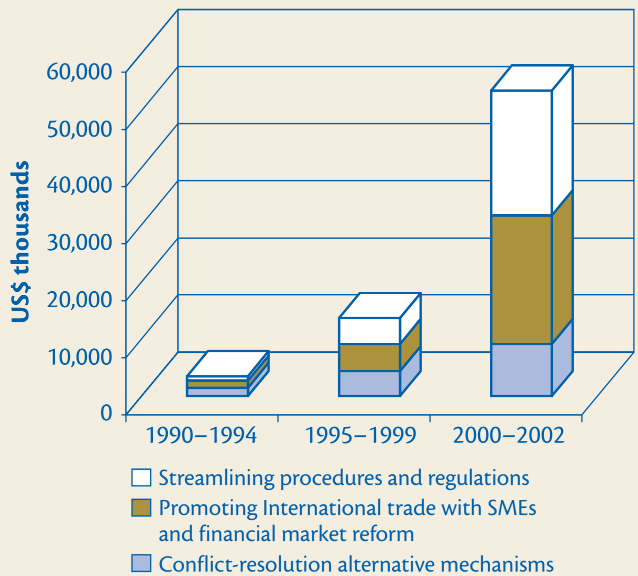
In addition, since 2000, actions to improve the business environment began to be incorporated into comprehensive support operations for SMEs. For example, even though the SME Enterprise Development Program (PR-0100), initiated in Paraguay in 2001, aims at strengthening the business development services market, it also includes a component designed to promote dialogue between the public and private sectors, on the basis of which it is possible to define a competitiveness agenda that contains policy reform proposals, regulations, and institutions that limit the competitive development of businesses. The Program for Promoting Competition (PN-014), initiated in Panama in 2002, also includes resources for business people to interact with those responsible for public policies in order to jointly design and implement actions needed to create a more favorable environment for business activity.

Alternative dispute resolution, facilitating international trade, and streamlining procedures

MIF technical cooperation aimed at improving the business environment focuses mainly on developing new conflict-resolution mechanisms between economic agents and on facilitating international trade. In addition, over the past three years, the MIF has promoted streamlining procedures and regulations that affect SME operations (see Figure 5).

MIF financing has made it possible to develop innovative instruments to resolve business disputes in the region. Most MIF projects related to improving the business environment have focused on creating mediation and arbitration centers (18 projects valued at US$15 million). In general, these projects aim at accelerating the resolution of business disputes through extrajudicial methods that offer the private sector an efficient, specialized, and low-cost service. They provide a sound alternative to resolving conflicts between small and medium enterprises that otherwise could not cover the legal costs. Projects that deal with mediation and arbitration centers include standard frameworks for resolving conflicts, institutional development, and promoting and sharing experiences with alternative methods for resolving commercial conflicts.

Figure 5. MIF Technical Cooperation to Improve the Business Environment



MIF operations to facilitate international trade with SMEs include 1) streamlining import procedures; 2) coordination of customs, public health, and other authorities that have repercussions in the flow of trade; 3) harmonization of the technical requirements of commerce; 4) training of and technical assistance for exporters on requirements for gaining access to international markets and developing voluntary quality-certification systems; and 5) dissemination of information and communications technologies designed to reduce obstacles and accelerate the flow of trade and international investment.

The Modernization of International Trade Project (AT-23), initiated in Bolivia in 1994, supports SME access to international markets, utilizing tariff preferences offered by the United States and the European Union. The program helps SMEs in the Andean region carve out business niches and develop and adapt their products to respond to specific demand. Another example of a group of countries seeking to solve common problems is the initiative approved in 2001 to design and implement mechanisms to streamline customs procedures (see box below).

After ten years of implementing reforms in the region, progress has been made in strengthening legal and regulatory frameworks, which are key to maintaining market incentives. However, small enterprises still face complex rules and regulations for registering businesses or property. Projects to streamline regulations for small businesses strive to facilitate their participation in the formal economy and thus enhance development of the sector. Moreover, these projects serve as a model that can be replicated in other sectors and countries.

The Program To Simplify Procedures in the Enterprise Sector (AT-368), initiated in Colombia in 2000, and the One-Stop-Shop Program for Formalization of Microenterprises (AT-406), initiated in Costa Rica in 2001, are examples of initiatives to streamline procedures. The project in Colombia is promoting a more efficient and transparent relationship between business associations (private organizations responsible for registering businesses), public administration, and businesses. Creation of business centers in six major Colombian cities has helped improve access to information that business owners need to apply for registration.[3] In the case of Costa Rica, the Ministry of Economy, Industry, and Commerce has proposed a project to make regulations for businesses—both existing and new ones—more effective, efficient, balanced, and economical. The aim is for regulations to promote competition, eliminate obstacles to business, and facilitate access to systematic and timely public information.[4] From October 1998 to January 2002, the procedural streamlining program in Costa Rica made 34 reforms to existing regulations.

[3] See the website www.ccb.org.co

[4] See the website www.tramites.go.cr

Customs Measures To Facilitate International Business in Latin America and the Caribbean

MIF project ATN-342, initiated in 2001, promotes international trade in Latin America and the Caribbean through the coordinated adoption of eight customs measures. The project contributes to economic integration across the region and with the rest of the world. It supports the development and implementation of measures to:

- Streamline procedures for those who travel between countries on business
- Accelerate movement of special-delivery goods and items with a value that does not justify exhaustive customs procedures
- Facilitate electronic communication among customs administrators and between customs and business operators
- Establish regulations that encourage the ethical behavior of officials
- Develop methods to supervise operations or individuals that show solid evidence of risk.

Given the large number of countries interested in the project and the existing differences in the stages of implementing specific measures to streamline customs, the technical assistance portion of the project was designed in an open way. An office was established in the Inter-American Center for Tax Administration (CIAT), where interested countries can come to solicit support according to their individual needs. CIAT administers the project; provides assistance in identifying needs; and is in charge of receiving, evaluating, and approving requests for support. To strengthen CIAT's management capacity, a customs expert was hired to serve as project coordinator.

Financial Services

SMEs face constraints in accessing credit and capital. Depite important reforms in financial systems in the region in recent years, lack of access to medium- and long-term financial resources continues to limit SME creation and growth. This problem is caused in part by difficulties that financial institutions have in securing long-term funds.

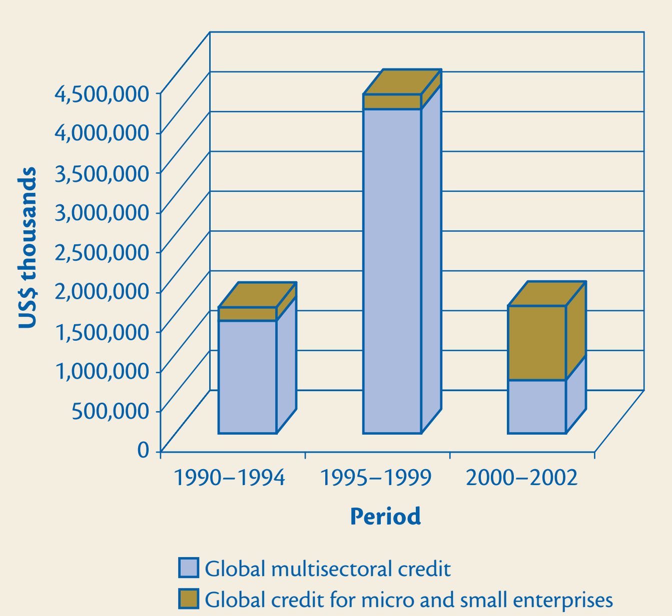
The three institutions of the IDB Group use instruments to facilitate SME access to capital and medium- and long-term financing. The IDB promotes multisectoral and global credit programs. The IIC grants financing in the form of loans and capital investments, either directly to SMEs or through capital-venture funds. The MIF offers technical assistance and grants, and makes equity and venture-capital investments.

The IDB Group uses its financing instruments to promote market changes in policy frameworks, rules, and supervision, as well as in institutional supply (banks and other types of financial institutions), with respect to medium- and long-term resources (credit and investments). In this way, financial coverage is expanded to include a diversified clientele of SMEs. The specific types of support that the IDB Group offers are summarized below.

SME credit programs

Multisectoral and global credit programs are the IDB's main instruments to support SMEs. These programs help make medium- and long-term loans (under market conditions) available to SMEs that need to restructure, improve, and expand their businesses. The loans are granted to second-tier financial institutions, which channel the resources to qualified intermediary financial institution, which in turn provide loans to SMEs. Second-tier institutions usually are official development banks, while most intermediary financial institutions are private sector banks. This strategy presents a distinct challenge; a private bank may be reluctant to use the funds, either because its preferred clients are large enterprises or because it can obtain lower-cost funds in international financial markets.

Figure 6. IDB Credit Facilitation Programs for SMEs



Over the 1990–2002 period, 26 global multisectoral credit programs were approved—24 national and two regional programs—for a total of US$6.2 billion. As a result, total credit capacity for the second phase of the program exceeded US$10 billion (see Annex 2, Table C). Resources grew due to the contributions of first-tier financial intermediaries and joint financing with lending organizations. During the same period, the IDB initiated 17 global credit programs for micro and small enterprises, with funding that totaled nearly US$1.3 billion. These resources targeted 13 countries and attracted an additional US$1.1 billion in local capital (see Figure 6). Resources were granted to first-tier financial institutions that provide loans to micro and small enterprises (see Annex 2, Table D).

The Global Multisectoral Finance Program (CH-0157), initiated in Chile in 1999, is particularly interesting because it contains a loan tender and leasing mechanism. Unlike programs in which the executing organization selects intermediary financial institutions to meet a series of qualifying criteria, this program allows the executing organization—in this case the Production Promotion Corporation (CORFO)—to auction credit to leasing businesses. The program facilitates SME access to financial services since it allows mediation of leasing companies. These businesses are usually more responsive to small enterprises than banks are. Moreover, leasing does not require more guarantees than the machinery or leased equipment. If long-term, financial services markets for SMEs fail to develop further, there will likely be a relatively high demand for global multisectoral credit programs, as the Global Multisectoral Finance Program, Phase III (UR-0136) in Uruguay illustrates (see box below).

Medium- and Long-Term Financing in Uruguay
Global Multisectoral Finance Program, Phase III

The IDB has supported the process of deepening financial markets in Uruguay to eliminate obstacles to private investment. This innovative support has three complementary programs: sectoral financing, sectoral investment, and, more recently, medium- and long-term multisectoral financing. These programs contribute to financial system development by replacing financial restricting instruments (e.g., limits on interest rates, targeted loans) with free-market practices that seek to achieve efficient financial system development and private investment financing.

The multisectoral program was approved in mid-2002, for a total of US$225 million; of this amount, the IDB granted US$180 million for consolidating and expanding the availability of medium- and long-term financing, under market terms, for private-investment projects to restructure, improve, and expand the country's private enterprises. In addition, IDB financing provides cash resources to promote greater use of already available financial instruments, as well as to introduce new medium- and long-term financial products and methods for productive private investment.

The program expands the capacity of the Central Bank of Uruguay (BCU) to rediscount medium- and long-term loans through the Multisectoral Credit Program I (MSI, IDB Loan 705/OC-UR) and the Multisectoral Credit Program II (MSII, IDB Loan 1155/OC-UR). Using resources from the more recent program, the BCU grants intermediary financial institutions discounted lines of subloans to finance the following areas: equity investment in enterprises, medium-term leasing operations, packages of bank loans for eligible private investments, and medium- and long-term operations to finance exports. Distribution of program resources between economic sectors and financial activities and products is determined by market demand.

IIC activities

The IIC's main goal is to offer financial services to the SME sector in the Latin American and Caribbean region. The IIC is the only organization of the IDB Group that offers direct financing to SMEs. In 1999, the IIC Board of Governors approved an increase in resources to promote a ten-year program to help SMEs gain greater access to much-needed long-term financing and to attract both domestic and international private funding. This increase in resources allowed the IIC to invest US$1.4 billion in equity and US$4 billion in loans for SMEs in the region.

The IIC adds value to the loans granted by offering remunerated, financial consulting services to help SMEs structure financially sound projects. These services include advising private enterprises on financial restructuring and corporate reorganization, as well as access to foreign sources of financing, technology, and experience. To obtain IIC financing, projects must offer profitable investment opportunities and contribute to overall economic development and environmental sustainability.

Since beginning operations in 1989, the IIC has provided financing to more than 2,590 companies in the production and services sectors in the region. Total project costs supported by the IIC's capital investments and its counterpart cofinancing resources exceed US$8 billion. As of December 2002, the IIC's active SME portfolio totaled US$1.047 million[5] (see Annex 2, Table H).

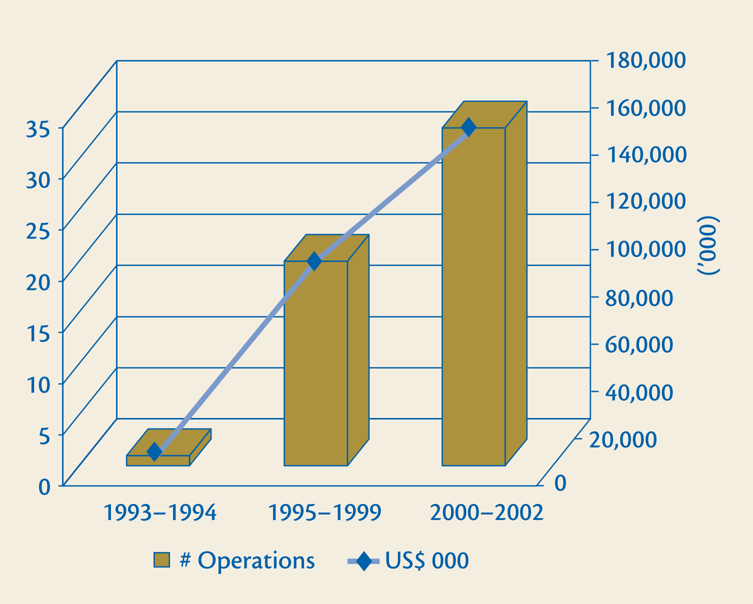
[5] See the website www.iadb.org/IIC

MIF venture capital funds

The MIF has actively supported the creation and development of investment funds for SMEs through equity and venture-capital investments. The Fund aims to expand the availability of capital resources, which are practically nonexistent in the region for SMEs. Making capital available to SMEs drives the local investment market that supports effective enterprise financing and development, serving as an example by introducing new investment technologies. In addition, it helps develop experts who can manage SME investment funds. Typically, the MIF provides a maximum of 50 percent of a project's total capital; private sector partners provide the remaining portion of the fund, and an experienced administrator oversees development of activities.

The MIF's small-enterprise investment portfolio is one of the region's most important initiatives in expanding equity shares. Between 1993–2002, the MIF invested US$162 million in 33 capital funds for small enterprises (see Figure 7). Local partners—both private investors and development organizations—contributed US$292 million; as a result, total SME equity investment reached US$454 million. More than 170 SMEs have received MIF investment-fund support, on average US$500,000 per project. It is predicted that the investments—especially venture capital investments—will generate positive yields and that the funds will be self-sustaining when MIF funding ends.

Figure 7. Evolution of MIF Venture Capital Investment



The Development and Investment of Technology-based Small Enterprises Program (AT-110), initiated in Chile in 1996, is an example of an MIF venture capital investment. One part of the program is devoted to creating a venture capital fund to help develop new technology businesses. The MIF invested US$3 million, matched by another US$3 million from Fundación Chile and US$10 million from other investors.

Another MIF operation is the 1998 equity investment in the Southern Cone Environment Fund (AT-197). It is a regional operation to provide support, mainly through capital financing, to small enterprises with promising growth potential whose activities have positive effects on the region's biodiversity. The biodiversity sector is a growth niche in the Latin American and Caribbean region, but is overlooked by equity investment. The MIF invested US$4 million, which will be complemented by funds from the Swiss government as well as from private investors until a total of US$9 million is reached.

The Investment Fund for Small Enterprises in the Environmental Sector (AT-155), initiated in Mexico in 1997, is considered one of the most promising venture funds to date. It involves equity investment in a special program of the North American Environment Fund (NAEF), a venture capital fund established in 1993 to finance enterprises in the environmental sector. The project also makes it possible for selected enterprises to evaluate their production systems in order to reduce the adverse environmental impact of their industrial activities. One of the NAEF-funded small enterprises has been listed on the NASDAQ.

Business Development Services

To survive increased global competition, SMEs need to improve their competitiveness through training processes developed within each enterprise as well as to incorporate new knowledge and outside experiences. However, services markets that are focused on such needs are poorly developed in many countries of the region. SME demand for business development services is usually constrained by a lack of information and experience in using such services, as well as a lack of time and resources. On the supply side, the main obstacles that limit services availability for small enterprises are a lack of information and high transaction costs.

Over the past 13 years, the IDB Group has directed a significant amount of resources to facilitate SME access to increasingly developed, specialized services markets. The IDB has invested more than US$2.7 billion in 44 operations, while the MIF has invested US$196 million in 119 projects (see Table 2). It is possible to classify business development services operations in various categories, such as technical assistance, human resources development, innovation, technology and quality, entrepreneurial initiative, and local economic development. These categories are discussed in the sections below.

Technical assistance

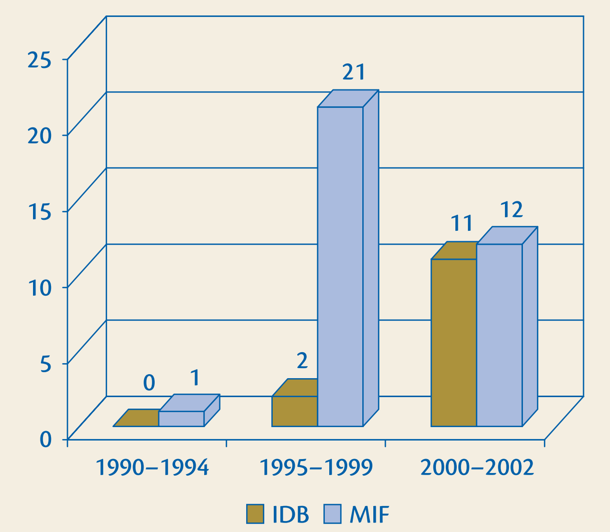
The IDB approved 13 programs, totaling more than US$357 million, to improve SME competitiveness through technical assistance. These loans have grown in size in recent years (see Figure 8) and have been designed to offer innovative solutions in business advisory fields.

An example of this type of operation is the Enterprise Development Program for SMEs (PR-0100), initiated in Paraguay in 2001, which includes a strategy to increase sustainability of business development services and encourage participation of the private sector in the development of policies and strategies to improve the economic environment. On the demand side, the program stimulates

Table 2. IDB and MIF Investment in Business Development Services (1990–2002)

	IDB		MIF	
Category	**Amount (in US$ thousands)**	**No. of operations**	**Amount (in US$ thousands)**	**No. of operations**
Technical assistance	357,500	13	60,697	34
Human resources development	1,254,837	15	65,303	33
Innovation, technology, and quality	1,112,208	16	42,463	32
Entrepreneurial initiative	—	—	13,127	8
Regional competitiveness	—	—	14,345	12
Total	**2,724,545**	**44**	**195,935**	**119**

Figure 8. Changes in Number of Technical Assistance Operations



SME investment in business development services by supporting public awareness and information activities, as well as technical and financial (shared cost) assistance to analyze businesses. Moreover, the program proposes to strengthen and expand local SME suppliers of business development services.

Another key aspect of IDB technical assistance programs is the growing importance of agricultural enterprise initiatives. Eight programs approved by the IDB between 2000 and 2002 provide support to this sector. For example, the Program To Promote Sustainable Agricultural Production (CR-0142), initiated in Costa Rica in 2002, totaling US$14.4 million, aims at improving the competitiveness of SME agricultural producers through sustainable management of natural resources. The program supports the development of the technologies services market to improve the productivity of small producers, strengthening of producer organizations, and development of instruments to help the Ministry of Agriculture and Livestock in each country adopt appropriate policies to meet new competitive challenges.

The MIF approved 34 grants to increase small enterprise competitiveness through technical assistance services. These programs make it possible to test specific mediation mechanisms and approaches and provide technical assistance to different enterprise groups, ranging from small-farm producers and artisans to enterprises that are entering international markets. These MIF initiatives aim at helping small enterprises incorporate new practices that enable them to continually adapt to market realities.

MIF's Pilot Program for New Exporters (AT-185), initiated in Uruguay in 1998, is based on a method to promote exports that has been developed by the Trade Promotion Consortium of Catalonia, Spain. The program produces economies of scale by assigning qualified advisory consultants to those SMEs that need help in developing strategies and export plans for their products. The advisory services promoted by this program usually focus on long-term transformation of the participating enterprises.

Another example is the Artisan Sector Development Project (AT-445), initiated in Peru in 2001. The project strengthens production and marketing of quality items representative of cultural identity. Within the context of knowledge-based enterprises, the Software-Industry Enterprise Development Project (AT-409) stands out. Implemented in Uruguay in 2001, the project aims at improving management of SMEs that produce computer programs by introducing quality systems and product marketing.

Human resources development

Since 1990, the IDB has approved 15 loans, totaling US$1,250 million, to increase human capital in the region. Human resources are critical to boost small enterprise competitiveness. SMEs and their entrepreneurs must keep their competitive capacity up to date. However, SMEs usually have proportionately fewer resources than large enterprises for staff training. Thus, they turn to a qualified, flexible labor market to cover their needs. The IDB has designed programs to promote labor development and facilitate SME access to providers of services for human resources development.

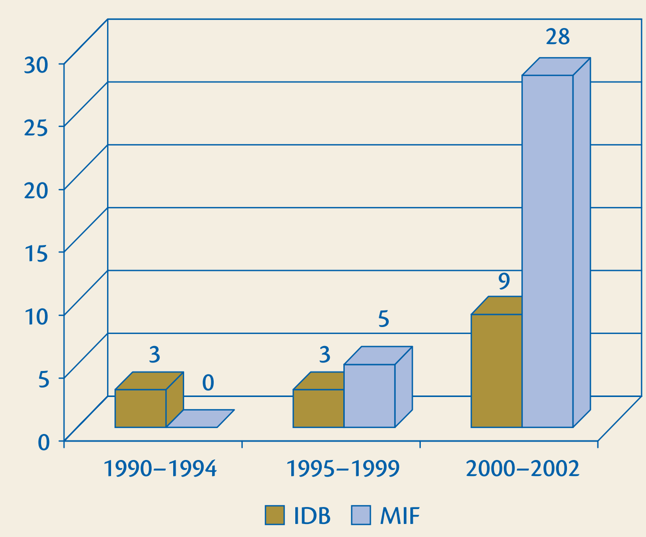
Among its more recent programs, the IDB financed a labor market program (GU-0158), initiated in Guatemala in 2002, totaling US$10 million. This program has three components. The first centers on training vulnerable rural groups. The second aims at establishing links between supply and demand for both training and labor supply through consolidating the National Public Employment Service of the Ministry of Work and Social Welfare. The third component aims at strengthening the Ministry's system for analyzing labor statistics. Overall, the program promotes training to develop the knowledge and skills that businesses demand, and to modernize and expand systems such as the Electronic Work Exchange and the Labor Connection Services Network.

The MIF has various human resources development programs that respond to a wide variety of needs in each local productive sector. For example, some projects offer youth training to promote young people's participation in productive processes, while others train middle managers, a group that is more integrated into the labor market. Some projects include workplace training, while others offer off-site training, sometimes at institutions created for this purpose. However, one common feature of these programs is their goal to develop new strategies and innovative, self-sustaining solutions to the problems of personnel training faced by SMEs in the region.

The MIF approved 33 human resources development projects for the 1990–2002 period (see Figure 9). The Human Resources Management Program (AT-182), initiated in Argentina in 1998, uses a voucher training system, combined with information centers on training services. The program provides incentives to small-business owners to contract more competitive and appropriate training services offered by different providers, which, in turn, increases the training institutions' response to SME demand.

The Labor Mediation Services Project (AT-419), initiated in El Salvador in 2001, funds the testing of the Employment Mediation Service (SIE) between private sector employers and new employees. In addition to supporting design and establishment of the SIE and its labor mediation instruments, the project finances job recommendation services, training registration, and development of a basic network of SIE services centers and products.

Figure 9. Changes in Number of Human Resources Operations



Innovation, technology, and quality management

The IDB has long recognized the importance of science and technology and has made key contributions to strengthening capacity in these areas in all countries. IDB loans for innovation and technology have the following goals: to establish physical and human infrastructure, strengthen entities that fund scientific research, improve relations between private enterprises and public research and development institutions, and support private sector investment in research and development through technology development funds. The new IDB Strategy for Technology Innovation and Development[6] highlights the need to concentrate resources on dissemination and technology development in the productive sector, particularly SMEs, as well as strengthening institutions that provide sector funding, information, technical assistance, and services.

Between 1990–2002, the IDB approved 16 innovation and technology operations that include a specific section devoted to SME support. These operations fund private sector research and development projects, public institution technology projects, and educational projects in which universities and research institutes participate. Of these three types of projects, only the first can be considered SME assistance since its goal is to increase the competitiveness of private enterprises and is clearly differentiated as a subprogram in each case. It is possible that some of these projects will benefit large companies, but this benefit is difficult to quantify.

For example, the Productive Sector Support Program (PN-0019), initiated in Panama in 1998, combines support for research and development training in the country with subsidies for the demand of enterprise support services, training, and technology development. This program envisages creating a Research, Development, and Dissemination Fund, as well as consolidating the National Innovation System, which comprises a network of institutions, agents, and policies on technology development and innovation. In addition, the program promotes the concept of information management through the establishment of information centers.

The Technology Modernization Program II (AR-0171), initiated in Argentina in 1999, creates incentives for innovation through joint financing and venture capital to support new technology projects. To promote science as a key strategic instrument, the program supports human resources training and research and development to improve national competitiveness. (See Annex 2, Table G, for more information on technology innovation and development programs.)

MIF programs in this category aim at facilitating development of innovation processes and incorporation of new technologies by small enterprises, as well as implementation of quality management systems, especially ISO rules. For example, the above-mentioned Technology-based Small Enterprise Development and Investment Program (AT-110), initiated in Chile in 1996, also established a technology transfer fund to finance fishery, timber, and agroindustry projects. Once the capital component was established, both parts of the program began exchanging information in order to collaborate closely on introducing the market to technology-based SMEs.

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[6] See the website www.iadb.org/sds

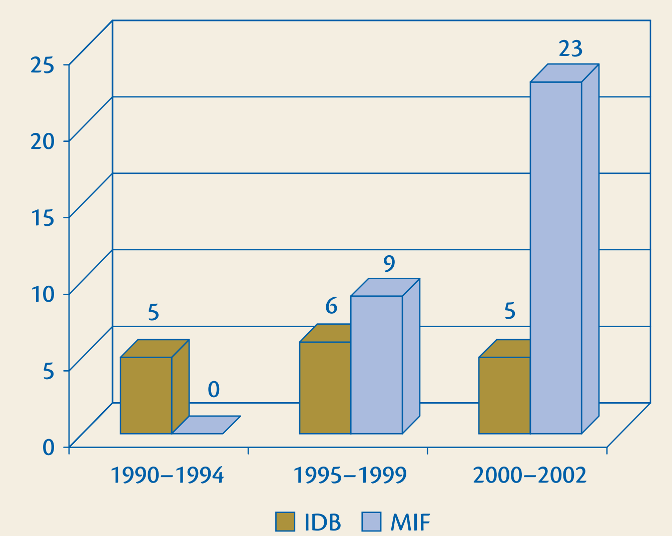
The Program To Strengthen Competitiveness of Manufacturing SMEs (AT-164-1), established in Venezuela in 1998, uses a similar mechanism. This program encourages increased demand for technology advisory services by subsidizing technology consultant training, as well as contracting of these services by manufacturing SMEs. The program helps these businesses to form flexible associations based on shared challenges and voluntary cooperation in the individual costs of advisory services.

Also included in this category of programs is an initiative to improve quality management of SME goods and services. In 1999, the MIF initiated a program to increase competition by adopting ISO management-system rules, as well as to establish and improve institutional capacity in infrastructure quality.

Two projects illustrate this type of initiative. The first, known as the Program for Implementing ISO Model 14001 in SMEs (AT-303), initiated in 1999 in Nuevo León, Mexico, is an example of large-enterprise sponsorship of SMEs for implementing ISO rule 14001. The second initiative, called the Program for Introducing Quality Management and Environmental Rules (AT-305), initiated in Colombia in 1999, supports a national program to promote quality management systems by applying ISO 9000 and 14000 rules, as well as to assist SME production to ensure product compatibility with international standards.

Over the last three years, the MIF continued promoting quality assurance programs for SMEs (see Figure 10). Several projects have been approved in different countries, including Nicaragua, El Salvador, Peru, Colombia, and Uruguay. In addition, a regional project has been approved to promote the use of clean technologies.

Figure 10. Number of IDB and MIF Innovation, Technology, and Quality Operations



Entrepreneurship

In recent years, the region has begun to recognize the importance of the entrepreneurial initiative as a viable alternative to seeking employment in large corporations. New enterprises, especially those based on innovation, offer an important way to revitalize productive structures and improve economic competition.

Programs for entrepreneurial initiative aim at increasing business capacity to design, initiate, and develop new enterprises. As a result, these programs include such activities as communication campaigns that contribute to cultural change and the social value of the enterprise; changes in formal education systems to promote business vocations and skills; promotion of internships that allow students to gain experience in the business environment; support to identifying business opportunities; tutoring, contests, and forums for youth entrepreneurs; and improvement of the business services environment and networks for new enterprises.

IDB Group experience in integrated programs to promote enterprise initiatives are still not well developed, even though it is possible to glean lessons from certain MIF experiences. Operations to build motivation and business capacity are complemented by others based on a process of supporting entrepreneurs; the latter receive support to develop strategic and financial plans, as well as support to develop ties with national and international investors and local universities. Other programs promote business "incubators" and streamlining procedures in the establishment of new enterprises.

MIF operations support organizations recognized for their promotion of the entrepreneurial spirit and creation of enterprises, such as EMPRETEC Program, Endeavor, Pro Well-being and Development Association (PROBIDE), Junior Achievement International, and Technology Laboratory of Uruguay (LATU), in order to intensify and expand the reach of these services in the region.

Local economic development

The processes of globalization and decentralization, which have accelerated in recent years, test the competitive capacity of different regional areas, compelling them to redefine their role on the new international stage. Strengthening the local productive sector, which consists mainly of SMEs, is critical to promoting economic prosperity and improving social conditions. However, the development processes of different productive systems have highly idiosyncratic features. The evolution of productive sectors, presence of different leadership styles, and the ways in which public and private agents relate and interact are some of the factors that help one to understand how local, subnational niches respond when confronted with the challenges of globalization and decentralization.

The IDB Group has prepared a Subnational Development Strategy with which to respond to the growing needs of local development in the region. Concurrently, the IDB Group is working to select best practices, starting with subnational case studies on economic development and analysis of lending and technical cooperation operations that include actions to promote local area development. Among the lending operations that have local effects, the most common are those that develop municipalities and provinces, support large urban clusters, and support decentralization of public services. Also of growing importance is a series of MIF operations designed to strengthen the conditions of specific subnational areas to raise their levels of competitiveness. One group of pilot operations under development in Mexico, Ecuador, Honduras, and Colombia is making a clear effort to establish collaboration between the public and private sectors to define objectives and design economic development policies and programs at the regional level. Also included in this category is a series of operations that aims at strengthening business clusters and productive chains in Colombia, Brazil, and Argentina.

Strategy Development and Dissemination

In addition to lending and technical cooperation operations, the IDB Group sponsors a series of supportive activities for those who participate in SME development in the region. Below are examples of activities that aim at stimulating policy analysis and debate.

Policy analyses

The IDB plays an important role in promoting dialogue on policies that support SMEs in Latin American and Caribbean countries. The main activities to stimulate dialogue include the following:

- **Latin American SME Observatory.** The lack of detailed information on the SME sector is a constraint to policy analysis, design, and evaluation. To solve the problem, the IDB has developed the Latin American SME Observatory, an instrument that makes information about this diverse and complex sector available to policymakers.
- **Entrepreneurial Development Strategies.** In accordance with what was established in its Entrepreneurial Development Strategy, the IDB prepared a series of national entrepreneurial development strategies. These strategies form part of the global program of the IDB Group for identifying SME needs and helping to establish SME development projects.
- **Regional Debate on SME-related Policies.** In 1998, at IDB Headquarters in Washington, DC, the Sustainable Development Department organized a roundtable for borrower and non-borrower countries to interchange experiences on SME-related policies and to discuss IDB country assistance methods in policy and program design, development, and monitoring to benefit SMEs in the region.

Dissemination and discussion

In financial services, the following activities can be cited:

- **Discussion of Credit Guarantee Systems for SMEs.** The 1996 roundtable discussion in Washington, D.C. considered the problem of access to guarantees, examined reasons for establishing certain types of credit guarantee systems, analyzed related international experiences with different systems, and developed recommendations for IDB policies compatible with its operations.
- **Equity Financing for SMEs.** Together with the MIF, the IDB group organized an event on SME financing in Washington, D.C. in 1999. The first of its type, this event was devoted exclusively to capital investment institutions and funds for SMEs in developing countries. It tackled such topics as developing a project portfolio, structuring agreements, investment entry and exit mechanisms, and fund management.

With regard to entrepreneurial development services, the following activities can be cited:

- **Entrepreneurial Development Services.** In 1999, the IDB and other international agencies organized a conference in Rio de Janeiro to promote best practices in the design and supply of modern and sustainable entrepreneurial development services from a financial perspective.
- **Conference on Financing, Business Development Services, and Role of Public Policies and Institutions in Local Development.** At an event organized jointly with the Italian government and held in Verona in the year 2000, experiences, models, and case studies in business development services were studied and connections were established between different regions of Italy and Latin America.
- **Evaluation of Projects in Business Development Services.** At a workshop held in Washington, D.C. in 2000, participants discussed using evaluations as an essential tool for appropriate management of business development services.

- **Entrepreneurship.** In 2002, a seminar was organized in Washington, D.C. to discuss results of an IDB study that compared factors that promote and discourage the entrepreneurial spirit in the Latin American/Caribbean and East Asia regions. Seminar participants also discussed policy recommendations to promote creation of enterprises in the region.
- **Clusters, Productive Chains, and Competitiveness.** This workshop, held in Washington, D.C. in 2002, marked the beginning of a study on best practices in operations that support clusters and productive chains in the region. Workshop participants examined different types of productive chains and clusters and various mechanisms to generate competitive advantages and develop monitoring indicators to measure IDB program results.

In the area of innovation and technology, the following examples can be cited:

- **Technology Dissemination, Assimilation, and Use.** In 1998, a roundtable was held in Washington, D.C. in which participants analyzed best international practices in technology dissemination; the most appropriate policy environment for knowledge transfer, dissemination, and use; and operative guidelines to define future IDB action plans.
- **Quality Management.** The IDB Group and the United Nations Industrial Development Organization (UNIDO) sponsored a conference in Washington, D.C. in 1999, which launched a new program to promote enterprise competitiveness in the Latin American and Caribbean region through the adoption of ISO rules and quality management systems.

Publications

The IDB Group has produced publications in various SME-related areas, such as local development, entrepreneurship, support strategies and policies, SME statistics, financing, innovation and technology development, enterprise cooperation networks, quality assurance systems, and information technologies. (See Annex 3 for a list of the most recent publications.)

4

Lessons Learned

The IDB Group has given major support to SMEs in the last 13 years through loans and technical cooperation aimed at improving the business environment, deepening financial markets and developing business service markets. Support has increasingly focused on helping develop the private sector to become more competitive in the region.

We have learned important lessons on SME sector performance and direction for the development of new IDB operations. These both improve when the following elements are present: a healthy and stable macroeconomic environment, improved competition in the market for goods and services, good coordination between the public and private sectors, improved efficiency resulting from appropriate distribution of functions in implementing support programs between the public and private sectors, better developed financial markets and thus easier SME access to credit, streamlined norms and regulations for SME productive activities, decentralized SME support programs led by local leaders, and finally, well-defined methods of follow-up and evaluation that help determine the real effectiveness of these policies.

LESSONS LEARNED

The IDB Group has provided key support to SMEs over the past 13 years through lending operations and technical cooperation aimed at improving the business environment, deepening financial markets, and developing enterprise services markets. This support focuses increasingly on developing the private-sector competitiveness in the region. Based on our own experiences, we highlight the following 10 lessons, which can be used to identify and design new IDB Group operations aimed at improving conditions in the SME sector.

1. SMEs operate better and increase their competitiveness in a healthy and stable macroeconomic environment, based on fiscal, financial, and external economic sustainability. Despite the fact that most countries in the region have gained control over inflation and large fiscal imbalances, it is still necessary to continue efforts to improve the macroeconomic environment and resistance to economic crises, especially foreign ones. A stable macroeconomic environment is essential for increasing both domestic and foreign private investment, and for developing financial and infrastructure markets.

2. Increasing competition in goods and services markets is possibly the most important factor in improving SME productivity. However, public and private monopolies, cartels, and vertically integrated businesses are common in Latin American and Caribbean countries. Institutions in charge of regulating competition have recently been created in various countries, but their effectiveness is limited by a lack of experience, budgets, human resources, and complementary institutional systems (such as appropriate information systems). To perform their duties, regulatory institutions should use their legal authority to request information from enterprises and to make effective decisions without having to resort to the judicial system. This power should be appropriately controlled to make all decisions public and to establish a record of jurisprudence.

3. Private sector participation is essential for SME support programs to succeed. The disaster of supply policies (where governments decided which sectors should receive support, often resulting in poor use of public resources) has made it necessary to redefine the public sector's role in pro-competition policies, to require private sector participation in the design and administration of productive development programs, and to limit these programs to those guided by business demand, rather than government or supplier decisions. We have learned some basic lessons from our experience in promoting competition. It is necessary to establish strategic, participatory (bottom-up) planning processes; these processes must result from a consensus between the public and private sectors. The private sector is the major engine and the public sector is the strategic partner that encourages reforms in the business climate; and demand, not supply, must drive projects and provide program sustainability.

4. Implementing SME support programs is more efficient when public and private sector roles are clearly defined. The public sector should focus on the design and allocation of global resources, monitoring and evaluation of impact, and coordination between both sectors. The private sector should interact with SMEs and mediate resources; that is, it should play a role in areas where it is necessary to interpret and process business concerns and suggestions, as well as efficiently receive and approve requests. Private agencies have proven to be much more efficient than the public sector in program administration. However, integrating private agents into program administration should always be overseen so that the contracting public institution has the necessary capacity to carry out supervisory tasks. The potential for making use of a private learning agency for future SME development should also be a criterion for deciding whether to incorporate it into the implementation of programs to improve competition.

5. Experience shows that when financial markets are more developed, SMEs have greater access to credit. Overall, countries in the region have progressed in developing a legal framework and a supervised financial system, and, in some cases, have exceeded international standards of regulation and financial supervision. However, some countries—especially those less developed economically—lag behind in prudent practices. Bank programs also have contributed to increasing medium- and long-term availability of resources for the SME sector. Nevertheless, surveys of SMEs show that access to credit continues to be a priority for the sector and that it is necessary to continue working to develop financial markets in the region.

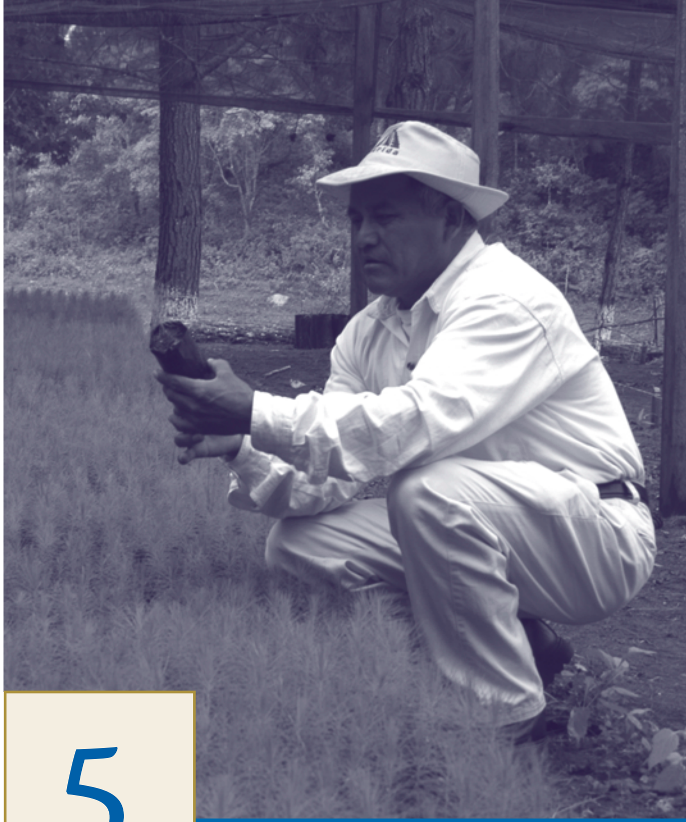
6. It is possible to create incentives to improve the productive capacity of businesses without introducing market distortions. Development of productivity and competition requires a system of economic and institutional incentives that assures individuals and enterprises they can use the income derived from their productive investment, innovation, and work. If the system of incentives and institutions leads to the search for income or stimulates inefficient production models instead of innovation and improved productivity, then the efforts to increase investment, education, or access to productive resources will fail. The ideal instruments for confronting productivity deficiencies are not fiscal or financial incentives or price distortions; rather, they are policies that contribute directly to improving the productive and technological capacity of individuals and enterprises, which facilitate their interaction and create a favorable environment for coordination between the private sector, public sector, and academic institutions.

7. Programs in business development services have proven to be more effective when: a) their design is based on adequate knowledge of market flaws where intervention will occur; b) business owners select services from specialized suppliers; c) financial support to SMEs is sustainable—through cost-sharing mechanisms—and is combined with policies to provide enterprises with information and customize the supply of business development services to their needs; d) transparency of relations between clients and suppliers of business development services is encouraged through suggested price systems; e) the administrative process is efficient and clearly client-oriented; and f) institutional aspects for implementing this type of program are considered essential for success and require clear definitions of the roles of those involved.

8. One out of every three businesspeople in the region considers excess taxes and regulations obstacles to enterprise development; one out of every six businesspeople considers them major obstacles. Accordingly, it is necessary to continue working to streamline the regulatory and tax rules of productive activities. Tax system, administrative, and regulatory complexity affect businesses of all sizes, but are more harmful to SMEs, which have fewer human and administrative resources. Lower income countries in the region, like those in many other regions, often impose more bureaucratic restrictions and requirements on creating and running enterprises than do more developed countries. In low income countries, the implicit cost of these requirements is proportionately higher for small enterprises, affecting their entry into markets and production.

9. The geographic area in which SME support programs are concentrated has gradually changed over recent years. Interest has shifted from the national to the local level. It is increasingly common for cities, provinces, states, and subnational areas to have their own economic development strategies in which the central tasks are to strengthen SME networks and the productive chains in which they participate. IDB experiences in developing local areas and productive chains show that factors for success include: 1) starting from an existing business and institutional base, 2) defining the enterprise groups that will receive support, 3) from the outset, involving the institutions and large enterprises that will form part of the project, 4) working with experienced leaders and institutions recognized by enterprises, 5) adapting project duration to the maturation period of results, and 6) defining expected results in a conservative way.

10. Finally, learning has special importance in the context of evaluating programs and policies. Experience shows that design problems often limit program evaluation, which can prevent one from knowing whether public resources targeted to the productive sector are effective in mobilizing private resources, generating additional income, obtaining investment income—inclusive of the public sector—and improving conditions of enterprise competitiveness. It is possible to improve the design of SME support programs by defining basic indicators and an information system to collect, store, and analyze all data necessary for program management and evaluation. The information collected and the indicators used must allow for the analysis of coverage, efficiency, impact, and sustainability of each program.



5

Future Challenges

The SME sector faces new challenges to its policies and programs as a result of globalization, regional integration, the revolution of information and communications technology, and government reform and modernization—added to the problems of competition, poverty and distribution of wealth that affect the region. It is essential to redefine and adjust the SME development goals and policies in light of the specific problems found in each country or region. The institutions that promote and regulate economic activity should coordinate their actions to prevent them from adversely affecting enterprises of different sizes.

It is essential to improve the SME operating environment. Improvements include streamlining bureaucratic norms and regulations, and incorporating new themes in the work agenda such as the functioning of the justice system and property rights. An adequate framework of economic and cultural incentives should be defined so that the rates of business creation and growth in Latin American and Caribbean countries are similar to these rates in more developed regions. Finally, one of the most important challenges to the SME sector is to continue developing information systems and databases that allow better project monitoring and evaluation of results.

FUTURE CHALLENGES

The IDB Group holds a leading position in promoting SME programs in the region. In response to the mandate of member countries, its operations contribute to private sector improvement and development. Within the context of strategies for business development and competition, the IDB Group is continuing on the path initiated in the 1990s to improve the business environment, increase lending for financial services and business development, and promote private sector participation in policy design and implementation.

It is worth mentioning, however, that recent changes—globalization, opening of trade and regional integration, the information and communications technology revolution, as well as national reform and modernization—combined with the regional problems of competition, poverty, and income distribution, create new challenges for the policies and programs that support the SME sector, as discussed below.

Reconciling aims with instruments. SME-related policies in the region include programs and incentives designed to achieve multiple objectives, such as job creation, human capital development, regional integration and development, increased productivity, and promotion of market competition. However, multiplicity of goals creates tensions in defining programs and instruments; for example, when one seeks to increase productivity and generate employment simultaneously. As a result, the policy objectives targeted to SMEs must be redefined according to the priority problems of each country or region and support programs and instruments consistent with these objectives.

Coordinated actions. SME performance is affected not only by policies that target the sector exclusively, but also by the combination of incentives and regulations that frame private sector operations. Institutions that regulate and promote economic activity need to coordinate their actions to prevent them from adversely affecting enterprises of different sizes.

Improving public and private sector communication. Today more than ever, businessowners and public officials must work together to define priorities and needed actions to increase enterprise competition. For this dialogue to be fruitful, adequate private sector representation must be assured in order to avoid favoring special interest groups.

Expand the range of actions to improve the business environment. Countries in the region have progressed in strengthening legal and regulatory frameworks. Governments are increasing their institutional efficiency and facilitating better use of productive resources. Nevertheless, SMEs are still exposed to costly disincentives, a product of regulations and rules, as well as poorly functioning institutions. To improve the business environment, the bureaucratic rules and procedures that affect SMEs must continually be simplified and new themes incorporated into the work agenda, such as a functioning system for legal assistance and property rights.

Financing diversification. Availability of capital is still limited for both loans to financial intermediaries and investment funds for small enterprises. In order to attract investors, the legal and regulatory environment must be improved—in a way that offers incentives for investing in the SME sector—and supports access to capital markets.

Governments and the business sector are becoming increasingly aware of the need to push for reforms to improve guarantees, accounting, and governance standards.

Local economic development. Globalization of economies and government decentralization have created new responsibilities at the local level for both the public and private sectors. Local governments and the private sector have greater responsibility for creating local development strategies. However, there is no unique prescription for accelerating local area development. Therefore, it is necessary that programs and working methods be sufficiently flexible in order to adapt to each region's institutional, productive, and cultural features.

Increase the entrepreneurial base. Entrepreneurs and their enterprises are the key players in today's development model. However, in the Latin American and Caribbean region, much work remains. An appropriate framework for economic and cultural incentives must be defined so that rates of business creation and growth approach those of more developed regions. This challenge requires a long-term political, economic, and cultural commitment based on other strategic areas, such as business education, network development, increased employment, and improved infrastructure and production services.

Monitoring performance and measuring results. One of the most important challenges is to continue developing information systems for the SME sector, including creation of databases to improve monitoring and evaluation of results. Developing evaluation capacity to support SMEs will make it possible to measure the efficiency and effectiveness of interventions and advance in identifying best practices; in addition, it will make it possible to take advantage of lessons learned and set standards for both SMEs and the institutions that support their development. Measuring the results of the impact of development is key to understanding whether investment resources in financial and non-financial services are generating the economic and social benefits originally set forth.

The biggest challenges for the IDB Group are to renew its institutional capacity and available instruments designed to effectively and efficiently help member countries resolve their problems and to develop new opportunities for more competitive enterprises.

Annexes

ANNEX I

Enterprise Development Strategy for SMEs

GN-1885—July 19, 1995

1. Introduction

1.1 Current challenge. Most countries in the Latin American and Caribbean region are undergoing reforms that are opening their economies to greater international competition. However, the domestic markets for factors of production are insufficiently developed to ensure the successful adaptation of SMEs to this new competitive environment. Unlike larger firms, which can more easily absorb transaction costs, SMEs are at a disadvantage and require specific compensatory assistance.

1.2 Economic Role of SMEs. The importance of SMEs to longer-term economic stability is derived from their size and structure, which, under adequate conditions, i.e., well-developed markets for the factors of production provide them the flexibility to weather adverse economic conditions. SMEs are more labor-intensive than larger firms, and, therefore, have lower capital costs associated with job creation. As a result, SMEs play an important role in promoting income stability, growth, and employment. Modern economies operate as complex networks of firms in which a company's competitive position depends, in part, on the efficiency of its suppliers. Therefore, SMEs' competitiveness affects the competitive position of the economy as a whole. In addition, SMEs improve the efficiency of domestic markets and make productive use of scarce resources, such as capital, thereby facilitating long-term economic growth.

1.3 Features of SMEs. The characteristics of SMEs distinguish them from larger firms. Large firms often have direct access to international and local capital markets, while SMEs are often excluded because of the higher intermediary costs for smaller products. Additionally, the fixed costs of complying with regulations, limited capacity to market products abroad, and limited access to policymakers weigh more against SMEs than larger firms. Microenterprises largely operate at a threshold below the regulatory and institutional constraints that inhibit other SMEs and, in some cases, would expand if barriers to their operations were removed.

Because high transaction costs are a key barrier, their reduction will promote the creation and expansion of SMEs and, in particular, encourage expansion of microenterprises. For purposes of the Bank's strategy, SMEs will be taken to include the smallest business units with growth potential, although it is recognized that microenterprises have their own unique characteristics and play a social, as well as an economic, role.

2. Constraints to enterprise development

2.1 Notwithstanding the wide-ranging economic reforms instituted in the region, SMEs face a variety of constraints because of the difficulty in absorbing large, fixed costs, absence of economies of scale and scope in key factors of production, and higher unit costs of providing services to smaller firms. A set of constraints, not intended to be exhaustive, is identified below. These constraints should be addressed in a Country Enterprise Development Strategy (see Section 4, "Strategy Implementation," below).

Input Constraints. SMEs face a variety of constraints in markets for the factors of production, as follows:

- **Debt and Equity:** SMEs have limited access to capital markets, both locally and internationally, in part because of the perception of higher risk, informational barriers, and higher intermediary costs for smaller firms. As a result, SMEs often cannot obtain long-term financing in the form of term debt and equity.
- **Labor Market:** An insufficient supply of skilled workers can limit specialization opportunities, raise costs, and reduce flexibility in managing operations.
- **Information and Technology:** SMEs have difficulty gaining access to appropriate technologies and information on available techniques. This limits innovation and SME competitiveness. At the same time, other constraints on capital and labor, as well as uncertainty surrounding new technologies, restrict incentives to innovate.
- **Production Inputs:** SMEs face constraints in the availability of production inputs. For example, better-quality raw materials are generally exported or are available only to larger firms, and their suppliers tend to be oligopolies. Inadequate infrastructure and weak provision of basic services, such as transportation, energy, urban planning, and production sites, are particular impediments for SMEs.

2.3 Output Constraints. Access to domestic and international markets can be constrained by factors related to SME size, as follows:

- **Domestic Markets:** The State's diminished role in productive activity and renewed private investment have created new opportunities for SMEs. Nonetheless, limited access to public contracts and subcontracts, often caused by cumbersome bidding procedures and/or lack of information, hinder participation in these markets. Also, inefficient distribution channels and their control by larger firms constrain SME access to markets.
- **International Markets:** Previously insulated from international competition, many SMEs now face greater external competition and the need to expand market share. Limited international marketing experience, poor quality control and product standardization, and scant access to international partners, however, impede expansion into international markets.

2.4 Regulatory Constraints. Although wide-ranging structural reforms have improved prospects for enterprise development, many issues remain to be addressed at the level of the firm.

- **Taxation and Tariffs:** Complicated and inefficient tax codes that include cascading sales taxes and stamp taxes are least favorable to SMEs and artificially promote larger-scale firms and microenterprises. At the same time, tariff and non-tariff barriers favoring larger firms that influence policymaking are often biased against SMEs.

- **Legislation:** High start-up costs for firms, including licensing and registration requirements, can impose excessive and unnecessary burdens on SMEs. The high cost of settling legal claims and excessive delays in court proceedings adversely affect SME operations. The absence of antitrust legislation favors larger firms, while lack of protection for property rights limits SME access to foreign technologies.
- **Capital Movement:** Even though most countries have significantly relaxed restrictions on capital movement, bureaucratic complications and distortions remain in foreign exchange markets. SMEs are affected most strongly because they lack the wherewithal of larger firms.
- **Labor Markets:** Inflexible labor codes and other indirect labor costs weigh most heavily on SMEs, raising their cost of doing business and depriving them of the flexibility to adapt.

2.5 Management Constraints: Lack of economies of scale and competition for one of the scarcest resources—management know-how—significantly constrain SME development.

- **Management Skills and Training:** Even though SMEs tend to attract motivated managers, they can hardly compete with larger firms. Scarcity of management talent, prevalent in most Latin American and Caribbean countries, has a magnified effect on SMEs.
- **Consulting Services:** Lack of support services or their relatively higher unit cost can hinder SME efforts to improve their management because consulting firms often are not equipped with appropriate, cost-effective management solutions for the scale of SMEs. Furthermore, lack of awareness, information, and time to take advantage of existing services result in weak demand.

2.6 Institutional Constraints: Lack of cohesiveness and the wide range of SME interests limit SMEs' capacity to defend their collective interests and effective participation in civil society.

- **Association and Collective Action:** Associations providing a voice for SME interests in the policymaking process have had a more limited role compared to that of larger firms. Many entrepreneurial associations have yet to complete the transition of their goals from protectionism to competitiveness. Additionally, the potential economies of collaborative arrangements in production and sales among SMEs have not been adequately explored.

3. The Bank's strategy

3.1 The goal of the Bank's strategy is to support the competitiveness of SMEs to enable them to contribute to long-term growth and employment. This will be accomplished through support for enhancing the private delivery of goods and services. To achieve this objective, it is proposed that Bank actions related to the Enterprise Development Strategy for Small and Medium size Enterprises be directed at helping SMEs to help themselves, to move from protection to competition. It is believed that programs with this approach will be sustainable over time and will promote economic development to a greater degree than the provision of handouts. Nevertheless, it must be recognized that markets for the factors of production are still underdeveloped and that such an approach does not rule out the use of subsidized access to the services required by SMEs, where the lack of effective demand and/or high transaction costs prevent their provision by the market. In these cases, however, direct support should be limited in scope, transparent in application, and targeted to an identified need.

3.2 The Bank's strategy should focus on two main areas, as follows:

- **Creation of a Level Playing Field:** In order to promote SME development and growth, the institutional and regulatory barriers faced by SMEs should be reduced. Key policy areas are input markets (capital, labor availability and qualifications, technology, and production inputs), output markets (pricing, anti-competitive policies, and access to market information), and regulations (tax, tariffs, procurement, legislation, and capital movement).
- **Compensation for Unfavorable Position:**

  —**Lowering Transaction Costs of Business:** To the extent practical, Bank programs should lower financial and economic transaction costs. It is recognized that the fixed costs of doing business are less easily absorbed by smaller firms than by larger ones. Therefore, efforts to reduce bureaucratic procedures, enhance access to credit, eliminate unnecessarily restrictive labor practices, and expand availability of market-related information will benefit SMEs to a greater degree.

  —**Targeted Programs:** Eliminating institutional biases and lowering transaction costs are necessary, but insufficient, steps to promote SMEs. In cases where SMEs lack access to needed inputs because of the failure of the market to provide them, the Bank can promote provision of services and information through local and international institutions that fill these gaps. The provision of services should not be on a full-grant basis; rather, they should be on a cost-sharing basis, i.e., with partial grants, contingent recovery, or favorable loan tenor for access to business services, in order to encourage development of the market for these services.

  —**Transfer of Techniques and Institution-building:** Sustainability of the Enterprise Development Strategy will depend on the successful transfer of the techniques and capacity to support SME development to regional actors (both member governments and agencies and the private sector). In support of this transfer, the Bank should seek to establish linkages among the actors—with a special focus on those in the private sector—to encourage the exchange of policy lessons and experiences (within and between countries), develop the necessary local research and policy analysis on SME issues, and encourage a policy dialogue on relevant issues.

4. Strategy implementations

4.1 Country Enterprise Development Strategy: In light of the diverse instruments needed and the range of actions already undertaken by the Bank in each country, it is proposed that a coordinated and coherent effort be made to integrate those efforts and to take advantage of the unique opportunities and synergies offered by the joint actions of the Bank's various institutions. The Multilateral Investment Fund (MIF), the Inter-American Investment Corporation (IIC), and the Bank, working as a group under the leadership of the regional departments and with the technical support of the central units, will develop a **Country Enterprise Development Strategy** (EDS), within the framework of the Country Programming process. This strategy will be consistent with the principles outlined above and will be based on a thorough analysis of the Bank's ongoing country activities, the country strategy for SMEs, the actions and programs of other donors, the existence of regional integration programs, and the operating environment for enterprises that identifies areas in need of intervention. It will consist of a strategy statement to guide Bank activities and a **comprehensive (multiyear) package of actions**, which may include new operations, adaptation and integration of existing ones or a combination of both, and all policy and institutional measures necessary to enhance SME development. It will clearly identify the roles of the various members of the Bank Group.

4.2 EDS Preparation. Individual country strategies will be prepared by the Regional Departments, inasmuch as possible, as part of the regular Bank programming process; otherwise, they will be prepared as stand-alone strategies and approved by the Programming Committee. Bank activities in support of SMEs will be monitored by a Private Sector Committee, presided by the Bank's President. To support preparation of the EDS, the Social Programs and Sustainable Development Department will provide assistance, as requested, in preparing the first strategies. Additionally, based on country case studies, best practices will be identified and benchmark performance indicators will be provided for use in program design. Also, research will be carried out on innovative tools to support enterprise development. The results of these studies will be disseminated through seminars, working papers, and informal meetings among Bank Group staff. An important element in strategy implementation will be experience sharing.

5. Instruments for strategy implementation

5.1 The Bank has provided an array of instruments, both directly and indirectly, with which to support enterprise development in the region. In the early 1960s, the Bank provided direct loans to private enterprises, while more recent programs promoting macroeconomic stability and appropriate microeconomic incentives are now yielding benefits in renewed private sector-led growth. In many member countries, now that structural adjustment has laid the groundwork for market-oriented policies, **the Bank must increasingly focus on firm-level issues that affect competitiveness**. Already, the liberalization of trade and the reduced role of the State in productive activities have created opportunities and challenges for SMEs by reducing State control and expanding access to foreign exchange and imported inputs, while increasing import competition.

5.2 To meet this challenging business environment, the Bank Group plans to develop instruments that can be used to address each of the areas of action that will be identified in the EDS. The following list is **only illustrative** of the type of actions that the EDS will contain. The analyses proposed above will suggest the instruments to be designed according to the specific needs identified in each country and experience will lead to new ways of addressing the problems (the classification of instruments is also illustrative, as a given instrument may cover both aims).

Enterprise Development Strategy

Small and Medium Enterprises

Sample of Instruments for Strategy Implementation

CREATION OF A LEVEL PLAYING FIELD

Investment-sector reform type loan components and Bank Group technical cooperation:

- Reform of regulatory environment
- Alternative methods for settlement of disputes
- Strengthening of financial and capital markets

- Development of relevant SME skills in financial institutions
- Labor market reform

COMPENSATION FOR UNFAVORABLE POSITION:
Bank Group loans, equity investments, and technical cooperation:

- Nonsubsidized mediated credit
- Promotion of business organizations
- Management support
- Site development
- Technology development
- Equity funds for financial and productive enterprise
- Export promotion/market intelligence
- Development and harmonization of regulations between countries (quality, environment, etc.)
- Worker training programs
- Management training programs
- Leadership development
- Direct loans and equity investments
- Promotion of joint ventures (e.g., Programa Bolívar)
- Business development centers
- Expansion of equity ownership base of SMEs

6. Responsibilities for strategy implementations

6.1 During 1995 and 1996, the Bank will prepare a number of pilot EDSs in each region. The Regional Departments will identify countries that can benefit most from the preparation of EDSs and will consult with authorities on their interest in an Enterprise Development Program, as a consolidation of actions and strategies in the sector.

6.2 Document preparation will be carried out by a working group led by the Regional Departments and will include support from central units to assist in coordinating these activities among the regions and, as needed, will include the participation of IIC, MIF, and PRI. The support from the central unit will include, among others, preparation of methodologies, dissemination of best practices, benchmark development, and support for results evaluation and preparation of country and Bank strategies.

6.3 Once the SME program of actions has been agreed upon with the country, implementation will follow the Bank's existing procedures, with the participation of IIC and MIF in their respective operations, under the coordination of the Regional Departments.

ANNEX II

Operations Report

Table A. Summary of IDB Group Activities To Support SMEs (1990–2002)

through December 2002 (in US$ thousands)

	IDB		IIC		MIF	
Category	**Amount**	**No. of Projects**	**Amount**	**No. of Projects**	**Amount**	**No. of Projects**
FINANCIAL SERVICES						
IDB						
Global multisectoral credit	6,157,670	26				
Global credit for micro and small enterprise	1,291,835	17				
IIC						
Loans			838,872	174		
Equity share			208,870	64		
MIF						
Investment funds					161,746	33
Total financial services	**7,449,505**	**43**	**1,047,742**	**238**	**161,746**	**33**
BUSINESS DEVELOPMENT SERVICES						
Technical assistance	357,500	13			60,697	34
Development of human resources	1,254,837	15			65,303	33
Innovation, technology, and quality	1,112,208	16			40,779	30
Business initiative					13,127	8
Local development—Regional competitiveness					13,263	11
Total business development services	**2,724,545**	**44**			**193,169**	**116**
IMPROVEMENT OF ENVIRONMENT AND REGULATORY AND INSTITUTIONAL FRAMEWORK						
Sectoral reform loans to support SMEs	3,352,600	23				
Technical cooperation					36,107	40
Total improvement of environment	**3,352,600**	**23**			**36,107**	**40**
Subtotal, by institution	13,526,650		1,047,742		391,022	

Table B. IDB Sectoral Reform Loans To Support SMEs (1991–2002)

through December 2002 (in US$ thousands)

	Country	Name of Project	No.	Year	Amount	Total Cost
1	Nicaragua	Trade and Financial Adjustment Loan	NI-0012 *	1991	132,500	132,500
2	Chile	Investment Sector Reform Program	CH-0044	1991	150,000	150,000
3	Bolivia	Investment Sector Reform Program	BO-0110 *	1991	62,500	120,000
4	Mexico	Export Sector Adjustment Program	ME-0112	1991	250,000	275,000
5	Jamaica	Trade and Finance Adjustment Loan	JA-0019 *	1991	76,000	130,000
6	Argentina	Public Sector Reform Loan	AR-0215	1991	325,000	650,000
7	Peru	Trade Sector Adjustment Loan	PE-0029 *	1991	433,900	434,000
8	Colombia	Investment Sector Loan	CO-0035 *	1991	205,000	205,000
9	Paraguay	Investment Sector Program	PR-0003 *	1992	81,500	89,500
10	Uruguay	Investment Sector Reform Program	UR-0057 *	1992	68,800	68,800
11	El Salvador	Investment Sector Reform Program	ES-0016	1992	90,000	100,000
12	Argentina	Investment Sector Program	AR-0059	1992	350,000	350,000
13	Costa Rica	Investment and Multicredit Program	CR-0032	1993	100,000	100,000
14	Costa Rica	Public Sector Reform Loan	CR-0025	1993	80,000	80,000
15	Trinidad & Tobago	Investment Sector Reform Program	TT-0012	1993	80,000	80,000
16	Ecuador	Financial Sector Reform Program	EC-0043 *	1994	110,000	110,000
17	Ecuador	Transport Restructuring Program	EC-0102	1994	59,400	89,400
18	Barbados	Investment Sector Reform Program	BA-0012	1995	35,000	35,000
19	Panama	Financial Sector Reform Program	PN-0056 *	1997	130,100	132,830
20	Dominican Rep.	Labor Reform and Training Program	DR-0134	1999	16,900	21,100
21	Peru	Financial Sector Reform II Program	PE-0202	1999	311,000	311,000
22	Bolivia	Customs Reform and Modernization Program	BO-0059	2000	5,000	6,300
23	Guatemala	Financial Sector II Program	GU-0119	2002	200,000	200,000
	Total				**3,352,600**	**3,870,430**

* These projects include technical cooperation.

Table C. IDB Global Multisectoral Credit Operations (1990–2002)

through December 2002 (in US$ thousands)

	Country	Name of Project	No.	Year	Amount	Total Cost
1	Brazil	BNDES: Global Multisectoral Credit	BR-0172	1990	250,000	500,000
2	El Salvador	Global Multisectoral Credit I	ES-0086	1990	60,000	75,000
3	Paraguay	Industrial Credit Program	PR-0065	1990	30,000	38,000
4	Ecuador	Global Multisectoral Credit Program	EC-0089	1991	102,270	227,420
5	Bolivia	Multisectoral Credit Program	BO-0088	1991	80,000	100,000
6	Uruguay	Global Multisectoral Credit	UR-0063	1992	90,000	130,000
7	Honduras	Global Multisectoral Credit Program	HO-0034	1992	60,000	75,000
8	Bahamas	Multisectoral Credit Program	BH-0015	1992	21,000	30,000
9	Mexico	Global Credit Program for SMEs	ME-0152	1992	250,000	500,000
10	Argentina	Multisectoral Credit Program	AR-0055	1993	300,000	800,000
11	Peru	Global Multisectoral Credit Program	PE-0113	1994	100,000	167,000
12	Bolivia	Global Multisectoral Credit II Program	BO-0034	1994	70,000	87,500
13	Mexico	Corporate Strengthening of Financial Institutions Program	ME-0126	1995	377,500	500,000
14	El Salvador	Global Multisectoral Credit II	ES-0057	1995	100,000	125,000
15	Brazil	Global Multisectoral Credit Program	BR-0155	1995	300,000	600,000
16	Regional	BCIE Multisectoral Credit Program	CA-0008	1997	100,000	300,000
17	Regional	Multisectoral Credit Program	RG-0014	1997	300,000	600,000
18	Peru	Multisectoral Credit II Program	PE-0191	1998	200,000	334,300
19	Brazil	Multisectoral Credit Program	BR-0277	1998	1,100,000	2,200,000
20	Uruguay	Multisectoral Credit II	UR-0021	1998	155,000	220,785
21	Chile	Global Multisectoral Finance Program	CH-0157	1999	240,000	240,000
22	Brazil	Global Credit Program for SMEs	BR-0310	1999	1,200,000	1,200,000
23	Mexico	Global Multisectoral Credit Program	ME-0117	2000	300,000	600,000
24	Brazil	Market Expansion Program	BR-0270	2001	149,500	300,000
25	El Salvador	Multisectoral Credit Program	ES-0130	2002	42,400	53,000
26	Uruguray	Global Multisectoral Finance Program	UR-0136	2002	180,000	225,000
	Total				**6,157,670**	**10,228,005**

Table D. IDB Global Credit Operations for Micro and Small Enterprises (1990–2002)

through December 2002 (in US$ thousands)

	Country	Name of Project	No.	Year	Amount	Total Cost
1	Uruguay	Global Credit Program for Small and Micro Enterprises	UR-0033	1990	7,000	10,000
2	Colombia	Global Credit Program for Microenterprises	CO-0086	1990	14,000	20,000
3	Ecuador	Credit Program for Microenterprises	EC-0110	1990	16,200	18,000
4	Argentina	Global Credit Program for Small and Micro Enterprises	AR-0213	1991	45,000	60,000
5	Guatemala	National Program for Guatemalan Microenterprise	GU-0072	1992	10,000	12,500
6	Costa Rica	Global Credit for Microenterprises	CR-0016	1992	10,000	14,300
7	Paraguay	Global Credit Program for Microenterprises	PR-0013	1992	10,000	12,000
8	Chile	Global Credit Program for Microenterprises	CH-0033	1992	12,000	20,000
9	El Salvador	Global Credit for Microenterprises	ES-0037	1993	23,979	30,000
10	Nicaragua	Nonconventional Credit Program	NI-0035	1993	23,600	29,500
11	Peru	Global Credit Program for Microenterprises	PE-0035	1995	25,000	35,700
12	Paraguay	Global Credit for Microenterprises II	PR-0094	1997	20,056	22,056
13	Peru	Global Credit Program for Microenterprises II	PE-0189	1998	30,000	42,860
14	Bolivia	Support to Small and Micro Enterprises	BO-0171	1998	15,000	18,750
15	Argentina	Global Credit Program to Small and Micro Enterprises II	AR-0127	1999	100,000	200,000
16	Brazil	BNDES SME Support Program	BR-0331	2001	900,000	1,800,000
17	Brazil	Microenterprise Credit	BR-0301	2002	30,000	60,000
	Total				**1,291,835**	**2,405,666**

Table E. IDB Enterprise Consultancy Programs (1996–2002)

through December 2002 (in US$ thousands)

	Country	Name of Project	No.	Year	Amount	Total Cost
1	Argentina	Enterprise Development Support Program	AR-0144	1996	100,000	200,000
2	Bolivia	Support to Small and Micro Enterprises*	BO-0171	1998	20,000	25,000
3	Brazil	Market Expansion Program*	BR-0270	2001	500	300,000
4	Uruguay	Pilot Project To Increase Cattle Raising Competitiveness	UR-0137	2000	7,600	10,900
5	Jamaica	Agricultural Support Services	JA-0111	2000	14,000	20,000
6	Paraguay	Diversification and Technological Improvement of Small Farm Producers	PR-0084	2000	10,000	12,500
7	Bolivia	Agricultural Services Program	BO-0176	2000	34,000	44,000
8	El Salvador	Agro-enterprise Restructuring	ES-0119	2001	25,000	31,250
9	Paraguay	SME Enterprise Development	PR-0100	2001	10,000	12,500
10	Nicaragua	Productive Rural Recovery Program	NI-0159	2002	60,000	68,000
11	Dominican Rep.	Support to Competitive Food and Agriculture Transition	DR-0138	2002	55,000	61,110
12	Costa Rica	Sustainable Farming Development Program	CR0142	2002	14,400	17,600
13	Panama	Competitiveness Promotion Program	PN-0145	2002	7,000	10,000
	Total				**357,500**	**812,860**

* Global loans for these projects appear in Tables C and D.

Table F. IDB Human Resources Development Programs (1992–2002)
through December 2002 (in US$ thousands)

	Country	Name of Project	No.	Year	Amount	Total Cost
1	Chile	Worker Training Program	CH-0024	1992	40,000	80,000
2	Argentina	Production and Transformation Support	AR-0062	1994	144,000	221,000
3	Paraguay	Professional Education Program**	PR-0038	1994	20,745	20,745
4	Mexico	Labor Market Modernization Project II	ME-0186	1996	250,000	416,700
5	Panama	Tourism Sector Support Program	PN-0120	1997	2,500	2,500
6	Brazil	Professional Education Sector Reform	BR-0247	1997	250,000	500,000
7	Dominican Rep.	Worker Reform and Training Program	DR-0134	1999	16,900	21,100
8	Mexico	Labor Market Modernization Program, Phase II	ME-0118	2000	200,000	433,300
9	Belize	Tourism Development Project	BL-0012	2000	11,000	14,000
10	Regional	Sustainable Development Program of the Mayan World	AT-1203	2000	1,292	1,442
11	Mexico	Active Labor Market Policies	ME-0233	2001	300,000	600,000
12	Guatemala	Labor Market Program	GU-0158	2002	10,000	10,000
13	Panama	Training System and Jobs Development	PN-0125	2002	8,400	8,400
14	Bolivia	Sustainable Tourism Development Program	BO-0174	2002	10,000	12,500
15	Brazil	PRODETUR Northeast Region II	BR-0323	2002	240,000	400,000
	Total				**1,254,837**	**2,329,187**

** This project was co-financed by the MIF (MIF/AT-30).

Table G. IDB Innovation and Technology Development Programs (1990–2002)
through December 2002 (in US$ thousands)

	Country	Name of Project	No.	Year	Amount	Total Cost
1	Venezuela	Science and Technology Program	VE-0054	1990	47,000	47,000
2	Uruguay	Science and Technology Development Program	UR-0095	1991	35,000	50,000
3	Chile	Science and Technology Program	CH-0022	1992	67,618	182,900
4	Argentina	Technology Modernization Program	AR-0141	1993	95,000	190,000
5	Mexico	Science and Technology Program	ME-0041	1993	180,100	300,000
6	Brazil	Science and Technology Program	BR-0164	1995	160,000	320,000
7	Colombia	Scientific Research and Technological Development	CO-0134	1996	100,000	219,000
8	Panama	Productive Sector Support Program	PN-0109	1998	14,200	24,900
9	Argentina	Technology Modernization Program II	AR-0171	1999	140,000	280,000
10	Guatemala	Technology Innovation Support Program	GU-0135	1999	10,700	13,900
11	Venezuela	Science and Technology Program	VE-0112	1999	100,000	200,000
12	Chile	Development and Technology Innovation Program	CH-160	2000	100,000	200,000
13	Uruguay	Technology Development Program	UR-0110	2000	30,000	60,000
14	Panama	Program to Establish Center for Science, Technology, and Innovation	PN-0134	2000	3,300	5,300
15	Venezuela	Farming Technology Program	VE-0125	2,001	22,500	45,000
16	Nicaragua	Technology Innovation Support	NI-0147	2,001	6,790	9,460
	Total				**1,112,208**	**2,147,460**

Table H. IIC Net Active Portfolio (1990–2002)

(After repayments and cancellations)
through December 2002 (in US$ thousands)

Name of Project	Loan	Capital	Loan and Capital
GEMINA	$1,000	$0	$1,000
SUBSOLE	$7,000	$0	$7,000
GRANJAS MARINAS	$1,500	$0	$1,500
FRESH CATCH	$1,000	$0	$1,000
AQUAMAR	$5,000	$0	$5,000
QUIMPAC	$10,000	$0	$10,000
VASOS VENEZOLANOS	$5,000	$0	$5,000
UNIVA	$10,000	$0	$10,000
FEPADE/ISEADE	$4,380	$0	$4,380
BIF	$2,000	$0	$2,000
SULEASING	$10,000	$0	$10,000
BANCO DE BOGOTÁ	$10,000	$0	$10,000
TECNOFIL	$5,000	$0	$5,000
ALE	$6,000	$0	$6,000
ABCO	$5,000	$0	$5,000
TERNOR	$3,000	$0	$3,000
SINERSA	$6,000	$0	$6,000
SLP	$20,000	$0	$20,000
AUREOS	$0	$3,000	$3,000
PROBA, L.P.	$0	$6,000	$6,000
Total (2002):	**$111,880**	**$9,000**	**$120,880**
No. of loans and capital	**18**	**2**	**20**
CAFÉ SOLUBLE	$2,400	$0	$2,400
TORRY & RODRÍGUEZ	$325	$0	$325
FALCON	$5,000	$0	$5,000
INVERTEC PESQUERA II	$4,000	$0	$4,000
STANDARD SEAFOOD	$10,000	$0	$10,000
BRAZILIAN SECTS II	$10,000	$0	$10,000
BRAZILIAN MTGES II	$5,000	$0	$5,000
BIOFILM	$7,000	$0	$7,000
AMÉRICA	$5,000	$0	$5,000
BANCO SANTOS	$6,000	$0	$6,000
PUBLICIDAD SARMIENTO	$6,500	$0	$6,500
CARMITEL	$6,000	$0	$6,000
EMHOSA	$3,600	$0	$3,600
CAMINO A LAS SIERRAS	$4,000	$0	$4,000
MABET	$3,500	$0	$3,500
SANTHER II	$8,000	$0	$8,000
CIFI	$0	$10,000	$10,000
BCO. DESARROLLO EQUITY	$0	$10,000	$10,000
Total (2001):	**$86,325**	**$20,000**	**$106,325**
No. of loans and capital	**16**	**2**	**18**

(Chart continues on the following page)

Table H. *(continued)*

(After repayments and cancellations)
through December 2002 (in US$ thousands)

Name of Project	Loan	Capital	Loan and Capital
BANCO DEL DESARROLLO AL	$10,000	$0	$10,000
BRAZILIAN MORTGAGES	$200	$0	$200
BRAZILIAN SECURITIES	$10,300	$0	$10,300
SFI	$1,000	$0	$1,000
POPULAR	$10,000	$0	$10,000
IMPROSA	$6,000	$0	$6,000
DEL TRÓPICO	$3,000	$0	$3,000
HOSPITAL ABC	$10,000	$0	$10,000
ZIP BUENA VISTA	$7,500	$0	$7,500
CONDICEL	$4,000	$0	$4,000
TIRLEY	$900	$0	$900
UDEMAN	$4,300	$0	$4,300
ALMER	$10,000	$0	$10,000
DELTA LEASING	$7,000	$1,000	$8,000
CEA L.A.C.P., L.P.	$0	$4,000	$4,000
NEGOCIOS REGIONALES	$0	$4,000	$4,000
MULTINDFUND	$0	$8,000	$8,000
ADVENT II	$0	$10,000	$10,000
Total (2000):	**$84,200**	**$27,000**	**$111,200**
No. of loans and capital	**14**	**5**	**19**
LAAD	$7,675	$0	$7,675
INVERTEC FOODS	$5,000	$0	$5,000
BANCO RÍO	$10,000	$0	$10,000
BANCO DE OCCIDENTE	$5,030	$0	$5,030
FICENSA	$1,520	$0	$1,520
BAJÍO	$922	$0	$922
REPUBLIC	$5,390	$0	$5,390
PLG	$15,000	$0	$15,000
BAPSA II	$6,601	$0	$6,601
BANCENTRO II	$6,000	$0	$6,000
BCO. UNO	$2,185	$0	$2,185
BANCO FICOHSA	$4,584	$0	$4,584
BGA II	$1,250	$0	$1,250
BANCO BISA	$10,000	$0	$10,000
BANCO MERCANTIL	$10,000	$0	$10,000
CARIBBEAN FUND	$0	$7,500	$7,500
COMPASS FUND	$0	$10,000	$10,000
Total (1999):	**$91,158**	**$17,500**	**$108,658**
No. of loans and capital	**15**	**2**	**17**

Name of Project	Loan	Capital	Loan and Capital
BANCO ECONÓMICO	$7,000	$0	$7,000
BISA	$4,000	$0	$4,000
GALICIA II	$10,000	$0	$10,000
MULTIBANCO	$5,000	$0	$5,000
FINANCIERA DELTA II	$4,000	$0	$4,000
NBK BANK	$4,550	$0	$4,550
BANCO DEL NUEVO MUNDO	$8,787	$0	$8,787
BANCREDITO	$7,500	$0	$7,500
BANCO INTERFIN, S.A.	$6,000	$0	$6,000
BANCO INDUSTRIAL	$1,100	$0	$1,100
LEASECORP	$4,185	$0	$4,185
CABCORP	$10,000	$0	$10,000
COFISESA (MELO)	$6,528	$0	$6,528
DESLER	$4,179	$0	$4,179
ARLEI	$8,000	$0	$8,000
TROPIGAS	$7,000	$0	$7,000
CBPF	$0	$5,000	$5,000
SCUDDER LATIN POWER II	$0	$7,000	$7,000
WESTPHERE II	$0	$10,000	$10,000
Total (1998):	**$97,829**	**$22,000**	**$119,829**
No. of loans and capital	**16**	**3**	**19**
SAN JACINTO	$4,000	$0	$4,000
INVERSIONES SELVA II	$4,750	$0	$4,750
BANCENTRO	$3,300	$0	$3,300
INJEPET	$8,000	$0	$8,000
DOMINION NONWOVENS	$9,752	$0	$9,752
ZIP CHOLOMA—II	$1,500	$0	$1,500
CIT(HOLIDAY INN)	$5,100	$0	$5,100
INV MALECÓN DE LA RESERVA	$6,500	$0	$6,500
HIDRONIHUIL	$10,000	$0	$10,000
MG-FIEE	$0	$98	$98
BANEX/PE	$1,552	$3,000	$4,552
LATIN HEALTH CARE	$0	$4,950	$4,950
ESSENTIAL SERVICES	$0	$5,000	$5,000
NEWBRIDGE ANDEAN	$0	$5,013	$5,013
LEASING BOLÍVAR	$0	$6,000	$6,000
BPEF I	$0	$9,724	$9,724
S.A. PRIVATE EQUITY FUND	$0	$10,000	$10,000
Total (1997):	**$54,454**	**$43,785**	**$98,240**
No. of loans and capital	**10**	**8**	**18**
BUYATTI	$4,000	$0	$4,000
PASA	$5,000	$0	$5,000
INTERCONTINENTAL LEASING	$2,500	$0	$2,500
MORA	$2,500	$0	$2,500
MERCO FLUVIAL	$3,000	$0	$3,000

(Chart continues on the following page)

Table H. *(continued)*
(After repayments and cancellations)
through December 2002 (in US$ thousands)

Name of Project	Loan	Capital	Loan and Capital
WATERFIELDS	$1,000	$0	$1,000
CHRISTIANSON II	$655	$1,476	$2,130
BON APPETIT	$0	$2,000	$2,000
MPEF	$0	$3,000	$3,000
BOZANO	$0	$3,963	$3,963
INVERTEC PESQUERA	$5,000	$5,000	$10,000
Total (1996):	**$23,655**	**$15,439**	**$39,094**
No. of loans and capital	**8**	**5**	**13**
SAGEMULLER—II	$0	$2,000	$2,000
CAIF	$0	$3,000	$3,000
BRAZILIAN EQUITY	$0	$5,000	$5,000
Total (1995):	**$0**	**$10,000**	**$10,000**
No. of loans and capital	**—**	**3**	**3**
TAHUAMANU	$1,600	$0	$1,600
BCN	$6,000	$0	$6,000
WALL STREET	$3,500	$0	$3,500
CITIZENS BANK	$559	$0	$559
BANCO MERCANTIL/DR	$1,500	$0	$1,500
CORFIOCCIDENTE	$1,410	$0	$1,410
SIGMA	$4,000	$0	$4,000
CONELECTRICAS	$3,000	$0	$3,000
SANTIAGO ADVENT	$0	$54	$54
FICEN	$2,000	$286	$2,286
PESQUERA DIAMANTE	$2,000	$800	$2,800
FONDELEC	$0	$5,000	$5,000
Total (1994):	**$25,569**	**$6,139**	**$31,708**
No. of loans and capital	**10**	**4**	**14**
SAGEMULLER	$4,600	$0	$4,600
ECUAPLANTATION	$2,100	$0	$2,100
PROMAR	$4,800	$0	$4,800
PRODUPESA	$1,000	$0	$1,000
LAMITECH (Colissin)	$4,300	$0	$4,300
EMB	$5,000	$0	$5,000
BGA (formerly Bancahsa)	$3,500	$0	$3,500
LEASING COLMENA	$2,354	$0	$2,354
FINANCIERA DELTA	$3,000	$0	$3,000
FLEMING	$5,000	$0	$5,000
WILLMOR	$5,000	$0	$5,000
CLARION SUITES (Quality)	$4,200	$0	$4,200
PLATANAR	$6,000	$0	$6,000

Name of Project	Loan	Capital	Loan and Capital
SANTHER	$8,000	$0	$8,000
VELOX/VINSA	$6,000	$430	$6,430
ACUICOLAS COIN	$1,892	$564	$2,455
BANCO MAYORISTA	$3,000	$997	$3,997
PCR	$4,000	$1,000	$5,000
MINERA YOLANDA	$7,000	$2,000	$9,000
ADVENT	$0	$5,000	$5,000
Total (1993):	**$80,746**	**$9,990**	**$90,735**
No. of loans and capital	**19**	**6**	**25**
EBA	$800	$0	$800
AURORA	$6,000	$0	$6,000
PARANA CITRUS, S.A.	$5,000	$0	$5,000
GALICIA I	$10,000	$0	$10,000
BANCEN	$7,503	$0	$7,503
COFINORTE	$7,986	$0	$7,986
ITAMARATI	$10,000	$0	$10,000
SURINVEST	$6,000	$0	$6,000
BCO SANTANDER	$8,000	$0	$8,000
INTERCONTINENTAL	$4,000	$0	$4,000
BHN	$2,000	$0	$2,000
IMPSAT/COLOMBIA	$8,000	$0	$8,000
GUANACASTE	$8,000	$0	$8,000
GRALADO	$4,500	$300	$4,800
CAMPA	$1,000	$400	$1,400
BANEX/CR	$3,000	$500	$3,500
EL GAVILAN	$1,915	$550	$2,465
TRIPESCA	$6,000	$839	$6,839
FINAGRO	$2,000	$942	$2,942
FOFIP	$0	$2,000	$2,000
Total (1992):	**$101,705**	**$5,531**	**$107,236**
No. of loans and capital	**19**	**7**	**26**
TIERRA FRÍA	$1,350	$0	$1,350
MANDIOCA	$3,750	$0	$3,750
CHRISTIANSON	$3,200	$0	$3,200
BAPSA	$3,738	$0	$3,738
BMC	$6,880	$0	$6,880
BBA	$5,822	$0	$5,822
IEQSA	$5,500	$0	$5,500
TIERRA	$1,600	$0	$1,600
GFM	$800	$0	$800
AYSEN	$1,500	$384	$1,884
BANCO MERCANTIL/NI	$2,000	$500	$2,500
D.F.L.	$1,717	$598	$2,315
SERLIPSA	$1,400	$684	$2,084
GRANJA MORO	$2,500	$750	$3,250

(Chart continues on the following page)

Table H. *(continued)*
(After repayments and cancellations)
through December 2002 (in US$ thousands)

Name of Project	Loan	Capital	Loan and Capital
ZF MONTEVIDEO	$3,400	$875	$4,275
UNION STAR	$5,153	$1,122	$6,275
ERA	$2,750	$1,250	$4,000
AVIC	$0	$2,000	$2,000
CFD	$0	$2,955	$2,955
OPCAP	$0	$3,000	$3,000
Total (1991):	**$53,060**	**$14,118**	**$67,178**
No. of loans and capital	**17**	**11**	**28**
SERFIN	$4,875	$0	$4,875
VERSAGRUP	$3,000	$0	$3,000
ZIP CHOLOMA	$2,500	$0	$2,500
ZF SAN ISIDRO	$1,420	$0	$1,420
CARTOPEL	$2,000	$0	$2,000
EMFISA	$1,500	$0	$1,500
ALFA QUARTZ	$4,000	$0	$4,000
CMI	$1,848	$842	$2,690
SOLUBEL	$900	$860	$1,760
ENGEMAQ	$1,250	$969	$2,219
BANCOSOL	$0	$1,325	$1,325
IMPSAT	$3,000	$1,372	$4,372
PRC-I	$2,000	$3,000	$5,000
Total (1990):	**$28,293**	**$8,367**	**$36,660**
No. of loans and capital	**12**	**6**	**18**
Total (1990–2002):	**$838,872**	**$208,870**	**$1,047,742**
No. of loans and capital	**174**	**64**	**238**

Table I. Multilateral Investment Fund Operations To Support SME (1994–2002)
through December 2002 (in US$ thousands)

	Country	Name of Project	MIF/AT No.	Year	MIF	Other Source	Total
		FINANCIAL SERVICES					
		Investments Funds					
1	Mexico	Productive Projects Development Fund (BANAMEX)	174	1994	5,000	5,000	10,000
2	Chile	Technology Transfer and Investment Fund	19	1996	6,000	16,300	22,300
3	Regional	Investment in Energy and Services Enterprises (E&CO-LAC)	75	1996	2,279	2,000	4,279
4	Regional	Environmental Fund (CA)	76	1996	3,975	6,025	10,000
5	Peru	Capital Venture Fund	101	1996	3,500	3,927	7,427
6	Chile	Small Enterprises Technology Development	110	1996	3,000	11,000	14,000
7	Regional	Risk Fund Development for Environment Services Enterprises	153	1997	3,250	3,250	6,500
8	Mexico	Investment Fund for Small Environment Sector Businesses	155	1997	4,000	4,000	8,000
9	Mexico	Venture Capital Fund for Agroindustry (AGROSEED)	183	1998	3,000	4,500	7,500
10	Brazil	Development of Technology-based Enterprises	196	1998	5,000	10,000	15,000
11	Regional	Equity Investment in the Southern Cone Environment	197	1998	4,000	11,000	15,000
12	Bolivia	Bolivia Risk Capital	215	1998	4,900	3,700	8,600
13	Regional	Investment Fund for Small Enterprises and National RC Promotion	217	1998	10,000	10,000	20,000
14	Mexico	Capital Development Fund in Guanajuato	244	1999	4,000	4,000	8,000
15	Brazil	Capital Investment Fund for Technology Industries	247	1999	3,000	7,666	10,666
16	Regional	Investment Fund for the Caribbean Basin	259	1999	10,000	24,000	34,000
17	Argentina	SME Equity Fund	274	1999	6,000	14,000	20,000
18	Regional	Central American Investment Fund in Small Enterprises (FOCIPE)	306	1999	7,500	3,000	10,500
19	Mexico	Capital and High-risk Capital Investment in Small Enterprises	309	1999	4,000	8,000	12,000
20	Regional	Mechanism for Cofinancing and Promoting Small Enterprises	265-1	1999	10,170	10,120	20,290
21	Brazil	Capital Investment Fund for Emerging Technology-based Enterprises in Santa Catarina	340	2000	3,300	7,366	10,666
22	Mexico	ZN Low-Capitalization Investment Fund	347	2000	5,000	10,000	15,000
23	Brazil	MVP TechFund for Emerging Software Companies	356	2000	4,500	9,000	13,500
24	Chile	Regional Projects Investment Fund	370	2000	3,000	6,500	9,500
25	Regional	Clean Technologies Fund	377	2000	10,000	25,000	35,000
26	Trinidad and Tobago	Dynamic Venture Capital Fund	382	2000	3,372	1,628	5,000
27	Brazil	Enterprise Remittance Fund	410	2001	5,000	7,000	12,000
28	Brazil	Venture Capital Fund for Small Enterprises in Northeast Brazil	412	2001	6,000	9,000	15,000
29	Brazil	Investment Fund for Emerging Technology Enterprises	435	2001	3,000	12,000	15,000
30	Uruguay	SME Fund	472	2002	5,000	10,000	15,000
31	Brazil	Latin Tech Innovation	486	2002	4,000	16,000	20,000
32	Brazil	Investech II - Río Bravo	490	2002	3,000	9,000	12,000
33	Mexico	Chihuahua Fund	509	2002	4,000	8,000	12,000
		Subtotal			**161,746**	**291,982**	**453,728**

(Chart continues on the following page)

Table I. *(continued)*
through December 2002 (in US$ thousands)

	Country	Name of Project	MIF/AT No.	Year	MIF	Other Source	Total
		ENTERPRISE DEVELOPMENT SERVICES					
		Enterprise Initiative					
1	Brazil	Incubator Technologies Support	178	1998	3,500	3,500	7,000
2	Regional	Institutional Capacity Development for New Enterprises	300	1999	1,800	900	2,700
3	Peru	Promotion of Youth Enterprise Initiative	357	2000	815	1,560	2,375
4	Regional	Enterprise Initiative and Venture Capital	367	2000	1,750	3,974	5,724
5	Regional	Training for Young Entrepreneurs	403	2001	886	1,014	1,900
6	Uruguay	Program To Create Technology Enterprises	408	2001	990	975	1,965
7	Panama	Support To Technology Businesses Acceleration	417	2001	1,200	700	1,900
8	Regional	Enterprise Training through Formal Education System	507	2002	2,186	1,284	3,470
					13,127	**13,907**	**27,034**
		Technical Assistance					
1	El Salvador	SME Productivity and Competitiveness Development	20	1994	2,070	688	2,758
2	Costa Rica	Small Enterprise Competitiveness Program	35	1995	2,491	701	3,192
3	Argentina	Network Program of Business Services Centers	36	1995	8,475	2,908	11,383
4	Colombia	Program To Establish Business Development Centers	37	1995	5,967	1,228	7,195
5	Peru	Business Development Center	58	1995	2,918	832	3,750
6	Dominican Republic	Competitiveness Support to Dominican Agriculture	70	1996	1,920	640	2,560
7	Panama	Agroindustry Services Support	111	1997	1,400	535	1,935
8	Mexico	Jalisco Productivity Center	128	1997	1,768	978	2,746
9	Uruguay	Program To Improve Competitiveness of Agricultural SMEs	133	1997	1,325	1,155	2,480
10	Chile	Program for Small Enterprise Competitiveness	148	1997	2,000	2,000	4,000
11	Guatemala	Technical Assistance for Non-traditional Agricultural Producers	161	1998	1,500	1,000	2,500
12	Uruguay	Strengthening of Small Business Owners	172	1998	1,950	1,950	3,900
13	Uruguay	Pilot Program for New Exporters (NEX)	185	1998	610	380	990
14	Bolivia	Small Enterprise Support	209	1998	2,100	900	3,000
15	Nicaragua	Strengthening of Enterprise Services Market	245	1999	1,400	930	2,330
16	Guatemala	Enterprise Services Pilot Project	255	1999	1,585	680	2,265
17	Regional	Marketing Program for Small Coffee Producers	258	1999	1,579	682	2,261
18	Honduras	Support To Productive Sector and Small Enterprises	266	1999	1,700	850	2,550
19	Peru	Investment Promotion for Small Enterprises	268	1999	842	562	1,404
20	Uruguay	Business Intergration Program	271	1999	1,266	834	2,100
21	Bolivia	Artesan Development Program	297	1999	1,000	430	1,430
22	Argentina	Guidance for Small Business Owners	299	1999	2,000	2,000	4,000
23	El Salvador	Support for Development of Micro and Small Enterprises in El Salvador	321	2000	850	370	1,220
24	Mexico	Productive Integration Support Program	358	2000	2,000	6,560	8,560
25	Argentina	Market Diversification Program of Small Enterprise Exports	360	2000	1,700	1,700	3,400
26	El Salvador	Support Program for Agribusiness Competitiveness	372	2000	850	363	1,213
27	Colombia	Internet Exporter Information (Market Intelligence)	380	2000	1,500	1,500	3,000

	Country	Name of Project	MIF/AT No.	Year	MIF	Other Source	Total
28	Bolivia	Improving Small Enterprise Competitiveness	407	2001	652	440	1,092
29	Uruguay	Business Development Program for the Software Industry	409	2001	891	729	1,620
30	Argentina	Small Enterprise Support in Non-traditional Sectors	423	2001	830	620	1,450
31	Peru	Competitiveness Development in Artesan Sector	445	2001	650	350	1,000
32	Regional	Business Development Services for Small Producers	451	2001	496	298	794
33	Honduras	Strengthening the Export Sector	464	2002	728	312	1,040
34	Regional	Improving Competition and Role of the Small Enterprise	487	2002	1,684	787	2,471
					60,697	**36,892**	**97,589**
		Technological Development and Quality Improvement					
1	Peru	Technology Transfer and Dissemination Program	98	1996	1,316	649	1,965
2	Chile	Small Business Technologies Development	110	1996	3,000	3,000	6,000
3	Regional	Documentation System for the Caribbean Tourist Industry	168	1998	2,200	1,700	3,900
4	Costa Rica	Support for SME Biodiversity Employment	211	1998	1,670	1,230	2,900
5	Venezuela	Competitive Capacity of SMEs	164-1	1998	1,797	1,041	2,838
6	Costa Rica	Support Program for Software Sector Competitiveness	256	1999	1,500	1,000	2,500
7	Brazil	Business Model Development for Renewable Energy	293	1999	2,250	2,250	4,500
8	Mexico	Implementation of ISO 14001 Model in SMEs	303	1999	395	395	790
9	Colombia	Introduction of Regulations for Quality and Environmental Management	305	1999	1,231	1,214	2,445
10	Peru	Training Model for Implementing Environmental Management Systems	318	2000	469	633	1,102
11	El Salvador	Project To Promote Cleaner Production Processes	333	2000	749	317	1,066
12	Nicaragua	Program To Improve SME Competitiveness by Using Quality and Food Security Management Standards	344	2000	674	338	1,012
13	El Salvador	Strengthening Quality and Food Security Management Systems for Small and Medium Enterprises	345	2000	735	479	1,214
14	Regional	Clean Technologies Fund	377	2000	1,000	1,000	2,000
15	Uruguay	Strengthening SME Competitive Capacity in Uruguay Using ISO Rules	381	2000	1,452	978	2,430
16	Panama	Environmental Management Instruments and Enterprise Participation in Clean Production	383	2000	1,213	519	1,732
17	Colombia	Clean Technologies Environmental Management	385	2000	1,423	948	2,371
18	Peru	Program To Improve Quality Control of Small and Medium Enterprises	373-1	2000	1,062	740	1,802
19	Panama	Improving the Business Environment for Environmental Enterprises	389	2001	582	255	837
20	Regional	SME Quality Management	393	2001	2,289	1,543	3,832
21	Argentina	Quality and Certification Standards	396	2001	1,637	1,563	3,200
22	Brazil	"Río Digital" Information Technologies Program	413	2001	860	586	1,446
23	Jamaica	Implementing HACCP Quality and Environment Systems in SMEs	424	2001	800	580	1,380
24	Guatemala	ISO 9000 & 14000 for Construction Sector SMEs	426	2001	560	367	927
25	Nicaragua	Improving SME Quality in the Tourism Sector	433	2001	825	355	1,180
26	Brazil	Technology Transfer and Agribusiness Support	439	2001	1,600	1,600	3,200
27	Venezuela	SME Competitiveness Using ISO 9000 Regulations	446	2001	1,209	805	2,014
28	Ecuador	Improving Competitiveness of Micro and Small Enterprises in the Textile Sector	448	2001	659	434	1,093

(Chart continues on the following page)

Table I. *(continued)*
through December 2002 (in US$ thousands)

	Country	Name of Project	MIF/AT No.	Year	MIF	Other Source	Total
29	Panama	Electronics Trade Development	506	2002	622	379	1,001
30	Regional	Innovation Program for SME Electronics Trade and Development	471-1	2002	5,000	3,000	8,000
					40,779	**29,898**	**70,677**
		Human Resources Development					
1	Uruguay	Youth Training and Enterprise Development Program	9	1994	2,500	—	2,500
2	Paraguay	Worker Training Program	30	1994	3,503	2,797	6,300
3	Mexico	Technical Training for the Electronics Industry	56	1995	2,000	800	2,800
4	Bolivia	Youth Enterprise Training Project	72	1995	3,000	854	3,854
5	Peru	Training Modernization in the Fishery Sector	77	1996	3,000	2,360	5,360
6	Regional	Management Training Program	103	1996	3,750	3,100	6,850
7	Paraguay	Mid-level Management Training	92-1	1996	1,450	863	2,313
8	Regional	Nontraditional Training for Caribbean Women	118	1997	1,650	775	2,425
9	Nicaragua	Training Program for Agroenterprise Development in León	131	1997	1,200	400	1,600
10	Peru	Support Program to the Instituto de Formación Bancaria	158	1998	1,300	700	2,000
11	Peru	Tourism Sector Training in Ayacucho	160	1998	1,600	700	2,300
12	Colombia	Technical Training for the Paper Industry	179	1998	1,900	4,168	6,068
13	Argentina	Human Resources Management System	182	1998	1,000	1,000	2,000
14	Regional	Training on Labor Union Pension	206	1998	2,364	1,240	3,604
15	Haiti	Business Initiative on Private Training for Professional Development	291	1999	2,000	850	2,850
16	Regional	Human Resources Training in MERCOSUR Agriculture Sector	292	1999	3,800	2,600	6,400
17	Chile	Labor Competition Certification Project	294	1999	1,900	2,025	3,925
18	Costa Rica	Workshops Network for Youth Tourism Training	295	1999	685	285	970
19	Nicaragua	Private Initiative for Human Resources Development in the Construction Sector	298	1999	1,022	666	1,688
20	Guyana	Market Development of Microenterprise Training Services	301	1999	900	533	1,433
21	El Salvador	Pilot Program To Support Small Enterprises and Municipalities	330	2000	1,400	600	2,000
22	Bolivia	Agricultural Enterprise Training	331	2000	1,200	545	1,745
23	Belize	Support to Create an Ecotourism Training Program	343	2000	700	300	1,000
24	Peru	Interactive Distance Learning System	348	2000	1,000	700	1,700
25	Honduras	Competitiveness Program in the Garment Industry	355-1	2000	1,100	797	1,897
26	Regional	Financial Analyst Training for SMEs	390	2001	760	725	1,485
27	Paraguay	Construction Sector Competitiveness	399	2001	840	472	1,312
28	El Salvador	Intermediary Labor Services	419	2001	1,634	699	2,333
29	Regional	Youth Work Program: Technology in the Workplace	420	2001	10,000	13,750	23,750
30	Argentina	Labor Mediation Program in the Private Sector	434	2001	1,750	1,710	3,460
31	Regional	Support to Financial Intelligence Units in South America	468	2002	1,320	573	1,893
32	Regional	Labor Market and Information System for PPP Training	485	2002	1,400	600	2,000
33	Brazil	Ecotourism Certification Program	496	2002	1,675	1,675	3,350
					65,303	**49,862**	**115,165**

	Country	Name of Project	MIF/AT No.	Year	MIF	Other Source	Total
		Regional Competitiveness					
1	Mexico	Human Resources Investment for Regional Enterprise Development in Nueva Vizcaya	139-1	1997	1,259	1,090	2,349
2	Ecuador	Development and Support to Private Local Initiatives	242	1999	1,940	1,060	3,000
3	Honduras	MIC—Enterprise Networks and Integration of Production Chains	249	1999	700	690	1,390
4	Mexico	Capital and Risk Capital Investment To Support SMEs	309	1999	1,370	1,370	2,740
5	Colombia	Agribusiness Project for Isabella Grape	371	2000	1,112	740	1,852
6	Ecuador	Support to Local Participation in the Tourism Sector of Galápagos	425	2001	300	127	427
7	Colombia	Clothing Industry Training in Eje Cafetalero	467	2002	1,100	750	1,850
8	Colombia	Promotion of Cooperative Enterprises	469	2002	1,077	738	1,815
9	Argentina	Local Development and Small Business Competitiveness	479	2002	1,860	1,480	3,340
10	Brazil	Development of Industrial Districts	482	2002	2,075	2,030	4,105
11	Peru	Strengthening of Alpaca Marketing Channels	488	2002	470	310	780
					13,263	**10,385**	**23,648**
	Subtotal				**193,169**	**140,944**	**334,113**
		IMPROVEMENT OF ENVIRONMENT AND REGULATORY AND INSTITUTIONAL FRAMEWORK					
		Conflict Resolution Alternatives					
1	Peru	Alternative Systems for Conflict Resolution	22	1994	1,470	—	1,470
2	Colombia	Mediation and Arbitration Program	43	1995	1,220	588	1,808
3	Uruguay	Mediation and Arbitration Program	61	1995	835	845	1,680
4	Panama	Mediation and Arbitration Program	107	1996	270	200	470
5	Honduras	Mediation and Arbitration Program	113	1996	497	277	774
6	Ecuador	Mediation and Arbitration Program	105	1996	720	328	1,048
7	Costa Rica	Mediation and Arbitration Program	99	1996	374	172	546
8	Guatemala	Center for Business Mediation and Arbitration	204	1998	450	200	650
9	Brazil	Alternative Conflict Resolution Methods	235	1999	1,599	1,741	3,340
10	Chile	Business Mediation and Arbitration	232	1999	650	663	1,313
11	Paraguay	Center for Business Mediation and Arbitration	257	1999	1,200	500	1,700
12	Venezuela	Mediation and Arbitration Program	262	1999	729	771	1,500
13	Nicaragua	Alternative Mechanisms for Resolving Property Disputes	286	1999	982	687	1,669
14	Guyana	Strengthening Property Rights Systems	289	1999	940	415	1,355
15	Trinidad and Tobago	Alternative Conflict Resolution Systems	317	2000	384	206	590
16	Argentina	National Network for Mediation and Arbitration	322	2000	1,000	1,508	2,508
17	Mexico	Strengthening the System of Alternative Methods To Solve Trade Conflicts	341	2000	1,352	879	2,231
18	Bolivia	Business Conciliation and Arbitration	364	2000	300	201	501
					14,972	**10,181**	**25,153**
		Internationalization and Reform of Financial Markets					
1	Bolivia	Modernization of International Trade	23	1994	744	185	929
2	Ecuador	Trade Modernization	57	1995	690	286	976
3	Argentina	Restructuring System of Guarantees	66	1995	610	610	1,220

(Chart continues on the following page)

Table I. *(continued)*
through December 2002 (in US$ thousands)

	Country	Name of Project	MIF/AT No.	Year	MIF	Other Source	Total
4	Haiti	Reform of Guarantee Operations	67	1995	650	35	685
5	Peru	Trade Modernization	84	1995	680	0	680
6	Ecuador	Strengthening Supervision of Credit Cooperative	156	1998	706	525	1,231
7	Bolivia	Supervision of Banking Activities	169	1998	1,200	700	1,900
8	Bahamas	Strengthening Credit Cooperative System	201	1998	660	440	1,100
9	Colombia	Strengthening Credit Cooperative System	216	1998	1,415	945	2,360
10	Peru	Strengthening Supervisory Capacity of Banks and Securities	275	1999	1,000	667	1,667
11	Peru	Strengthening Credit Cooperatives	276	1999	1,000	660	1,660
12	Peru	Strengthening Rural Savings and Loan Institutions	277	1999	1,500	1,000	2,500
13	Nicaragua	Strengthening External Auditing of the Private Sector	296-1	1999	923	475	1,398
14	Regional	Customs Measures To Facilitate International Business in Latin America and the Caribbean	342	2000	3,000	2,000	5,000
15	Regional	Eliminating Technical Trade Barriers	391	2001	1,671	1,164	2,835
16	Brazil	Institutional Framework for Promoting Venture Capital	394	2001	1,122	3,773	4,895
17	Belize	Institutional Capacity for Trade and Investment	501	2002	490	210	700
					18,061	**13,675**	**31,736**
		Simplification of Procedures					
1	Colombia	Rationalization of Administrative Procedures	368	2000	1,900	1,200	3,100
2	Costa Rica	One-Stop Shop for Formalizing Micro and Small Business	406	2001	660	300	960
3	Bolivia	Simplifying Regulations for Small Enterprises	492	2002	914	383	1,297
4	Venezuela	Comprehensive Information Service for Enterprise Owners	494	2002	800	800	1,600
5	Paraguay	Simplification of Export Procedures	508	2002	700	300	1,000
					3,074	**1,783**	**4,857**
	Subtotal				**36,107**	**25,639**	**61,746**
	TOTAL FOMIN				**391,022**	**458,565**	**849,587**

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