

# The Argentine Matching Grant Program

## Results and Lessons Learned

**Mariluz Cortes**  
**The World Bank Group**

4/1/99

## Background

- The matching grant program, supported by a World Bank loan of US\$27 million, started in Argentina in August 1996
- The Objective of the Program is to help increase the international competitiveness of small and medium enterprises (SMEs) by facilitating access to, and reducing costs of export related services

4/1/99

## Description of the Project

- The project finances 50% of the cost of consulting services and information obtained by potential exporters that have an export plan approved by the program
- The types of services co-financed by the program include, among others, market research, productivity improvement, product development and quality control certification

## Description of the Project

- The matching grants have a limit of:
- US\$75,000 per export project
- US\$125,000 per firm

## Administration of the Program

- The overall Program is under the coordination of the Secretariat for Small and Medium Enterprises (SEPYME), through a Project Administration Unit (UAP)
- The Matching Grant Program is administered by a private Management Service Contractor (MSC)

4/1/99

## Role of the MSC

- Promote the program through contacts with trade groups through its offices in Buenos Aires, Cordoba, Rosario and Mendoza
- Determine if the interested SME has the potential (technical and financial) to become an exporter

4/1/99

## Role of the MSC (continuation)

- Assist the interested SMEs to identify the consulting services that they require to enter in the export business
- Provide the SMEs with access to information about potential export related service suppliers, if the firm does not have a specific supplier in mind

4/1/99

## Role of the MSC (continuation)

- Assess the *bonafide* of the service supplier selected by the SME (ensure that it has a proven record in the field)
- Sign an agreement with the SME for the implementation of an export program (defined as a set of consulting services necessary to help the firm improve its export capability)

4/1/99

## Role of the MSC (continuation)

- Obtain the no-objection from the UAP to the financing of the export program under the matching grant scheme
- Oversee the contracts signed between the SME and the service providers
- Oversee the implementation of the export program

4/1/99

## Role of the MSC (continuation)

- Reimburse the SME for half of the cost of the consulting services, after verifying that they have received the services and paid for them (for this the MSC has access to a revolving fund that is replenished periodically with loan funds)

4/1/99

## Role of the UAP

- Give its no-objection to the export projects approved by the MSC, within a limited number of days
- Audit the performance of the MSC through external auditors
- Evaluate the client's satisfaction with the program through firm level surveys

4/1/99

## Role of the UAP (continuation)

- Assess the impact of the program through enterprise surveys carried out by a third party
- Prepare periodic implementation reports for the World Bank

4/1/99

## Characteristics of the Management Service Contract

- The payment of the contract is divided in:
  - 60% as a fixed amount paid monthly
  - 33% as an incentive payment paid quarterly based on the fulfillment of quantitative and qualitative targets by the contractors
  - 7% as a final payment paid at the end of the contract, based on the level of disbursements achieved

4/1/99

## Main Results

- 971 SMEs assisted between September 1996 and July 1998
- 1090 export projects approved
- US\$26.6 million approved in matching grants, equivalent to export project for about US\$52 million

4/1/99

## Characteristics of Assisted SMEs

- 40% with sales of less than US\$5.0 million
- 48% with between 11 and 50 workers
- 53% had never exported before
- 66% located outside Great Buenos Aires
- 69% producers of industrial manufactures
- 40% want to export to MERCOSUR

4/1/99

## Types of Export Services Approved under the Program

- 14% for market development
- 3% for project development
- 35% for commercial promotion (including fairs)
- 15% for product development
- 33% for enterprise development (including quality control certification)

4/1/99



## Results of Impact Assessment (preliminary)

- 63% of the SMEs in the sample have exported. Of these:
  - 50% incorporated new markets only after joining the program
  - exports for the group increased from 26.8% to 32.4% of sales between 1995 and 1998
  - firms exporting over 30% of sales increased from 31% in 1995 to 50% in 1998

4/1/98

## Results of Impact Assessment (preliminary)

- Since 1995
  - 37% of the firms in the sample have incorporated new distribution channels (41% of them after joining the program)
  - 70% have launched new products
  - 90% have improved their products
  - one third of the firms that launched new products or improved their products did so after joining the program

4/1/99

## Results of Impact Assessment (preliminary)

- average investment in equipment increased from \$71,000 in 1995 to \$126,000 in 1998
- 60% of the firms have implemented cost reduction programs (of these 33% only after joining the program)
- 69% of the firms apply international quality control norms

4/1/99

## Results of Impact Assessment (preliminary)

- 63% of the firms in the sample indicated that their export objectives under the program have been met partially or totally
- 70% of the firms indicated that it would have taken longer to make the changes without the program
- 23% of the firms indicated that they would have not implemented changes without the program

4/1/99

## Lessons Learned

- The use of a private MSC to manage the matching grant program is essential to:
  - ensure independence in the approval of the grants
  - provide technical assistance to the SME to prepare its export plan

4/1/99

## Lessons Learned (continuation)

- The use of an incentive scheme in the contract with the MSC is essential to:
  - ensure that the MSC continues working to meet the established performance targets unaffected by changes in the government counterpart unit that may imply changes in personnel and changes in approaches and expectations about the project

4/1/99

## Lessons Learned (continuation)

- The incentive scheme has to be designed in a way that:
  - its interpretation is simple and clear
  - has realistic targets
- The respective roles of the MSC (to administer) and of the UAP (to audit) have to be clearly established to avoid misunderstandings