

Innovation in small and mediumsized business (Chile experience)

**Advancing Innovation in ECA 2008:
Role of Business Incubators in Innovation
Development in Small and Medium Sized
Towns and Rural Areas**

October 9-11, 2008 in Tambov, Russia

Criteria for the allocation of business groups

- **Criteria for the Ministry of Economy of Chile by sales volume per year:**
 - - Up to 72 thousand dollars - Mikro Business,
 - - 72-750 thousand dollars - Small Business,
 - - 750 thousand -1 mln.500 thousand dollars (from 1994 to 3 millions) - Medium Business,
 - -More than 3 millions- Large Business

Continuation

- **Criteria for the Ministry of Planning and Cooperation in the number of employees:**
 - - Up to 4 employees - Mikro Business,
 - - 5-49 employees - Small Business,
 - - 50-199 employees - Medium Business,
 - - 200 more employees - Large Business

The proportion of employees by business categories (%)

- 40,4 % - Mikro Business,
- 36,6 % - Small Business,
- 13,0 % - Medium Business,
- 10,0 % - Large Business

Innovations in the management of small and medium business

- Before the reform:
 - - Direct management of the Development Corporation
- New in the management structure (the creation of «three-storied» management system):
 - First floor - private juridical persons and individuals, offering projects for small and medium business support

Continuation

- - Second floor - Department of Technical Support of the Development Corporation and private enterprises, accredited by the Development Corporation, responsible for:
 - - elaboration of regulatory documents,
 - - be a mediator between private enterprises- project participants and the Development Corporation in the phase of the project elaboration,
 - - monitoring of the execution of legal documents,
 - - financial resources management, both private and government, allocated for the project,
 - - monitoring of contracts execution between the projects participants and investors

Continuation

- The third floor – the Development Corporation, responsible for:
 - management of the development of the regulatory documents and its approval,
- - preparation of contracts between the project participants,
- - allocation of resources,
- - evaluation of the project's results.

Instruments of small and medium-sized business development

1. Financing
2. Technical Support
3. The transfer of technology (innovation)
4. Qualification improving
5. Assistance in exports development
6. Assistance in business associations development

Assistance in exports development

- The reduction of customs duties on imported goods, if they are used for export production
- Financing of market researches, exhibitions, publications of catalogs and other promotional items

Financing

- Lending programs through commercial banks: financing (no more than 450 thousand dollars) of investments of the companies with sales volume up to 3 million dollars with paying off period from 3 to 10 years
- Kvazicredit programs : the Development Corporation bought the bonds of commercial banks on condition that the received resources will be focused on the development of the sale base for the production of small and medium-sized businesses,
- Financing of venture capital for small and medium-sized businesses, if their investments applied to the creation of high-tech products
- Assistance in obtaining guarantees from the insurance companies: the state at 72% guarantees to cover insurance companies' damage in case of credit's failing payment of small and medium business

Technical Support

- The Development Corporation finances up to 50% of the costs of small and medium-sized businesses on consulting services, but not more than 13 thousand dollars. These services are implemented at the level of «second floor».

The transfer of technology (innovation)

- Created the National Fund for technological and industrial development, which subsidizes:
 - - research work up to 50% of its costs,
 - - up to 30% investments in machinery and equipment,
 - - up to 45% of the costs, if 5 or more enterprises, producing export products are involved,
 - - up to 50% of the costs (but not more than 400 thousand dollars) for the establishment of special centers for technology transfer,
 - - up to 50% of the costs of pre-studies.

Qualification improving

- The reduction of tax base of the salary fund on 1%, if those resources were used for the staff qualification improving

Assistance of business associations creation

- Funding up to 70% of the costs of business associations administering

Entrepreneurs' evaluation of the results of small and medium-sized enterprises' support (% of respondents)

- Better knowledge of the market 48
- New business opportunities 42
- Getting to know new technologies 39
- Better competitive position 37
- Profitability increasing due to the growth in sales volume 27
- Profitability increasing due to expenditures' reduce 19
- Improved funding 18
- Profitability improving due to increasing of products prices 17



Thank you for the attention