PUBLIC POLICIES FOR SUPPORTING SMES: A COMPARISON BETWEEN THE SPANISH AND CHILEAN MODELS.

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1. INTRODUCTION

In this paper we will describe the most important policy issues followed by the Spanish and Chilean governments in order to support SMEs in their respective countries.

We will start describing the Chilean situation and the efforts done by its government, especially since the restoration of the democratic institutions (1990). In the third chapter we will analyze the Spanish situation and the different rôles played by central and regional governments. In particular, we will focus on the region of Valencia, which has developed one of the most interesting support policies for SMEs in Spain.

Finally, we conclude with some policy recommendations and a comparison between the two models.

2. SUPPORT POLICIES FOR SMEs IN CHILE

2.1. Introduction

Chile is a country of almost 15 million inhabitants. It is situated in the south cone of America, between The Andes and the Pacific Ocean. We can find landscapes that vary from the desert of Atacama in the North, to the polar zone of the extreme South. The political system is a presidencialist Republic with two chambers, Congress and Senate. The administrative system of the State is highly centralized and the President names directly the Governor of each region. In the elections performed in March of 2001, the socialist candidate Ricardo Lagos won the Presidency, by a narrow margin. He was the candidate of a center-left coalition called “Concertación de Partidos por la Democracia”. The candidates of the Concertación, coalition among demochristians and socialists, have won the Presidency since the end of the military government. The Chilean democracy is one of the strongest in Latin America and the country enjoys an enviable political stability.

2.2. Macroeconomic Achievements

Since 1989 to present time, the Chilean economy has been characterized for a high rate of formation of fix capital, the foreign direct investment attraction capacity and the
consolidation of a model based on promoting exports and the maintenance of the macroeconomic equilibria.

In the period 1989-1997, the GDP grew at an annual average of the 7.7%. During 1998-1999, the effects of the Asian crisis had an important impact on the economy. In fact, this crisis brought negative rates of growth. However, for the period 2000-2001 the GDP grew near 4%, with a rate of inflation under the 5%. In the field of the economic policy, the first democratic government made a new tool which we will analyze in the following chapters: The National Plan for Supporting Small and Medium Sized Enterprises.

2.3. SMEs in Chile: an overview

Although there are different definitions inside the Chilean government about what is a SME, we will follow the classification established by the Corporation of Promotion of Production (CORFO), since, as we will see, this is the official agency responsible for implementing the support policies to SMEs. Thus, the productive units that occupy among 1 and 4 persons are microfirms, among 5 and 49 persons are small firms, medium firms are the ones that employ among 50 and 199 persons, and large firms are the ones that exceed that number. Since 1980 to present time, the productivity of the small Chilean businesses has not moved from being the 37% of the productivity that achieve the medium and large enterprise in average.

However, some sectors as textiles, leather, and footwear have achieved high productivity levels. This productivity gap could be explained because of old-fashioned productive processes and machinery, and a management model not fully professionalized.

The SMEs’ export capacity is very small and concentrated in a few products, such us the ones inside the agroindustry sector. Exports have shown a light diminishing tendency since the early 90’s. SMEs’ exports represent less than 3% of their sales, and less than the 5% of the total Chilean exports. We can compare this situation with the high export dynamism shown by the large companies in this same time period. This means that domestic market continues being the main point of reference for the Chilean SMEs. Indeed, their results depend strongly on the behavior of domestic demand.

2.4. Support Policies for Chilean SMEs

2.4.1. Objective of the 1991 National Plan for Supporting SMEs

In 1991, with the re-establishment of the democratic government, a new Program of Support to SMEs was conceived and implemented. This Program represented a change in comparison with the economic policy followed by the military government. Thus, previously to 1991, the government did not consider necessary to implement a differentiated policy for SMEs, because it was thought that the economic system presented identical opportunities of development for all productive firms, no matter the size they may
have. In fact, it was assumed that the beneficial effects of macroeconomic stabilization and international commercial opening would be equally profitable for all economic agents of the economy.

However, the 1991 Program identifies difficulties for SMEs in the access to new technologies, professional models of management and adequate financing. These fields will be the objective of the tools developed in the Program. The design of the Program remained under the responsibility of the Ministry of Economy, while the Corporation for the Promotion of the Production (CORFO) took the implementation of the project, assuming the executive role of the program.

2.4.2. CORFO as the prominent institution of the Program

CORFO was founded in 1939 with the objective of promoting the Chilean productive and industrial development. CORFO created the first national companies in sectors such as electricity, petroleum, iron and steel, and the first steps of a modern agroindustry sector.

With the new democratic Government of 1990, CORFO changed its duties and objectives and began to act as a National Agency of Development, specialized in giving support to SMEs. Only in 1999, CORFO helped more than 14,000 SMEs.

The policies of the 1991 Program can be grouped in six different areas: financing, technical assistance, technology transfer and technological innovation, training, exports promotion and cooperation between firms. Subsequently, we will see the support instruments designed for each one of these policy areas.

2.4.3. Support policies

FINANCING

The objective, in this case, is facilitating the access to credit for the SMEs. After a first phase in which CORFO financed directly the projects presented by the SMEs, a new model was designed. In this new model banks study the projects presented by the SMEs and give credit to the most profitable projects. If the firm cannot pay back the credit, the State will give the money back to the bank. This system has been more efficient in the allocation of resources and, above all, reduces the risk of paying bad credits for the State. There are different types of programs, which can be divided into three groups: credit programs, seed capital programs, and subsidies.

- Credit programs. Here the objective is to finance investment projects in machinery, installations, constructions, and engineering services. Loans reach a maximum amount of 5 million dollars by firm, to return in 10 years.

- Programs of seed capital. In this chapter are included the Businesses Development Investment Funds (FIDES), supplied by CORFO with the objective of being invested in
SMEs that generate high added value or SMEs that have a high technological component.

- Program of subsidies. The objective of this instrument is to solve the lack of guarantees that take place when SMEs ask for credit in any of the financial institutions of the credit system. To alleviate this lack of guarantees, the financial institutions do an insurance contract to cover the case of not-payment of the credit. The biggest part of the cost of this insurance (72%) is paid by the State through this program of subsidies. This program was designed specially in favor of small firms.

TRAINING

The most important instrument in this field is an exemption from paying taxes. This exemption allows firms to save up to 1% of the total cost of annual salaries and send this money to training programs for their employees.

The official institution that supervises this tool is the National Service of Training and Employment (SENCE). This Service put in contact firms with the public and private institutions that are able to train SMEs’ employees, like universities, technical institutes, consultancies...

TECHNICAL ASSISTANCE

The objective of the Technical Assistance Fund (FAT) is to improve the management of SMEs and to facilitate the process of incorporating new technologies.

By the use of this fund, the SMEs can hire specialized advising to improve the business management and to solve specific problems related to market analysis, design of products, redesign of productive processes, pollution control, systems of information, and so on. The fund FAT is used, almost always, by one firm each time, although CORFO tries to convince firms, with greater aids, to use the FAT fund to finance cooperative projects between two or more firms.

The SMEs have been using this fund increasingly. In 1994, 349 firms demanded this program; in 1999 the demanding firms were more than 6600. We can observe the year-by-year evolution in the enclosed graphic.

**Number of operations financed through FAT**

|--------|------|------|------|------|------|------|

Source: CORFO
The FAT fund has contributed in a very important way to the creation of an offer of consultancy services specialized in the small and medium businesses that did not exist before. It has been important also in order to convince SMEs’ managers of the importance of hiring consultancy services to solve specific problems.

One of the most serious problems that has generated this instrument is that SMEs tend to abuse of this service, because they pay only a part of its total cost.

TECHNOLOGY TRANSFER AND TECHNOLOGICAL INNOVATION

The National Fund of Productive and Technological Development (FONTEC) is the main public instrument used to boost the productive development of the Chilean firms.

This fund was created in 1991 and is open to all kind of firms, not only SMEs. It is designed to promote, orient, finance and support Research and Development (R&D), and, in general, to promote all the development phases of a technologically new product. The main lines that were financed by CORFO (in thousands of dollars) are the ones that appear in the box below.

FONTEC Projects, by R&D line

<table>
<thead>
<tr>
<th>Projects</th>
<th>CORFO support</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technological Innovation</td>
<td>50.882</td>
<td>83,82</td>
</tr>
<tr>
<td>Technological Infrastructure</td>
<td>2.833</td>
<td>4,67</td>
</tr>
<tr>
<td>Associative Transfer</td>
<td>4.853</td>
<td>7,99</td>
</tr>
<tr>
<td>Centers of Technological Transfer</td>
<td>2.014</td>
<td>3,32</td>
</tr>
<tr>
<td>Preliminary Studies</td>
<td>123</td>
<td>0.2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>60.706</td>
<td>100</td>
</tr>
</tbody>
</table>

We will emphasize some R&D lines, which have retained the CORFO support. On the one hand, CORFO gives financial help for technologically innovative projects. These projects usually try to introduce into the market the result in R&D activities to innovate in products, processes and services.

On the other hand, CORFO gives financial aid to groups of firms that go to foreign countries in order to find and introduce into Chile new technologies and machinery. They have to be, at least, five companies of the same sector.

Another recent initiative is the one relative to the “Centers of Technological Transfer”. CORFO subsidizes associative processes between several companies of similar sectors. These associative processes have the aim of creating organizations whose objective is the search, development, diffusion, transfer and adjustment of technologies in the associated companies in order to contribute to their modernization. These organizations are called Centers of Technological Transfer.
Although these funds are open to the totality of the Chilean companies, according to data of CORFO, around 75% of the projects and 72% of the funds correspond to SMEs.

Another instrument, this conceived specifically for SMEs is the Support Program to Manage Exporting Companies (PREMEX), whose objective is to promote the exporting capacity of the manufacturing and software companies.

PREMEX gives financial aid to contract specialized consultancy to improve the management conditions of the associated firms, so a greater efficiency in the productive processes and a greater quality in the final product are achieved.

There are, in addition, two institutions whose activity is very important in the field of promoting exports: PROCHILE and ASEXMA.

The Direction of Exports Promotion of the Ministry of Foreign Relations (PROCHILE), created in 1975, has three main objectives: to promote exports, to increase their diversification and to open to new markets.

The diversification objective is explained by the high percentage that, historically, has had copper within the Chilean exports.

Among the duties of PROCHILE we can emphasize the following fields: market studies, advertising, consultancy, etc. Anyway, PROCHILE has had greater incidence in the medium company than in the small one.

ASEXMA (Manufacturers’ Export Association) is a private organization that helps to its associated firms to penetrate foreign markets.

COOPERATION

Since 1991, CORFO has favored cooperation between companies from similar or complementary productive sectors located in a same geographic location. CORFO has done this action through the PROFOs (Promotion Projects). The underlying idea behind the PROFO is to solve one of the main sources of the SMEs problems: isolation. It is more profitable to canalize resources to groups of companies than to an individual company, because there is a learning process between companies and all of them learn from the others.

Each PROFO has legal personality and must have, at least, five companies in it during four years.

The administration of the PROFO is in the hands of a manager named by the associated firms and the members finance its cost of operation.

CORFO finances each PROFO project decreasingly in time: 70% the first year and 50% the fourth year.
PROFO projects have achieved a remarkable success and they have extended throughout the country, becoming one of the most important support tools for the SMEs at present time.

Nevertheless, the program has not been able to solve in an effective way one of the basic problems of the SMEs: access to financing in the same conditions that big companies have.

3. SUPPORT POLICIES FOR SMEs IN SPAIN

In the present section we are going to make a brief route by the present conditions of the industrial policy in Spain. Indeed, the industrial policy has acquired a new tone and vigor after the decentralization process that has taken place in the political organization of the Spanish State in the last 25 years.

This decentralization has caused that the greater weight in the design and execution of this policy has moved from the central government towards the governments of the Autonomic Communities, that is to say, from the central power towards the regional one.

In the present document we gather this tendency and we specify the new fields of performance in which both the Central State and regional governments evolve.

3.1. The central government

From the decade of the 60s, the central government developed a complete policy in order to support industry. In the first years of this policy, the emphasis was made in the support to the big industrial companies, because it was thought they were the axis or pole of traction of the rest of the economic activity, without paying attention to the great number of existing SMEs.

Also, the design and the execution of the policy took place in a centralized way, meaning that there was not a regional approach or specificity in the policy design. When applying this policy, regional divergences were not taken into account. All this lead to a decrease in the success of the overall policy.

The industrial policy was executed through the Ministries (an important rôle was played by the Ministry of Energy and Industry) and through public agencies specially created for such aim.

As time passed, the agencies took greater autonomy. Finally they had an important task in the scheme of industry support. Each agency was specialized in a concrete job. We will analyze here the three most important public agencies: ICO, CDTI and ICEX.

The Institute of Official Credit (ICO) was created with the purpose of giving financing facilities to new entrepreneurial projects, and companies already consolidated that had
financial necessities to undertake new investments. At present time, ICO has developed an important line of specific credit for the SMEs.

The Center of Industrial and Technological Development (CDTI) was created with the intention to favor the technological and innovative development in the Spanish firms. Nowadays, it is a key agent in the processes of technological modernization and also promotes technological cooperation with third countries. On the one hand, it provides the most innovative scientific knowledge and know how at worldwide level, and on the other hand, it opens markets to the Spanish high-technological companies.

The Institute of Foreign Trade (ICEX) has as its main aim to favor the internationalization of the Spanish companies. The ICEX supports SMEs primarily (although some programs are open also to big firms), and is to them that are directed most of its programs. The performance lines of ICEX go from the organization of commercial trips to a complete advising to a SME that wants to internationalize and does not know how to do it.

3.2. The decentralization process

Since the new democratic Constitution of 1978, an important decentralization process at political level has taken place in Spain. This means that the regional governments have taken a great amount of political power previously reserved to the central government.

In the case of industrial policy, this fact has been well known and it has taken shape in the form of Regional Development Agencies (ADR), which depend from the governments of each region. These agencies are in charge of planning the industrial policy according to the needs of regional and local companies, giving a greater emphasis to SMEs.

From the early 80s, regional governments began to carry out an active industrial policy to face the serious crisis that affected the industrial sector in those years. From the overcoming of that situation of crisis, they begun to design policies with the objective of increasing the competitiveness of the productive sector, in order to compete in the demanding market of the European Union and to confront the challenges of an increasing globalization process.

This new concept of the industrial policy, closer to the necessities of the local and regional SMEs, has caused several positive consequences. On the one hand, the industrial policies were designed according to the needs of concrete industries, regionally identified, circumscribed to the existing complexity in each region. This fact increased the possibility of efficiency and effectiveness of the measures adopted by the Public Administration as a whole (central and regional governments included).

On the other hand, the greater proximity of the regional administrations to local firms caused an approach of these firms towards the programs designed by the ADRs, having
increased the number of companies that benefit from the industrial-support programs made by the public administration.

Nevertheless, all the regional governments have not been equally smart at the time of designing and implementing support policies for SMEs. Because of that, we will study, in the next chapters, the case of the Community of Valencia, a paradigmatic example of good regional policy in order to support SMEs.

3.3. The new configuration of the industrial policy

After the process of decentralization that took place in Spain in the last two decades, the industrial policy has become implemented by the regional governments and by their respective agencies of development.

The rôle of the central government is now the coordination of industrial policy at national level and with the European Union, and the design of frame programs that will be executed by Regional Governments, taking care of their regional features.

In this way, the central government is not more a direct partner of the companies and directs its activity to coordination and general (national level) planning, taking contact with the Regional Development Agencies. These Agencies execute the industrial policy in narrow coordination with local companies, especially SMEs, of each region.

We must emphasize the important paper that has played the integration in the European Union in the modernization of the Spanish industrial policy. The competition rules dictated by the European Commission (EC) forbid subventions given by the State to companies, since these subventions would allow firms to compete with advantage.

That is the reason why industrial policy has left its traditional welfare character, and has started a new kind of policy centered in the long term competitiveness of the industrial sector, with a special emphasis in the SMEs, since they are the ones that maintain the majority of industrial employment. They are also the less prepared ones to face market instabilities and conjunctural economic difficulties.

3.4. The case of the Valencian community

In this section we will study the case of the Community of Valencia as an example of good practices in the field of industrial policy. This region decided, at the early 80s, to take the political power of designing and implementing the industrial policy in its territory with the objective of increasing competitiveness and international projection of the SMEs located within the limits of the region.
The present chapter is structured in four sections. In the first of them we will describe the Valencia Community in big numbers. We will see the numbers of its Gross Domestic Product, its population, etc. In the second section we will analyze the concrete objectives of industrial policy that have been established by the regional government. In the third section we will describe the operation of the main policy tool that the region has in order to put in practice its objectives in the field of industrial policy: the SMEs Institute of Valencia (IMPIVA). In the last section of the chapter, we will take into consideration a series of support plans for the SMEs in certain specific areas, such as: technology and innovation, quality, internationalization, energetic efficiency, financing and training.

3.5. Introduction to the region of Valencia

The region of Valencia is located in the East part of Spain, by the Mediterranean Sea. Its population is eminently urban and it is concentrated to a great extent in the three main cities of the region: Valencia, Castellón and Alicante.

The climate is Mediterranean, cool in winter, warm in summer and with heavy rains in autumn. Two official languages are used in the region: Spanish and Valencian. The latter is a language characteristic of this region. Both languages have common roots: Latin.

The total population of this region is 4 million people approximately, which is the 10.1% of the total Spanish population. Exports reach 12.2 billions of dollars (a 13% of national exports) whereas imports reach 9.4 billions of dollars, which is equivalent to 7.7% of the national imports. The Valencian GDP is approximately 52.7 billions of dollars, which represents 10.2% of national GDP.

Therefore we are dealing with a net exporter region, relatively little penetrated by imports and opened towards foreign markets. Its share in the national GDP is proportional to the population.

3.6. Objectives of industrial policy

When the regional government of Valencia began to assume the political power in the field of industrial policy in the early 80s, the main policy objective was to increase the industrial innovation capacities of regional SMEs.

This primary target was subdivided in several objectives, which are: industrial modernization, diversification, new entrepreneurs and cooperation between firms.

As far as the objective “modernization” is concerned, the purpose was not only to renew the physical infrastructure of firms. On the one hand, it was important to wide the information available to the firm in order to increase its productivity (market studies, international information, internet connection).
On the other hand, special emphasis was made in the training area to improve technical qualification of technicians and managers so that they could learn how to use the new tools that technology makes available.

In this way, one objective was the generalization of the use of consultancy to undertake processes of design of strategic plans and of acquisition of new technology. Indeed, the area of technological transfer has been one of the most developed, since the use by the SMEs of the technical advances obtained in the University and in the research laboratories (public and private ones) has been strongly supported by the public administration.

In the objective “diversification”, there is an aim to develop firms belonging to industries different from the, at the moment, present ones in the Valencian Community. This obeys to the necessity of opening new opportunities to industries at the moment little represented in the Valencian productive sector, dominated by the industry of toy, footwear, furniture, ceramics and jewelry.

In the field of the cooperation between firms, the regional government took the challenge of obtaining a greater cooperation between companies and between them and the regional development agency (IMPIVA). The cooperation between companies may have several forms: partnerships to export more easily, sharing of expenses of R&D, interchange of technology, etc.

To obtain a fluid institutional cooperation between the SMEs and the regional development agency is a key objective, since the success of the policies designed by the regional government depends on the credibility that firms give to the economic measures of the government and on the degree that companies accept to take part in the programs and policies designed by the public administration.

Finally, within the objectives enunciated by the regional government, there is one that tries to create new entrepreneurs, that is to say, to facilitate the creation of new companies and the entrepreneurial mentality among people. This objective has taken shape in the creation of new high-tech companies and financial aid (seed capital), as we will see later on.

3.7. A policy instrument: the IMPIVA

In order to achieve its objectives of industrial policy, the regional government created the SME Institute of Valencia (IMPIVA) in 1984. This institution is the public agency of the regional government in charge of developing the support policies for the Valencian SMEs.

The IMPIVA depends on the budget of the Regional Government but, nevertheless, maintains a high autonomy in taking technical decisions. The objective of the IMPIVA is to boost the innovation process in the Valencian industry, in order to elevate the levels of competitiveness in industry so competition in the demanding market of the European Union and in a highly globalized world could be possible.
The IMPIVA achieve its results by the development of a series of services and annual programs, and a technical infrastructure network that includes the Technological Institutes, the Technological Park of Valencia and the European Centers of Firms and Innovation (CEEIs).

In the following chapter we will see the most remarkable services and programs put in practice by the IMPIVA. Now, we will analyze the institutional network for supporting innovation created by the IMPIVA.

The Technological Institutes are centers that perform applied research inside an industry branch; that is to say, each Institute is centered in doing research in a certain productive sector, such as textile, footwear, toy, and furniture... In each Institute innovations in the area of the quality and the technological innovations are developed so that companies of that specific branch could implement the result of all that research in their productive processes.

The research quality of these centers is high, being all of them at a very good position at national level and some at international level. At the moment there are more than 3000 SMEs associated to these Institutes, which are distributed in 21 centers along the region.

With regards to their operation, the SMEs associated to each Technological Institute are the ones who decide the research lines and the projects that are going to be developed. Therefore, a total agreement between the research lines and the concrete necessities of the SMEs of the region takes place. Each associate SME pays a little fee that allows this company to have access to the fruits of the research work of the Institutes. Institutes do also specific works under contract for certain SMEs, keeping the corresponding confidentiality.

The mission of this network of Institutes is to transfer the existing technology in a technique able to be used immediately by each SME that contracts with them. At the moment, the financing of these centers is mixed public-private, since a part of the expenses is paid by fees and specific contracts, and the rest is subsidized by the regional government.

Another important institution to promote innovation inside the region is the Technological Park of Valencia. To make the Park possible, a land of 440,000 square meters was urbanized. The idea of the Technological Parks is that from the interaction between innovative companies located in a same physical space, new innovative ideas can take shape.

With these intentions, the R&D departments of multinational companies located in Valencia have settled in the Park. Some high-tech SMEs and seven Technological Institutes of the network created by the IMPIVA have also settled there.

Finally, we want to mention the European Centers of Firms and Innovation (CEEIs). These Centers were created at the request of the European Union in order to elevate the survival ratio of recently constituted SMEs.
These centers are specialized in providing a complete consultancy service, which is the first step in the explicit policy of developing an entrepreneurial mentality in people.

The CEEIs give help to the entrepreneur since the creation of the SME until five years later. The aid begins with the legal proceedings of constitution of the society, continues with the search of the best financing alternatives and includes searching of a place to locate physically the SME.

All this process of continuous consultancy has given its fruits and thus, the 89% of the companies that follow this program have managed to survive five years after having begun their activities. The average in the European Union is only 50%.

3.8. Support plans for the productive sector

As an additional tool to the institutional framework of support to the SME, the Valencian government, through the IMPIVA, formulates and implements a series of plans of industrial support that cover the necessities of the regional productive sector.

These plans are not directed to any specific industrial sector, but go directed to the totality of the companies, no matter their activity sector. Plans of performance exist in the following areas: technology, quality, internationalization, energetic efficiency, finances and training. Next, we will analyze these performances very briefly.

The Technological Plan has the mission of narrowing the collaboration between companies and the centers where research in new technologies is made: Technological Institutes and University. The Technological Plan tries to achieve that companies can have an active position – not a reactive one- in the field of technological change.

In the period 1993-1997, 184 R&D projects were developed through this initiative. The projects were of an approximated amount of 33.8 million dollars.

The Quality Plan contemplates the creation of networks between companies in order to share among them standard procedures and technologies that assure quality. 38 networks have been created, most of them branch-specific. Members of each network cooperate between them to assure the quality of their products.

Through the Internationalization Plan the regional government tries to increase the Valencian companies’ operations abroad. This includes commercial sales and purchases, and also direct investment in third countries. For example, a series of technological and productive agreements between Valencian and Chinese companies have been signed.

The policy of Energetic Efficiency tries to reduce fuel consumption in industry, and to reduce pollution levels. In the period 1987-1995 this policy has produced a saving of 20% in the industrial electrical consumption.
In the area of *Training*, the objective is to offer to technicians and managers the possibility of updating their knowledge, with the purpose of giving them modern tools to manage their companies in a more professional way. This fact is especially important in the SMEs, since many of them are family owned and managed. This means that their managers have not used, traditionally, the modern technologies of management, which can become a clear disadvantage when competing with the highly professionalized SMEs of other developed countries, specially in the European Union.

In the *Financing Plan*, four main lines have been followed. On the one hand, a special Fund for innovating companies has been set. This Fund is granted by the CEEIs, who act as donors of seed capital for this type of companies.

On the other hand, the possibility of reorganize their debt is offered to the SMEs, so that credits with short term expiration date may become long term credits, easier to assume and to cancel for the SMEs. This fact is of great importance, since many commercial banks only offer financing of very short term to the SMEs.

These measures are complemented with a bonus in the interest rate that have to pay the SMEs in their loans. These advantages can reach up to two percentage points and they are carried out by agreements with the European Investment Bank -IEB- and with the Institute of Official Credit (ICO), a Spanish public agency that has several financial programs for supporting SMEs, which we analyzed before.

In order to complete the support measures to SMEs in the financial area, the IMPIVA has started up a program of financial consultancy opened to all SMEs that ask for it. This consultancy program designs the most suitable financial plan for each SME that ask for it.

4. **CONCLUSIONS**

The industrial policy developed in the region of Valencia from the early 80s by the regional government has demonstrated to be right in its main lines and has been an important support in order to improve the competitiveness of the industrial SMEs installed in that region.

Several are the key factors of this policy. On the one hand, the IMPIVA has implemented a policy based in the needs of the local firms. That is to say, The IMPIVA has not designed its policy with “a priori” theories about local firms, but from their actual situation at the precise moment at which the design of the policy began. Once discovered the main weaknesses and opportunities of the Valencian productive system a set of structured and coherent policies was designed to give a solution to the problems and to take advantage of the opportunities.

In this sense, we must emphasize that good industrial policy for a territory may not be effective in another one. Everything depends on the original situation in which we are, as
well as the economic, cultural and political reality in which the region we are studying is immersed.

In the Chilean case, no region has, at the moment, the legislative, economic and political power to start up instruments and tools of economic policy similar to those of Valencia. It is not only a problem of having a big budget, but also of political decentralization. At the moment, in Chile the support policy for SMEs is basically the same in all parts of the country, designed by the central government, with some exceptions based on important crises (Lota) or geographic isolation (Arica, Iquique, Punta Arenas). In no case the economic authorities contemplate a different policy of industrial support according to the economic and social specificity of each region.

Returning to the Valencian example, another key factor of its success has been the clarity in expressing the main objective of its economic policy: to improve the regional innovation system to obtain gains in the competitiveness of SMEs. Thus, the objective is not to train a fixed number of people, or to obtain a number of innovation projects. The objective is systemic: to obtain a society in which the production and diffusion of innovation towards regional firms take place in the most fluid way.

A third factor of success is to involve regional entrepreneurs when designing the main research lines to be developed by the Technological Institutes. In this way, the technological policy of the region responds to the necessities of the industrial sector, and the research done is basically an applied one.

That is to say, the research made in the university and in the research centers (both public and private) is market-oriented, so that companies demand more and more to these centers technological solutions for their quality and productive problems.

The fourth factor of success is quite related to the third one. Due to the high professionalization and specialization of these measures of industrial support, the interference of the political class (interference in the most negative sense of the word) in the development of this program has respected its basic lines, maintaining its continuity independently of the political party in power in each legislative period.

This fact shows certain political maturity of the political parties in Valencia, because in this case they have not destroyed the way built by the other party. On the contrary, when the political party in government changed, the support system to the SMEs was maintained and even reinforced. In this field, Chile enjoys an enviable trajectory since the politicians who won the democratic elections after Pinochet did not destroy the economic model of the previous regime, but took advantage of the successful transformations achieved by that model in order to maintain the process of economic growth.

If Chile wants to improve the performance of its SMEs, CORFO should design region-specific economic policies, because in this country it is possible to identify different patterns of industrialization and different industrial sectors if we move from north to south.

If so, with the same budget, it is possible to achieve better results.
Finally, we have to add that the Valencian model will reach its complete maturity when the Technological Institutes and the CEEIs can survive with the fees they collect from the associated SMEs and the contracts that carry out with the SMEs of the region. To arrive at this point will indicate that the idea of innovation being a major tool to compete successfully in the global market has been sufficiently accepted in the entrepreneurial class of the region of Valencia.

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