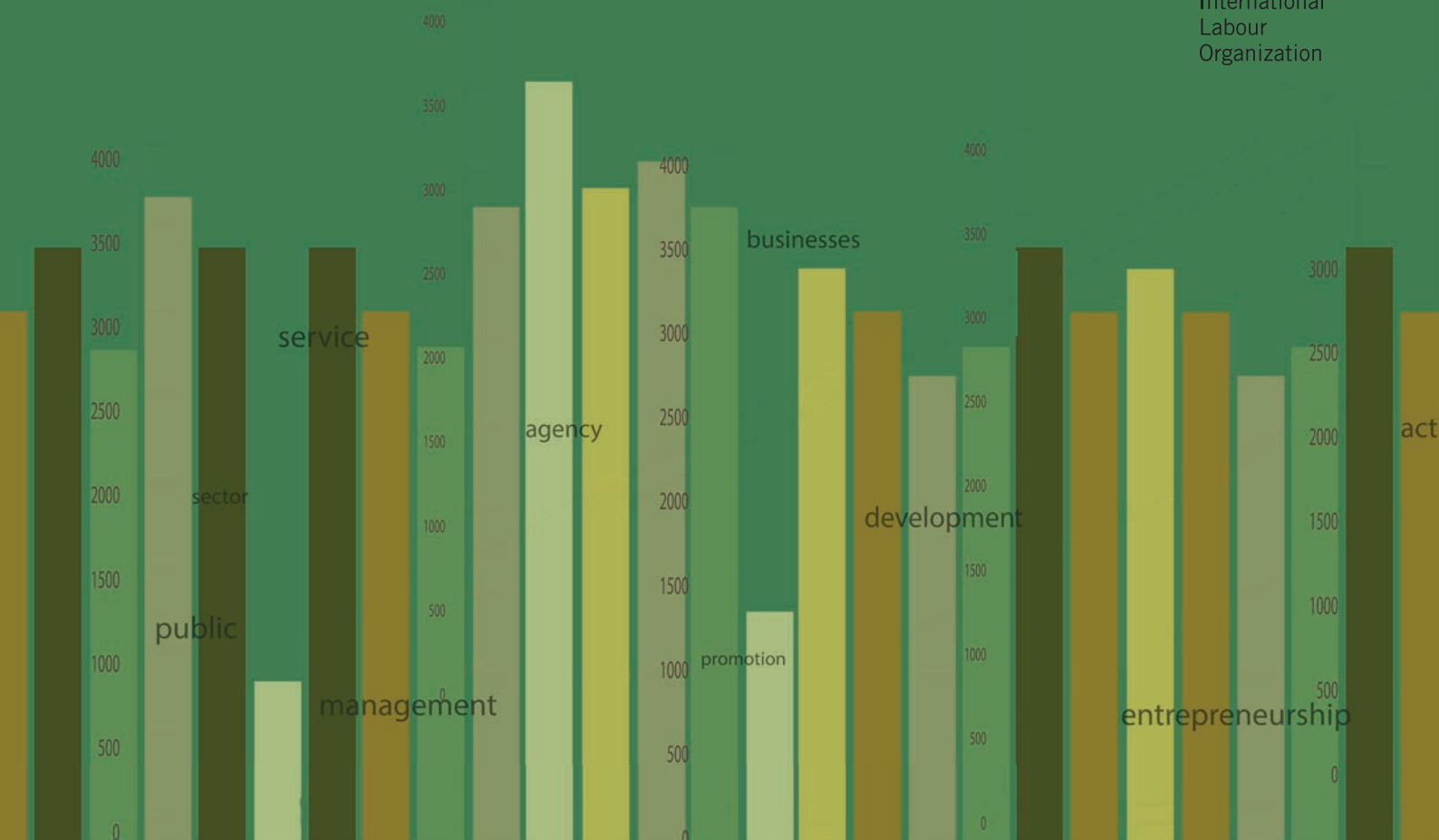


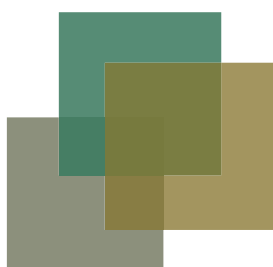


International
Labour
Organization



SME Promotion Agencies: Is there a best set-up?

A quest for good practices



Copyright © International Labour Organization 2016

First published 2016

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Licensing), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: rights@ilo.org. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with a reproduction rights organization may make copies in accordance with the licences issued to them for this purpose. Visit <http://www.ifrro.org> to find the reproduction rights organization in your country.

Jacqueline Snijders, Rob van der Horst, Iñigo Isusi (Ikei) and Gert-Jan Lindeboom

SME promotion agencies: is there a best set-up? A quest for good practices / International Labour Office. - Geneva: ILO, 2016.

ISBN: 9789221313526; 9789221313533 (web pdf)

International Labour Office.

employment creation / small enterprise / small scale industry / interagency cooperation / good practices / case study / Brazil / Chile / South Africa / Korea R / Spain / USA

13.01.3

ILO Cataloguing in Publication Data

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications and digital products can be obtained through major booksellers and digital distribution platforms or ordered directly from ilo@turpin-distribution.com

For more information, visit our website <http://www.ilo.org/publns> or contact ilopubs@ilo.org

Printed in Switzerland

SME Promotion Agencies: Is there a best set-up?

A quest for good practices

Contents

Executive Summary	4
1 Objective of the study	6
1.1 Structure of the report.....	7
2 Good practices and lessons learnt	8
2.1 United States of America: Small Business Administration (SBA)	8
2.2 Chile: Corporación de Fomento de la Producción (CORFO)	9
2.3 Brazil: Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (SEBRAE)	11
2.4 South Korea: Small & medium Business Corporation (SBC).....	12
2.5 South Africa: Small Enterprise Development Agency (Seda)	13
2.6 Spain (Basque region): Sociedad para la Transformación Competitiva- Eraldaketa Lehiakorrerako Sozietatea (SPRI)	14
2.7 Overview of good practices and lessons learnt of SME promotion agencies	15
3 Recommendations	16
3.1 Status and background.....	16
3.2 Regulatory framework.....	16
3.3 Institutional framework	18
3.4 Operational framework	18
4 United States of America: Small Business Administration (SBA)	23
4.1 Status and background.....	23
4.2 Regulatory framework.....	23
4.3 Mission, target and fields of action.....	23
4.4 Institutional framework	24
4.5 Operational framework	24
5 Chile: Corporación de Fomento de la Producción (CORFO)	30

5.1	Status and background.....	30
5.2	Regulatory framework.....	30
5.3	Mission, target and fields of action	31
5.4	Institutional framework	31
5.5	Operational framework	32
6	Brazil: Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (SEBRAE)	36
6.1	Status and background.....	36
6.2	Regulatory framework.....	36
6.3	Mission, target and fields of action	36
6.4	Institutional framework	37
6.5	Operational framework	38
7	South Korea: Small & medium Business Corporation (SBC).....	43
7.1	Status and background.....	43
7.2	Regulatory framework.....	43
7.3	Mission, target and fields of action	43
7.4	Institutional framework	44
7.5	Operational framework	44
8	South Africa: Small Enterprise Development Agency (Seda)	48
8.1	Status and background.....	48
8.2	Regulatory framework.....	49
8.3	Mission, target and fields of action	49
8.4	Institutional framework	50
8.5	Operational framework	51
9	Spain (Basque region): Sociedad para la Transformación Competitiva- Eraldaketa Lehiakorrerako Sozietatea (SPRI)	54
9.1	Status and background	54
9.2	Regulatory framework.....	54
9.3	Mission, target and fields of action	54
9.4	Institutional framework	55
9.5	Operational framework	56
	Appendix 1 Overview	60

Executive Summary

Background

Available empirical evidence shows that small and medium-sized enterprises (SMEs) are a major source of job creation. It is therefore essential to provide relevant support services to the SME sector. However, purely market-based solutions for the provision of such support have limitations as they face certain market failures. Therefore, governments have a long tradition in intervening through the establishment of public or semi-public SME promotion agencies that coordinate and/or implement SME support. Whereas some agencies have succeeded in delivering demand-driven and appropriate services, others have developed a relatively poor reputation of being bureaucratic entities which do not offer quality services based on the needs of SMEs.

This study aims to identify good practices and lessons learnt with respect to the configuration and operation of SME promotion agencies. It has been developed in response to several requests from governments which approached the ILO for advice and information. Most current studies on the role of SME support institutions tend to focus on the regulatory and institutional frameworks, rather than on specific operational issues that define criteria for success. This study addresses both of these aspects of government-led SME promotion agencies. It was conducted through desk research and interviews.

For the purpose of this study, six SME promotion agencies from different regions were examined:

- United States of America: Small Business Administration (SBA)
- Chile: Corporación de Fomento de la Producción (CORFO)
- Brazil: Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (SEBRAE)
- South Korea: Small & medium Business Corporation (SBC)
- South Africa: Small Enterprise Development Agency (Seda)
- Spain (Basque region): Sociedad para la Transformación Competitiva-Eraldaketa Lehiakorrerako Sozietatea (SPRI)

Findings

The agencies studied vary considerably in nature, in terms of their lifespan and autonomy. Whereas some agencies have existed for decades, others have been created more recently through a merger. Most agencies are part of the government support system and implement the SME policy, whereas others are autonomous entities.

Good practices and lessons learnt

Based on a case study analysis the following good practices and lessons learnt are identified:

- The setup of an SME promotion agency, through which all government support to the sector is channeled, proves more efficient than spreading resources over various support organizations.

- Some agencies use an indirect approach to administer programs: they implement programs whilst contracting third parties to provide the services.
- The inclusion of stakeholders and other public- and private sector parties has improved legitimacy and relevance of the agency.
- A stable funding mechanism is key to ensuring the long-term effectiveness of the agency.
- It is important to become a learning institution and adapt interventions to new needs.
- High-level professionals with long-term experience improve the quality of products and services provided.
- The existence of a large variety of support programs has translated in an inefficient and ineffective use of available resources.
- The law may pose an impediment to charge a fee to SMEs for business consulting services.

Recommendations

The study identifies recommendations with respect to the regulatory, institutional and operational framework:

- Study the experiences in other countries and try to involve a broad alliance of relevant private and public stakeholders in the creation of an SME promotion agency.
- It can also be useful to conduct a proper market failure analysis.

Regulatory framework

- An SME promotion agency should be embedded in a law or presidential decree.
- If the organization is autonomous, the relation with the government policy on the SME sector should be defined in the law or decree.
- The objectives should be in line with the long-term national economic policy, based on a needs analysis, and be part of the relevant law or decree.
- If there are other support organizations in the country, the objectives should be well aligned.

Institutional and operational framework

- The agency should be embedded in the national enterprise promotion system.
- The president of the board should be appointed by the highest level in the government.
- It is important that the different stakeholders from the public and private sector are represented in the governing council or board overseeing the agency.
- SME promotion agencies should target all SMEs, even though each program may focus on a specific group, sector or size class.
- It is recommended to move away from relatively standardized tools and interventions to more complex ones focusing on a specific group of SMEs once the agency has set its role in the support system.
- A long-term financial planning should be developed and approved to ensure that the agency is not at risk due to a change of government.
- A sound and holistic monitoring and evaluation system should be in place and embedded in the law or decree.

1. Objective of the study

Available empirical evidence confirms that small and medium-sized enterprises (SMEs) are a major source of job creation. SMEs account for two-thirds of all jobs worldwide. For the majority of countries, more than 50 per cent of total net employment creation can be attributed to the smallest size classes of enterprises of between five and 99 employees¹. Therefore, the promotion of SMEs has been a key area of intervention of the International Labour Organization (ILO), based on a continuously high demand of its member countries for advice on SME policies and enterprise-level interventions.

Purely market-based solutions in providing support services to SMEs face certain market failures (e.g. lack of availability of services, missing information on the benefits of services among SMEs, no realization of positive externalities like spillovers or networking effects). Therefore, governments have a long tradition in intervening. Interventions include the establishment of public or semi-public SME promotion agencies that coordinate and/or implement SME support. Whereas some agencies have succeeded in delivering demand-driven and appropriate services, others have developed a relatively poor reputation of being bureaucratic public sector entities not offering quality services based on the needs of SMEs. Consequently, different models trying to ensure delivery of good quality services have been tested. These range from creating more autonomous and independent public agencies to delegating implementation to business membership organizations or performing market-led solutions by organizing public tenders on SME support programs and strengthening demand through issuing vouchers.

This study was originally developed as the Government of Costa Rica asked for ILO's advice in establishing a new SME promotion agency by making experiences from other countries available. As similar requests are regularly received from other countries, the purpose of this publication is to present good practices in the configuration and operation of SME promotion agencies which serves as a basis for evidence-based advisory and support services to governments that wish to create or revise their SME promotion agencies.

Most current studies on the role of these support institutions tend to focus on the regulatory and institutional frameworks for SME development (inter-governmental coordination for policy-making, national SME development strategies and legislation, red tape), rather than on specific operational issues (program design, budget allocation, delivery of technical support and services to SMEs, human resources policy, decentralization and coordination with other SME policy implementation institutions) that define the criteria for successful operations. This study is distinguished by the fact that it addresses both of these aspects of government-led SME promotion agencies.

The objective of the research was to conduct a comparative analysis of the regulatory, institutional and operational frameworks that are important to create

1 International Labour Office (ILO). 2015. Small and medium-sized enterprises and decent and productive employment creation, Report IV, International Labour Conference, 104th Session, Geneva, 2015 (Geneva).

and operate SME promotion agencies, based on the successful experiences and challenges of countries that have undertaken such initiatives.

For the purpose of this study, six SME promotion agencies from different regions were examined:

- United States of America: Small Business Administration (SBA)
- Chile: Corporación de Fomento de la Producción (CORFO)
- Brazil: Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (SEBRAE)
- South Korea: Small & medium Business Corporation (SBC)
- South Africa: Small Enterprise Development Agency (Seda)
- Spain (Basque region): Sociedad para la Transformación Competitiva-Eraldaketa Lehiakorrerako Sozietatea (SPRI)

The information was collected based on desk research and interviews.

1.1 Structure of the report

In Chapter 2, the good practices and lessons learnt of SME promotion agencies are presented, followed by the recommendations in Chapter 3. Chapters 4 to 9 offer a description of the different agency profiles examined in this study. Information is provided on the status and background of each organization and their regulatory, institutional and operational frameworks.

In Appendix 1, an overview is presented on the major characteristics of the agencies.

2. Good practices and lessons learnt

This chapter presents the main good practices and lessons learnt identified for each of the six SME promotion agencies examined from the different regions. The table at the end of the chapter provides a thematic overview.

2.1 United States of America: Small Business Administration (SBA)

Good practices:

- ***The SBA follows an indirect approach to administer its programs: it implements the programs but third parties provide the services.***

For the most part, SBA does not directly offer its support services but contracts local entities to do so. For instance, in the context of the loan program, rather than directly making loans, which:

- requires a massive infrastructure, such as loan officers located all over the country;
- contains the seeds of politically-motivated lending; and
- is limited by the money government appropriates for that purpose,

an indirect approach allows to:

- build on a pre-existing professional financial structure;
- make loans on the basis of their viability, not on someone's political credentials; and
- leverage government money, yielding multiples in dollars actually loaned.

The same applies for non-financial support services under the consulting program, whereby partnerships are fostered with local agencies that have experience in dealing with specific issues of a region and that can be easily contacted, for example through long-term partnership agreements. The approach is to create a localized expert-based system rather than a centralized generalist-based one.

- ***The SBA funds small businesses at reasonable rates and conditions.***

In the United States, the main challenge for credit-worthy small businesses is not access to finance but rather access to *affordable* finance that is made available under suitable terms and conditions. SBA's funding program is designed to ensure that small businesses can obtain funds at reasonable terms and conditions.

Through its SBIC program, the agency also provides access to venture capital for small businesses. This program is designed to provide equity investment funds to "gazelle" companies with high growth potential. As such it fills a gap in the market to meet the particular financing needs of these companies. The program was created to address concerns raised in a Federal Reserve Board report to Congress. The report concluded that a gap existed in the capital markets for long-term

funding for growth-oriented small businesses. The report noted that the SBA loan programs were “*limited to providing short-term and intermediate-term credit when such loans are unavailable from private institutions,*” and that the SBA “*did not provide equity financing.*”²

- ***The SBA administers the Regulatory Flexibility Act. Before implementation, the SBA assesses whether new regulatory requirements drafted by other federal agencies are fit to the scale of business and what should be adapted if needed.***

The SBA administers the Regulatory Flexibility Act (RFA). The purpose³ of the RFA is to fit regulatory requirements to the scale of the businesses subject to the regulation. The RFA requires that federal government agencies determine the economic impact of their new rules and regulations on small entities, explore regulatory options for reducing any significant negative economic impact and submit their analysis to SBA for comments.

Unless the SBA certifies that a rule does not have a significant adverse impact on a substantial number of small enterprises, the RFA requires a formal analysis of the potential negative economic impacts on small entities.

Requiring other agencies in government to consider the disproportionate impacts of their regulatory requirements on small business, making adjustment when possible, and having a competent staff to enforce the requirements of the Act can be considered as a good practice.

Lessons learnt:

- ***Legal impediments to charge a fee for business consulting services.***

The law in the United States impedes the SME Promotion Agency to charge a fee for the business consulting services that it provides to small businesses. The logic behind this is that these small firms face many challenges and that therefore the government should not add to the burden by providing services at a cost. Yet the provision of free services may result in sub-optimal service delivery (e.g. the provision of services that are not fully in line with the market needs of businesses or that are not fully meeting quality standards).

2.2 Chile: Corporación de Fomento de la Producción (CORFO)

Good practices:

- ***CORFO as a “learning institution” is able to adapt its interventions to new needs.***

CORFO has for more than 76 years supported the activities of Chilean SMEs and has over time adapted its tools and programs to the changing challenges and needs

2 SBA Small Business Investment Company Program, Congressional Research Service <https://www.fas.org/sgp/crs/misc/R41456.pdf>.

3 Source: <https://www.sba.gov/advocacy/regulatory-flexibility-act>

experienced by enterprises. In this regard, CORFO can be considered a “learning institution”, capable of accumulating knowledge and able to design effective interventions according to existing demands. For this purpose, it is important to stress the leading role exercised by the senior management of the agency and the Chilean Ministry of Economic Affairs.

CORFO has moved from relatively standardized tools and interventions to increasingly more complex but efficient and effective ones. This process reflects CORFO’s nature as a “learning institution”.

- ***High-level professionals with long-term experience working for the agency improve the quality of products and services provided.***

Generating accumulated learning and knowledge is only possible when the institution’s human resources have a high-level of professionalism and long-term internal working experience. In this regard, CORFO’s key staff can be considered as very stable, apart from governmental changes. CORFO has the financial and legal capacity to offer attractive salary conditions, allowing the possibility to recruit senior professionals. It employs ad-hoc resources (approximately 1% of its budget) to commission studies and consultancy services and sends its staff abroad to learn from best practices. Finally, CORFO has the legal and administrative flexibility to quickly react when necessary adjustments are required.

- ***Evaluations carried out by independent third parties have improved the image of the agency.***

CORFO pays great attention to evaluate the impact of its activities on a continuous basis, which are always based on independent external evaluations. The importance given to external evaluations reflects concern for transparency that is partially also demanded by the Chilean Ministry of Economic Affairs. The different evaluations have produced very positive results, reinforcing the positive image of CORFO as a public organization providing high quality services with very reasonable costs and open to public scrutiny. Incidentally, this positive perception has redounded in an increase in the budgets available to CORFO, as well as the transfer of some programs run by other Ministries to the agency.

- ***The inclusion of stakeholders and other parties from the public and private sector has improved the legitimacy of the agency.***

CORFO has opted to work as a network with other relevant Chilean stakeholders (financial institutions, universities, technology centers, business associations) to increase its operations, by incorporating external actors that bring their own knowledge and experience, and resulting in a limited increase in its own human resources. The integration of representatives from the private sector in the decision bodies of CORFO has also added legitimacy to the institution.

Lessons learnt:

- ***The existence of a large variety of support programs has translated in an inefficient and ineffective use of resources available.***

CORFO runs myriad programs oriented toward SMEs. Yet, their efficiency and effectiveness could be improved if resources were concentrated on fewer and targeted programs. This challenge is recognized by CORFO board and management, which over the past years has employed efforts to focus on fewer programs and instruments.

2.3 Brazil: Serviço Brasileiro de Apoio às Micro e pequenas Empresas (SEBRAE)

Good practice:

- ***Evaluations of products and services provided by SEBRAE are used to assess and monitor the achievement of the long-term objectives set by the agency.***

Comparing achieved results with the set objectives is a good practice as it enables to develop specific projects in those sectors and/or regions where SME competitiveness can still be further improved. This mechanism also allows evaluating the effectiveness of SEBRAE interventions and, thereby, delivers crucial agency management information.

Based on the self-administered questionnaires from a large number of enterprises, overviews can be created on various indicators per individual enterprise, but also in a more aggregate way by region, sector, or other characteristics. For instance, the evaluations can be used to compare the effect of various types of interventions on the quality of management that are applied to all targeted enterprises (and can even include enterprises that are not assisted due to questionnaires received from participants in the yearly entrepreneurship award) based on eight key indicators: leadership, strategy and planning, clients, society, information and knowledge, staff, processes and results.

The results offer insight on the success of certain interventions and the failure of others. These outcomes can help define the relevance of potential new priorities for future interventions.

The system of monitoring and impact evaluation applied by SEBRAE can - relatively easily - be implemented in other contexts. It requires the engagement of targeted enterprises to fill in questionnaires regularly that can be made a prerequisite of participation.

Lessons learnt:

- ***The funding mechanism of SBRAE that existed at the end of the eighties was dependent on short-term political choices that threatened the existence of the agency.***

The crisis years 1985-1990 significantly weakened the organizational structure of SEBRAE. During those years, it experienced several shifts of responsibility at the political level, moving from the Ministry of Planning to the Ministry of Industry and Trade (MDIC) in charge. Substantial budget instability followed and as a result of the 1990 financial crisis 40% of its staff had to be dismissed for budgetary reasons. This demonstrates the importance of strengthening institutions and ensuring that they are independent from short-term political choices.

This near-to-collapsing of the organization shows the importance of a stable funding mechanism, which is ideally disconnected from sudden political changes and short-term government needs. Only under such budget stability, can long-term policies be developed to support SMEs.

SEBRAE's income now comes from the contributions of large enterprises with an annual turnover of more than USD 1,425,406. By law, the Instituto Nacional de Seguridade Social (INSS) collects 0.3% of the payroll of these enterprises as budget for SEBRAE.

2.4 South Korea: Small & medium Business Corporation (SBC)

Good practice:

- ***The setup of one SME agency, through which all government support to the small business sector is channeled, proves more efficient than spreading resources over various support organizations.***

Establishing and operating an agency like SBC can be beneficial as in theory the government has a unified single source of policy transferring and implementing channel, which can be efficient. In practice, however, there are still too many organizations (at national and provincial level) operating SME support measures in South Korea.

Lessons learnt:

- ***The development of SME support measures by various ministries and implementation by different organizations without a clear coordination and focus has not lead to an effective and efficient support system.***

According to a 2014 OECD publication,⁴ the implementation of a vast array of SME support measures is resulting in significant duplication of efforts and inefficient use of resources. According to the Small and Medium Business Administration, 14 central government ministries ran 201 programs in 2013, while the 16 provincial governments and 130 SME-related organizations administered another 1,101 programs.

The large number of SME programs reflects weak linkages between the government ministries and the absence of a central authority to coordinate programs run by different institutions and an effective ex-post review of their performance.

⁴ Jones, R. S. and M. Kim (2014), "Promoting the Financing of SMEs and Start-ups in Korea", OECD Economics Department Working Papers, No. 1162, OECD Publishing.

Consequently, the level of SME support is determined incrementally by individual ministries, without appropriate strategy, resulting in duplication and overlap. Moreover, the lack of an information system related to SME programs creates a mismatch between the supply and demand for SME support.

2.5 South Africa: Small Enterprise Development Agency (Seda)

Good practice:

- ***The integration of existing support agencies into one support agency is expected to improve the efficiency and the effectiveness of government support.***

Since 1996, a large number of public, semi-public and private organizations to support small, medium and micro-sized enterprises (SMMEs) have been established at national, provincial and local levels. A national Department for Small Business Development (DSBD) has been created, which focuses primarily on informal SMEs. The Department of Trade and Industry (the dti) targets SMEs. There is also a wide range of semi-private and private support agencies, such as The Business Place, Business Partners and Shanduka Black Umbrellas.

The government took the initiative to found Seda with the aim to become the center of excellence for small enterprise development in South Africa. Seda integrated a substantial part of the government-funded small enterprise support agencies across all spheres of the government. These changes should lead to a more efficient and effective system of small business support. As Seda is directly funded by government, it has a large geographical coverage and presence in provinces and municipalities across the country.

Lessons learnt:

- ***The SME agency is too small and has too little resources to reach a substantial part of the SMMEs sector in the country.***

No detailed information is available on how many SMMEs exist in South Africa. However, estimates, depending on the definition applied, vary between 2.6 and 6 million.⁵

Rolling out activities throughout South Africa, to make access to support services easy for all SMMEs, is an enormous challenge due to constrained resources that are not proportional to the size of the country. With an annual budget of about USD 65 million, Seda can only serve a very small part of SMMEs.

Yet, year after year, Seda has a good record of prudent and responsible financial management and the vast majority of clients rate the interventions as “good” or “excellent”. The consequences of increasing support demand are: pressure on the Seda branch network, slower turnaround times and dissatisfied clients.

5 Underhill Corporate Solutions (UCS), Literature Review on Small and Medium Enterprises' Access to Credit and Support in South Africa, Prepared for National Credit Regulator (NCR), Pretoria, South Africa, December, 2011

2.6 Spain (Basque region): Sociedad para la Transformación Competitiva-Eraldaketa Lehiakorrerako Sozietatea (SPRI)

Good practice:

- ***To assure that activities focus on the needs of the small business sector, they are developed in close cooperation with public and private stakeholders.***

SPRI actions are defined according to different plans (the Science, Technology and Innovation Plan 2015, the Plan for Competitiveness 2010-2013, the Plan in Support of Entrepreneurial Activities 2013-2016) and commonly defined in cooperation with other relevant stakeholders, as part of an effective government-private stakeholder policy development process. This process, being the result of a strong sense of social cohesion and commitment among regional actors, means that SPRI's activities try to respond to the strategic long-term goals.

SPRI can be defined as a network organization, working closely with relevant regional stakeholders (individual enterprises, sector associations, employer representative organizations, clusters, regional technology centers, etc.). This implies that SPRI is well connected, acting as an interface and matching enterprises' demands with support programs that are adapted to their needs.

Lessons learnt:

- ***Due to the lack of an evaluation system, up to 2014 when SPRI developed such a system, the agency did not monitor and assess the efficiency and effectiveness of its products and services provided and subsequently determine whether the policy objectives addressed are met.***

Up to 2014, one of the most significant weaknesses of SPRI (and of the whole Basque enterprise supporting system) was the lack of a sound and holistic evaluation system. Despite an emphasis on monitoring activities and the existence of some initiatives, there is still a gap in the development of an evaluation system. However, there is a strong need of determining what interventions work and which do not. Establishing a system to monitor and measure, not only the activities and its agents' performance, but also to evaluate the existing policy-mix and its impacts, would enable to learn and take decisions accordingly.

2.7 Overview of good practices and lessons learnt of SME promotion agencies

Table 1
Overview of
good practices and
lessons learnt

Good practices	Mode of service delivery <ul style="list-style-type: none"> - An indirect and network approach with strong collaboration with relevant stakeholders
	Services offered <ul style="list-style-type: none"> - Services, tools and programs adapted to changing needs of SMEs - Activities developed in close cooperation with public and private stakeholders
	Human resources <ul style="list-style-type: none"> - High-level professionals with long-term internal work experience - Collaboration with other stakeholders limits increase in the need for human resources
	Impact assessment <ul style="list-style-type: none"> - Evaluations to assess the impact of products and services on a continuous basis to monitor achievements - Independent external evaluations carried out by third parties
	Enterprise support system <ul style="list-style-type: none"> - The set up of one SME agency, through which all government support is channelled, is more efficient and effective
Lessons learnt	Defining SMEs <ul style="list-style-type: none"> - Application of different SMEs definitions in support programs
	Services offered <ul style="list-style-type: none"> - Too many scattered support programs can reduce efficiency and effectiveness
	Lack of additionality <ul style="list-style-type: none"> - No added-value to existing services and mechanisms proves limited support
	Financial resources <ul style="list-style-type: none"> - Funding mechanisms dependent on short-term political choices result in budget instability - Constrained resources that are not proportional to the size of the country
	Enterprise support system <ul style="list-style-type: none"> - Lack of clear coordination amongst support measures organizations can lead to duplication of efforts and inefficient use of resources

3. Recommendations

This chapter presents recommendations on the regulatory and institutional frameworks, in which these institutions are embedded, including specific guidelines on how best to operate SME promotion agencies.

3.1 Status and background

The agencies studied vary considerably in nature. Some exist already for many decades, whilst the merging of existing institutions has formed others. It seems important to involve as much relevant parties as possible in the establishment of an agency to create maximum support. Some have also learned from valuable experiences in other countries.

Recommendation: *Study the experiences in other countries and try to involve a broad alliance of relevant private and public stakeholders (ministries, trade associations, chambers of commerce, private sector consultants, banks, etc.) in the creation of an SME promotion agency. Moreover, it can also be useful to conduct a proper market failure analysis: subsidized support should only be offered if a market failure has been identified, otherwise one runs the risk of unfair competition with the private sector.*

3.2 Regulatory framework

Embedding the agency in the legal system

All agencies examined are embedded in a legal system and created by a law or decree,⁶ often aimed at promoting the business sector. This is, for example, the case of the SBA, which was set up in the context of the SBA Act. Others, such as CORFO, are established by the decree of the president. The agencies are thus embedded in an enterprises support system and legal action is needed to change their role. This also secures their continuity.

Recommendation: *An SME promotion agency should be embedded in a law or presidential decree.*

Defining the objectives and specific tasks

The objectives of the organizations are outlined in the specific regulation (law or decree). The overarching objective of the six organizations studied is to promote SMEs and entrepreneurship. Specific tasks are also stipulated in the relevant laws or decrees. The SBA, for example, has the task to ensure that small businesses get a fair proportion of government contracts and sales of surplus property, and provides assistance to victims of disasters.

6 The agencies do not have a specific legal form since they are state owned. The only exemption is SEBRAE which is a 'uma entidade privada sem fins lucrativos e de utilidade pública (private non for profit entity with public interest. The 1990 law establishing the current SEBRAE, changed SEBRAE from a public agency (administração pública) into a private non-profit entity, supported by the larger enterprises of the country.

Recommendation: *The objectives should be in line with the long-term national economic policy, based on needs analysis, and be part of the relevant law or decree. The specific tasks should either be included in the relevant law, decree or in a regulation based on these with enough legal force. It is important that promotion agencies can ensure their clients that there will be continuity in their support programs, as entrepreneurs will base their decisions on the ongoing availability of financial and non-financial support.*

Relation with the government

The regulations also stipulate the relation between the government and the organization. The organization can be an autonomous private entity, such as SEBRAE, or an implementation agency of the governmental SME policy, such as SPRI.

Recommendation: *In case the agency is autonomous the relation with the government policy on the SME sector should be defined in the law or decree. This also determines the type of legal configuration chosen (non-for profit organization, public society, etc.).*

Relation with other SME organizations

An important factor to consider in developing and shaping the objectives of the SME organization is, of course, other enterprise support services available in a country.

Recommendation: *In case there exist other support organizations in a country, the objectives should be well aligned. The aim is to avoid inefficient use of public resources and confusion for clients.*

Defining the governance structure

The regulation also establishes how the organization is governed. The organizations can be governed by a council or board, in which representatives of relevant stakeholders can participate. In addition, information is included on how the president and higher management staff are selected.

Recommendation: *It is important that the different stakeholders from the public and private sector are represented in the governing council or board overseeing the agency. In this way, all relevant interests are expressed and optimal conditions are set for offering proper SME support.*

How the president and higher management are selected and appointed is often dependent on the specific political culture of the country. Non-political appointments, assuring long-term stability of the agency's operations, are preferable.

3.3 Institutional framework

Embedding the agency in the national enterprise promotion system

In general, the objectives of the organizations focus on SMEs and cover the following policy fields: financing, technology and innovation, and export promotion.

Other fields of support are included as well, such as regulatory reform, management, restructuring of the industry sector and entrepreneurship. Most of the agencies covered by this study originally focused on the manufacturing sector given its importance in the economy. With time, other sectors have also been included.

Recommendation: *The objectives of the SME agency should be in line with its position in the enterprise promotion system of the country.*

Responsible ministry

Some organizations are directly related to the ministry responsible for economic affairs, industry, or commerce in a country and implement its policy. This holds for SPRI, SBC and CORFO. The SBA, for example, officially falls directly under the President of the United States, although given its objectives it closely works with the Department of Commerce. SEBRAE is an autonomous organization, though it implements part of the support program of the ministry for SMEs.

Given the type of activities carried out, other ministries can participate in the board of the organizations, as in the case of CORFO. The role of the organization in the national enterprise support system is thus better secured.

Recommendation: *Depending on the level of SME support in a country, different models can be applied. Countries often start with an SME agency related to a specific ministry, for instance, the ministry for economic affairs, industry, or commerce. As soon as the agency has proven to be successful and effective, other ministries can start to take into consideration the specific characteristics of SMEs in their policies. This is a challenging task and can be overcome in three ways:*

- *by including other ministries in the board of the SME agency;*
- *by establishing a specific and powerful small business ministry; and*
- *by introducing an SME check to be performed by every ministry while preparing new laws and regulations.*

3.4 Operational framework

Governing board or council

In most organizations, the head (administrator/president) is appointed directly by the President of the country and the board consists of public and private stakeholders.

Recommendation: *The president (or administrator) of the board should be appointed by the highest level in the government to assure that the activities of the agency are embedded in the government support system. The president should be selected on the basis of his or her competences to run the agency.*

Political appointments should be avoided since these run the risk of changes in governments, which may hamper the development of the agency and the continuity of policies.

All relevant stakeholders should be represented. The board should preferably include persons from the public and private sectors.

Target group

Most agencies consider the entire SME sector as their target group: all sectors, size classes below a certain limit (100, 250 or 500 employees) and cover enterprises in the entire geographical area (country or region).

Recommendation: *An SME agency should target all SMEs (including those without employees) even though each agency program may focus on a specific group (e.g. starters, innovative firms), sector, or size class (e.g. self-employed without personnel).*

Program design

Based on the set objectives, the organizations develop a multi-annual strategy, which cover a period of four years, although some also develop longer-term strategies. SEBRAE, for example, has a strategic plan for the period 2013-2022. These plans present the broad lines and the activities.

Apart from the multi-annual plans, the organizations also develop annual plans, including specific targets of the activities to be carried out and indicators to monitor and evaluate. Examples of targets are: number of enterprises assisted (micro/small/medium-sized), number of participants in trainings, number of unique visitors and/or average costs per small business assisted.

In most cases the strategic and annual plans have to be approved by the board of the organization.

Recommendations: *Develop four-year strategic plans, to be approved by the board (and or the government), with broad objectives and budgets. The strategic plan should present the monitoring and evaluation principles. Develop annual working plans with detailed targets for all activities. As much as possible, targets should be measurable.*

It is important to create continuity in support programs. The programs should as much as possible be political-free, based on needs analysis and an analysis of market failures. Small adjustments in policy programs can, however, be made based on political priorities. This is important given that entrepreneurs should be able to base their decisions on the ongoing availability of financial and non-financial support, i.e. the continuity of support policies.

Support services offered

There is a multitude of tasks that can be executed by SME agencies.

Recommendation: *Depending on the role of other agencies, a needs analysis and market failure analysis, the following support services can be provided:*

- *Information*
- *Counseling and advice*
- *Financing (directly or through guarantees)*
- *Networking*
- *Export promotion*
- *Support starters*
- *Match-making*
- *Mentoring*
- *Training*
- *Public procurement*
- *Helping disadvantage groups*

It is recommended to move away from relatively standardized tools and interventions to increasingly more complex ones focusing on a specific group of SMEs. Through the delivery of relatively standardized tools the agency can use its resources efficiently, acquire further insight into the specific needs of SMEs and make the sector aware of its support services. Once the agency has set its role in the support system, more complex interventions can be developed, which are often operated in close cooperation with other organizations, such as banks, chambers of commerce or enterprises associations.

Based on the six countries studied and experiences from others, there is a strong preference to separate the lobby from the support task. These are completely different activities that require different qualifications.

Promotion of services

The agencies examined use more or less the same channels and tools to promote their services.

Recommendation: *Depending on the national context, the following could be envisaged:*

- *Website*
- *Regional, district and local offices*
- *Promotion material*
- *TV commercials*
- *Social media*
- *Schools and universities*
- *Chambers of commerce*
- *Making use of organizations represented in the board or council*

Levels of autonomy and structure

The agencies studied show different degrees of autonomy, ranging from very independent to simply executing the decisions taken by others.

Recommendation: *It depends to a large extent on the national political culture, the size of the country and the autonomy of the regions. It is hard to give precise recommendations but a few observations are worth noting:*

- *In general, an autonomous organization attracts high-level staff, resulting in innovative, efficient and effective support services.*
- *In a big country there are large differences in needs from clients, which require relatively autonomous regional offices.*
- *Enterprises operating nation-wide do not like to be confronted with different support systems across regions.*

Program implementation

Some of the agencies studied implement their own programs, whilst others cooperate with other agencies and/or local private consultants.

Recommendation: *An agency should reflect on how its services can best be offered and by which organizations/enterprises (including the private sector) active in the country/region. At least, there should be cooperation with relevant stakeholders, such as trade associations and banks.*

Human resources

There is a great difference in the number of staff of the agencies examined, ranging from 197 in SPRI to 2,148 in SBA. This is partly related to the size of the countries but there also seems to be a relation with the development stage of the country: the more developed the country, the more clients are able to afford the services of private consultants, trainers and others.

Recommendation: *Countries in the early stage of SME support need a relatively large SME agency. Different position levels of staff are required in these agencies. Part of the staff should be high-level professionals who are aware of the business processes of SMEs and the concerns of such entrepreneurs. The personnel of the agency should also not change regularly to accumulate experience in the development of products and services and their provision.*

Budget

The budget differs per organization and is related to the size of the country, the type of support provided by the agency and the existence of other available agencies in the country, amongst others. Most agencies are part of the government support system and, therefore, receive the majority of their financial resources from the government. In this way, continuity of support services is guaranteed and overlap with support from other agencies and/or ministries is avoided. For the majority, their services are freely available but for some the SMEs have to pay a small contribution, for example, training.

Recommendation: *A long-term financial planning (10 years) should be developed and approved to ensure that the agency is not at risk due to a change of government. In addition, this enables agencies to guarantee clients that a certain program will at least be in place for a long period (this is also the case with infrastructural programs, housing programs, pension programs, etc.). For*

certain support services, which are aimed at a very specific group of SMEs, these enterprises can be asked to pay a contribution.

Monitoring and evaluation

All agencies studied have monitoring and evaluation systems set in place.

Recommendation: *Clients, parliament and taxpayers need to know if the services offered by the agency are effective and are offered in an efficient way. The monitoring and evaluation systems should be embedded in the law or decree. The multi-annual strategic plan should present the monitoring and evaluation principles. The results should be used to adapt activities if needed and are important inputs for the further development of activities.*

Evaluations need to be carried out by an independent public authority or consultant, based on internationally accepted evaluation methodologies, and the results should be made public. Key is the follow-up based on the evaluation results and recommendations put forward.

4. United States of America: Small Business Administration (SBA)

4.1 Status and background

The US Small Business Administration (SBA)⁷ was officially established in 1953 following President Dwight Eisenhower's proposal for the creation of a new⁸ small business agency. This is the first federal agency to represent all types of small businesses. It is based on a number of predecessor agencies.

4.2 Regulatory framework

According to the Small Business Act, the function of the SBA is to “aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns.” It also stipulates that the SBA should ensure small businesses a “fair proportion” of government contracts and sales of surplus property.

4.3 Mission, target and fields of action

Current mission of the agency

As mentioned in the Strategic Plan Fiscal Years 2014-2018,⁹ the current mission of the SBA is to “maintain and strengthen the nation's economy by enabling the establishment and vitality of small businesses and by assisting in the economic recovery of communities after disasters.”

Objectives

The SBA has three overarching goals as stipulated in the Fiscal Year (FY) 2014-2018 Strategic Plan:

1. Growing businesses and creating jobs
2. Serving as the voice for small business
3. Building an SBA that meets the present and future needs of small businesses

In this Strategic Plan, 12 strategic objectives are listed, whereby for each strategic objective quantitative performance goals are set. In the next table the priority and performance goals of five strategic objectives are presented,¹⁰ as an illustration.

7 Source: www.sba.gov

8 In developing the SBA no foreign agency was used as example.

9 Source: U.S. Small Business Administration, Strategic Plan Fiscal Years 2014-2018

10 U.S. Small Business Agency, Strategic Plan Fiscal Years 2014-2018.

Table 2
Performance and
FY14/15 Priority
Goals

Strategic Objective	Performance and FY14/15 Priority Goals
1.1 Capital	<p>Priority Goal: Expand access to capital by adding 325 new and returning lenders to SBA's flagship program each year for FY14-15</p> <p>Performance Goal: Support 702,750 jobs through capital assistance programs in FY 2016</p>
1.2 Contracting	<p>Priority Goal: Maximize small business participation in federal government contracting to meet the statutory goals and reduce participation by ineligible firms.</p>
1.3 Entrepreneurship	<p>Performance Goal: Reach 1.4 million clients with online and in-person training and advising services in FY 2016</p>
1.4 Exports	<p>Priority Goal: Expand access to export financing by increasing the number of lenders providing finance solutions from 430 to 555 and the number of small business exporters receiving financing through SBA loan programs from 1,346 to 1,480 by September 30, 2015</p>
1.5 High-Growth & Start-Ups	<p>Performance Goal: Issue \$2.5 billion in debenture leverage to SBICs in FY 2016</p>

The target group

The target group of the SBA is all types of small businesses, including manufacturers, retailers, wholesalers and those in the service sector. The definition of what consists a small business is based on the industry class and NAISC code,¹¹ which is usually based on the average annual revenues or the number of employees.

4.4 Institutional framework

Main characteristics of the SME policy and role of SBA in enterprise promotion system

The main issues covered in the national small business policy are: regulatory reform, financing, technology and innovation, management and export promotion. The SBA is the primary federal government institution implementing the small business policy. It is a cabinet level agency which is governed by a Senate and a House Committee. However, in the United States, small business policies are also available at state level.

4.5 Operational framework

Governance

The SBA is an independent and stand-alone agency. It is under the Executive Office of the President and has no formal ties to other governmental organizations. However, both the Office of Management and Budget (OMB) and the Office of Information and Regulatory Affairs (OIRA), and parts of the Executive Office of the President have direct budget and regulatory approval authority over SBA.

¹¹ NAICS: North American Industry Classification System Codes

A board does not govern SBA and there is also not a specific Ministry (i.e. Department) responsible for the SBA. According to the Small Business Act, the SBA “...shall be under the general direction and supervision of the President and shall not be affiliated with or be within any other agency or department of the Federal Government.”

However, “Congress recognizes that the Department of Commerce is the principal Federal agency for trade development and export promotion and that the Department of Commerce and the Small Business Administration work together to advance joint interests. It is the purpose of this Act to enhance, not alter, their respective roles.” Therefore, the SBA cooperates actively with the Department of Commerce.

The day-to-day management of the Administration¹² falls under an Administrator who is appointed by the President and is a member of its Cabinet. The Administrator also appoints Associate Administrators that assist in the execution, such as the Associate Administrator for International Trade and the Associate Administrator for Minority Small Business and Capital Ownership Development.

A mix of political appointees and civil servants hold the key position with the top two positions always held by political appointees.

The private sector operates almost entirely with the support of organizations dependent on SBA services and/or resources; the Association of Small Business Development Centers (SBDCs), for example, receives a large portion of its funding from SBA.

Levels of autonomy and structure

SBA's Headquarters Offices are divided into several key functional areas:

- Advocacy, laws and regulations
- Contracting
- Counseling and training
- Disaster¹³ assistance
- Financial assistance
- International trade
- Management
- Small business audiences

Through an extensive network of field offices and partnerships with public and private organizations, SBA delivers its services throughout the United States.

¹² Source: www.sba.gov

¹³ Disaster Assistance is a major activity of the SBA. Examples of disasters are: storms, flooding, and tornadoes. “Disaster can strike at any time, and even the most prepared businesses and business owners can be adversely impacted. If a business has been impacted by a disaster, the SBA can help by providing disaster assistance. Disaster assistance is money provided to individuals, families and businesses in an area whose property has been damaged or destroyed following a Presidential-declared disaster; and whose losses are not covered by insurance. Loans may be available to businesses that have suffered an economic loss as a result of the disaster.”
Source: www.sba.gov

SBA has established about 75 District Offices in all US states responsible for the delivery of its programs and services. Furthermore, there are seven Disaster Center Offices offering counseling and financial help to those who are rebuilding their homes and businesses.

Design of support programs

The agency has limited ability to initiate programmatic activity (and can do so only with the permission of OMB, OIRA, or an official from the White House). Its function is to administer and implement the laws proscribed by Congress and the administrative initiatives proposed by the President.

Every few years, SBA releases a strategy document for the current and upcoming years. The SBA's four-year Strategic Plans and the annual Congressional Budget Justification define the support and promotion programs.

Each program has different characteristics and type of profile. For example, advice and counseling programs tend to benefit new and very small-business owners, whilst procurement services tend to be located near government facilities and are often more substantial in nature.

For the most part, it is the Administrator that sets the targets. They are then approved, rejected and altered by the OMB, and then included in the final budget document, which must be approved by Congress.

Support services offered

Services offered by the SBA include:

- Free counseling, advice and information on starting a business through the Service Corps of Retired Executives (SCORE).
- Financial assistance for new or existing businesses through guaranteed loans by bank and non-bank lenders.
- Free consulting services through the network of SBDCs. SBDCs also conduct training events.
- Assistance to businesses owned and controlled by socially and economically disadvantaged individuals through the Minority Enterprise Development Program.
- Women's Business Ownership Representatives are available to advise women business owners.
- Special loan programs are available for businesses involved in international trade.
- Guaranteed loans are available for credit-worthy veterans.
- Mentoring.
- Networking and matchmaking.
- Export promotion.
- Lobbying: The Office of Advocacy (which is part of the SBA) is the independent voice for small business. It advances the views and concerns of small business before Congress, the White House, the federal agencies, the federal courts and state policy makers.

SBA works through a number of administrative offices and local partners¹⁴ to counsel, mentor and train small businesses (e.g. the SBA District Office, the SCORE Chapter, Small Business Development Centers, the Women's Business Center, the U.S. Export Assistance Center, the Veteran's Business Outreach Center, the Certified Development Company, the Disaster Field Office, the Procurement Technical Assistance Centers, the SBA Regional Offices).

These organizations are either part of SBA or receive financial support from it. Most programs are implemented through external partners whilst some are implemented directly by the SBA.

Promotion of services

SBA promotes its services through a range of channels, e.g. the SBA website, regional SBA offices, District offices and promotion material.

Budget and payment of services

Congress sets annual budgets and the public fund support varies by program. Fees and other charges also fund a portion of some programs.

The main source of information about the budgets is the so-called Budget Justification, which is the agency's budget request to Congress. SBA's total budget request for 2015 was USD 710 million.¹⁵

This budget will provide SBA with the capacity to support more than USD 32.5 billion in small business financing, deploy nearly USD 4 billion in long-term investment capital, facilitate access to over \$80 billion in federal contracting, counsel and train over 1 million small business owners through a nationwide network of resource partners.

The SBA budget has decreased from USD 1,045 million in 2013 to USD 710 million in 2015. For all years, this excludes Presidential Disaster Funding.

Number of clients reached

Some examples of the number of clients served (2012) include:

- SBDC Program: 322,421
- SCORE Program: 292,264
- WBC Program: 114,931
- All programs online: 960,212
- Visitors to SBA: 950,000
- Small businesses assisted in SBIC Program: 1,094

In 2008, there were 26.1 million small businesses in the USA of which 77% without employees.¹⁶

14 For some programs there is also cooperation with the Department of Commerce.

15 Source: U.S. Small Business Administration, FY 2015 Congressional Budget Justification, Budget Request in brief.

16 Source: www.census.gov.

Human resources and recruitment process

In 2013, SBA employed 2,148 persons, which does not include the Office of Advocacy and the Office of the Inspector General. Virtually all employees at SBA are civil servants.

The agency has been cutting back its staff for years, in large part because SBA services are increasingly being performed by the private sector. The most significant change has been in the loan program where the agency has moved from direct lending to guarantee lending. Several years ago, SBA was effectively a specialized bank. The model has shifted and it now guarantees a significant percentage of certain small business loans made by private banks.

Quality assurance

The agency is supervised by the Office of Inspector General: “The Office of Inspector General’s mission¹⁷ is to provide independent, objective oversight to improve the integrity, accountability, and performance of the SBA and its programs for the benefit of the American people.”

Monitoring and evaluation

The US Government Accountability Office (GAO), an independent organization established by Congress, carries out assessments of policies implemented and executed by SBA. The results are submitted to the government and the parliament and published on GAO’s website.

The SBA uses a variety of methods and tools to evaluate its programs and independent evaluations are conducted. The SBA’s Office of Inspector General conducts audits, investigations, and reviews the agency’s programs and support operations.

The SBA conducts an independent National Impact Study each year to measure the economic and attitudinal impact of its various counseling and training services to determine the effectiveness of face-to-face counseling.

SBIC program impact

The SBIC program has been credited with having a substantial impact on the support of innovative SMEs in the United States.¹⁸

Table 3
Firms financed
by SBIC program

Year	2008	2009	2010	2011	2012
\$ billions	2.4	1.8	2.0	2.8	3.2
Firms financed	1,905	1,481	1,331	1,339	1,094

The Small Business Investors Alliance reports that “*Since its beginning in 1958, the SBIC program has provided \$73.3 billion of long-term debt and equity capital to more than 118,000 small U.S. companies, with \$ 5.46 billion invested in 1,085 small U.S. companies in FY 2014 alone. Many well-known U.S. companies received early financing from SBIC.*”¹⁹

¹⁷ <https://www.sba.gov/office-of-inspector-general>

¹⁸ SBA Small Business Investment Company Program, Congressional Research Service
<https://www.fas.org/sgp/crs/misc/R41456.pdf>

¹⁹ Small Business Investor Alliance, http://www.sbia.org/?page=sbic_program_history

A report by the Metropolitan Policy Center states that “While some criticize the SBA loan programs for not facilitating an equitable distribution of government guaranteed loans, other claim that providing subsidies to small businesses is not a viable policy for stimulating and growing the economy. There is a recent scholarly debate as to whether SBA lending provides benefits to the areas in which these types of loans occur. Benefits in recent studies have been defined as either greater per capital income or a higher employment rate.

[...] A review of five selected studies since 2007 [was conducted] that investigated the relationship between SBA lending and indicators of local economic growth. These studies use different data samples and economic models to test whether SBA lending increases or decreases indicators of an area’s economic performance. Taken as whole results are mixed among these studies, some suggest that SBA lending is positively associated with local economic growth and employment, while others point to negative associations.”²⁰

Table 4
SBA
loans (in amounts
and numbers)

Year		2010	2011	2012	2013	2014	2015
7a Lending	\$ billions	12.4	19.6	15.15	17.86	19.19	23.58
	# thousands	47	53.7	44.3	46.3	52	63.4
504 Lending	\$ billions	4.4	4.8	6.7	5.2	4.2	4.3
	# thousands	7.8	7.9	9.4	7.7	5.8	5.8

To gain some sense of the overall level of SBA lending activity compared to the overall lending to small business in the US, it is interesting to look at the small business lending that is reported by the financial institutions under the Community Reinvestment Act (CRA).²¹ While the reporting periods are not directly comparable, it is possible to get a sense of the relatively small volume of SBA lending to small businesses compared to the overall small business lending activity in the US.

Table 5
SBA Small
Business Loans (in
amounts and numbers)

Year	2008	2009	2010	2011	2012
Total Small Business Loans \$ billions	294.9	205.7	178.8	197.5	206.1
Total Small Business Loans # millions	10.7	6.2	4.3	5.2	5.9

²⁰ SBA Lending Equity and Efficiency Challenges; Derek Hyra and Meghan Doughty; Metropolitan Policy Center; School of Public Affairs- American University; White Paper Commissioned by the National Association of Government Guaranteed Lenders; December 23, 2014

²¹ Small Business Lending in the United States, 2013, Findings from 2012 CRA Reporting Institutions <https://www.sba.gov/sites/default/files/2013-Small-Business-Lending-Study.pdf>

5. Chile: Corporación de Fomento de la Producción (CORFO)

5.1 Status and background

The Corporación de Fomento de la Producción (CORFO) (Production Development Corporation in English)²² was founded in 1939 with the aim to foster the industrialization and development of the Chilean economy.

CORFO's delivery model combines direct implementation through its own regional network of offices with working through partners. Partners include banks and other financial institutions (for the implementation of some financial instruments), agents (with whom CORFO has signed agreements at the regional level and that are exclusively invited to bid for certain programs and projects). Furthermore, CORFO works through the five committees that implement programs on topics considered of national strategic importance and in which private sector involvement is high.

CORFO has experienced several development phases, which can be summarized as follows:²³

- A first phase (1939-1945): the establishment of the institution and the initiation of its activities.
- A second phase (1946-1958): the setting up of several national companies controlled by the State and in charge of developing key strategic sectors such as electricity (ENDESA), oil (ENAP), steel (CAP) and agricultural production (IANSA).
- A third phase (1959-1973): a reformulation of the role of CORFO as the main body responsible for the economic development of Chile.
- A fourth phase (1973-1989): a new role of CORFO in the context of the neoliberal approach of the military governments.
- A fifth phase (1990 onwards): CORFO's increasing alignment with the requirements of a social market economy.

In sum, CORFO has changed its role from a development corporation directly involved in the economic planning to a subsidiary role.

5.2 Regulatory framework

The foundation of CORFO is regulated by law number 6334 (29th April 1939) of Reconstruction, Help and Support of the National Production. Several minor modifications concerning the final legal basis for CORFO were detailed in law number 6440 of 10th January 1941. With time, several legislative amendments have been made to complement, change and redirect its focus.

²² See <http://www.corfo.cl/>

²³ Nazer Ahumada R, Historia de la Corporación de Fomento de la Producción, CORFO, 1939-2009, Santiago, 2009 (see <http://repositoriodigital.corfo.cl/bitstream/handle/11373/7229/HISTORIA%20CORFO%20FINAL.pdf?sequence=1>)

5.3 Mission, target and fields of action

Current mission of the agency

CORFO's mission is to “improve the competitiveness and productive diversification of the country by encouraging investment, innovation and entrepreneurship, strengthening in addition the human capital and technological capabilities to achieve a sustainable and territorially balanced development.”²⁴

Objectives

The major fields of action of CORFO are:

- Promotion of innovation and upgrading of the technological development of the business sector.
- Modernization of enterprises to improve their competitiveness.
- Improvement of enterprises' management to increase access to different markets.
- Financing and the development of financial instruments to attend the needs of enterprises.
- Improving the regional productive development by stimulating private investment and the development of emerging sectors.

The target group

The target group of CORFO is all actors related to the productive system of Chile, with a special focus on SMEs in all stages of development and irrespective of sector.

5.4 Institutional framework

Main characteristics of the SME policy in the country

The current Chilean Enterprise support system is encompassed by five main ministries namely, Ministry of Agriculture, Ministry of Economic Affairs, Ministry of Mining, Ministry of Foreign Affairs and the Ministry of Labor, with a number of institutions dependent on these such as SENCE²⁵ (training activities), PROCHILE²⁶ (promotion of Chilean exports), CONYCIT²⁷ (support of R&D activities) and SERCOTEC²⁸.

However, the Ministry of Economic Affairs (MINECON) is the main Ministry in charge of designing, monitoring and evaluating the implementation of public

24 <http://www.english.corfo.cl/>

25 SENCE (“Servicio Nacional de Capacitación y Empleo” in Spanish or National Training and Employment Service) is a government agency of the Ministry of Labour and its objective is to upgrade the skills of the Chilean workforce

26 PROCHILE is by the National Agency for Export Promotion. Its mission is to promote Chilean exports and facilitate entry of Chilean enterprises with exporting into international markets

27 CONYCIT (“Comisión Nacional de Investigación Científica y Tecnológica” in Spanish or National Commission for the Scientific and Technological Research), that manages amongst others the FONDEF (Science and Technology Development Fund) and intended to finance pre-competitive research and development (R&D) and technology projects carried out jointly by universities, technology institutes and the private business sector

28 SERCOTEC (“Servicio de Cooperación Técnica” in Spanish or Technical Cooperation Service, and intended to support the management capacities of the Chilean micro and small enterprises. SERCOTEC designs and implements its own programs but also acts as an intermediation agent for some of CORFO's matching-grant programs.

policies to promote the competitiveness of micro, small and medium-sized enterprises (MSMEs) and entrepreneurship.²⁹

Role of CORFO in the enterprise promotion system

Until the early to mid-90s there was a lack of an adequate SME promoting policy in Chile. At that time, CORFO redirected its focus towards SMEs.³⁰

CORFO can be defined as the main government body responsible for SME policy and it is functionally dependent on the Chilean Ministry of Economic Affairs. It administers the largest portfolio of grants and credit programs covering SMEs and CORFO takes into account the general goals set by the Chilean government.

5.5 Operational framework

Governance

CORFO is Governed by a Board of Directors, consisting of a president (Minister of Economic Affairs), an executive deputy president (who acts as the CEO), four members representing other relevant ministries (Foreign Affairs, Finance, Social Development, and Agriculture) and one member from the private business sector. The President of Chile designates the Board of Directors. The Council defines the main goals and objectives and approves the budget. It delegates the day-to-day management of the agency to the executive deputy president, who legally represents the entity.

In addition to the representation of the private sector in the governing board of CORFO, the so-called Civil Society Council also plays an important role. Two organizations representing the business sector (ASECH - Association of Chilean Entrepreneurs - and CONAPYME – National Confederation of the Micro-Small and Medium Enterprises of Chile), as well as the Catholic University of Chile are part of this Council. This Council has several tasks, namely: i) provide knowledge and opinions for the development of CORFO's policies and tools; ii) analyze and discuss relevant issues in different institutional domains; and iii) distribute the existing knowledge amongst the civil society of the activities conducted by CORFO.

During the past years, CORFO has developed so-called “Opinion Guichets”, through which it consults society on various topics.

Finally, CORFO has five main committees, notably the Committee for Clean Production and the Committee for Renewable Energies, which deal with ad-hoc strategic tasks with public and private representations.

Levels of autonomy and structure

CORFO is organized into five main departments:

29 Agosin M, Larrain C and Grau N, Industrial Policy in Chile, in: IDB Working Paper Series No IDB-WP-170, Washington, 2010

(see <http://www.iadb.org/wmsfiles/products/publications/documents/35472108.pdf>)

30 CAF, La experiencia de CORFO y la transformación productiva de Chile. Evolución, Aprendizaje y Lecciones de Desarrollo, in: Políticas Públicas y Transformación Productiva N° 3 / 2012, Caracas, 2012 (see http://publicaciones.caf.com/media/17638/caf_libro_corfo_web.pdf).

- The Department of Investment and Financing, which provides resources to banks and other intermediary institutions. It also operates other financial instruments for companies and helps correct market failures.
- The Department of Competitive Development intended to increase the productivity and competitiveness of national enterprises, in particular SMEs.
- The Innova Department that promotes innovation activities and practices amongst national enterprises, in collaboration with technological and university institutions.
- The Entrepreneurship Department facilitates the starting up and development of new enterprises via different programs and tools to support the finance, growth and internationalization of these new enterprises.

CORFO has regional offices in each of the 15 regions of Chile, which implement the measures defined at national level, although they have a high degree of autonomy to decide their own goals, objectives and strategies according to their regional needs.

Design of support programs

The public nature of CORFO implies that each new government tries to introduce their policy plans into the working programs of CORFO.

The design of CORFO's programs is guided by considerations of market imperfections and demand, with the overriding principle that the State should only intervene when there are clear market failures. Also, CORFO programs have to fulfill the legal obligations included in the Chilean legislation concerning public support programs and follow a strictly defined procedure. Ideas for new programs, often based on suggestions from relevant stakeholders (business associations, sector associations, etc.) or by CORFO personnel, are grouped and subsequently developed into an initial new program draft that is evaluated by an internal strategic committee with the Council taking the final decision. Once approval is granted, the program's manual and details are elaborated and published.

Support services offered

CORFO provides a comprehensive number of support measures that can be grouped as follows:

- Support to the development of new enterprises and entrepreneurship. Relevant projects include: "Start-up Chile" (to support start-ups initiated by Chilean or foreigners), "Seed Capital support" (to channel grants to incubators), the "Support for creating an entrepreneurial environment" (intended to subsidize up to 80% of a new business project) and business incubator centers program.
- Support to innovation, including R&D activities. CORFO is the principal public agency in charge of promoting innovation in all types of enterprises and supports research centers. Programs include, the R&D Tax Credit Law (tax favor R&D investments), the International Centers of Excellence in R&D (to carry out R&D, technology transfer and commercialization activities) and the Technology Consortiums for Innovation 2.0 (to support joint R&D activities conducted by groups of enterprises).
- Support the improvement of the competitiveness of enterprises. CORFO helps small enterprises to strengthen their management through the development of

skills and capabilities, and the co-financing of investment activities (i.e. the Program of Local Enterprise or a grant program for learning English). CORFO also promotes the integration of production chains of suppliers to improve and stabilize commercial links (the Supplier Development Program).

- Support access of SMEs to finance. CORFO operates through banks and other financial institutions to facilitate funding of productive activities by private companies and individuals. Activities include, a program of CORFO-Guarantees, special loans for micro and small enterprises, a Seed-Angel-Venture Capital Program, risk capital funds and business angel networks.

Between 2010 and 2013, the number of programs developed by CORFO decreased from 95 to 58 to improve their efficiency and effectiveness.

CORFO collaborates with other public agencies, public and private institutes and industry associations in the implementation of many of its programs.

Promotion of services

CORFO is particularly active in informing potential beneficiaries of its activities, programs and tools, through its web page and by organizing different events and conferences. Moreover, the so-called Offices of Citizen Attention provide information on CORFO, amongst other public institutions.

Budget and payment of services

The budget of CORFO in 2014 was USD 2,011.2 million, largely devoted to the taking up of minority positions in companies, transfers to different programs and institutions or different loans provided (33.7%, 12% and 10.5% of the total budget, respectively), whereas expenditure on personnel costs represented 1.3% of the total budget.

The main entries of funding are national public sources and CORFO's own resources (99.7% of the total amount), therefore, the percentage from the private sector (i.e. via payment of services) is very small (around 0.3%). The budget has increased 2.6 times between 2006 and 2010 as a result of the impulse given by political authorities to innovation and enterprise competitiveness support. The forecasts for the coming years are positive, with budgets expected to increase in the future.

All programs of CORFO have to be demand-driven. Projects are funded based on proposals by individual firms or groups of firms meeting transparent criteria, typically for two to three years to ensure that support is time-limited. For some of the activities and services participants have to pay part of the costs.

Number of clients reached

The number of beneficiaries of CORFO programs rose from 96,295 in 2009 to approximately 270,000 in 2013.³¹ Up to 96% of the total amount of subsidies,

31 CORFO, Memoria Corfo 2010-2013, Santiago de Chile, 2013
(see <http://repositoriodigital.corfo.cl/handle/11373/9877>)

credits and guarantees provided by CORFO were aimed at SMEs, whereas this represented 65% in 2009.³²

According to the Central Bank of Chile, the total number of SMEs is about 485 thousand enterprises.

Human resources and recruitment processes

In 2013, CORFO employed 685 persons. Approximately, 7% of the human resources correspond to management positions, 68% to professionals, 22% to administrative staff and the remaining 3% to auxiliary personnel. Moreover, approximately 96% have permanent job positions. The recent evolution of its staff can be regarded as relatively stable. In December 2011, CORFO had 708 employees and 685 in December 2013.

In terms of the recruitment processes, the government selects the executive deputy president (i.e. CEO) who designates in turn the managers of the different CORFO Departments. This means that a new CEO and department managers can be appointed with a change of government.

Quality assurance

CORFO is part of the National System of Quality and is driven to obtain the best standards for its activities. For instance, it obtained in 2012 the Prize for Institutional Excellence, intended to distinguish those public bodies for their good management and quality standards.

Monitoring and evaluation

CORFO is actively involved in evaluating and monitoring its activities and programs. It is obliged to present an annual report to the President of Chile with a description of its activities and the resources deployed. These evaluations are always carried out by independent external organizations, although not all of them are made public.³³

Evaluation exercises are improved on a yearly basis. They have provided a positive assessment on CORFO's activities, reinforcing its image as a public organization, and which has redounded in an increase in the budgets available for CORFO, as well as the transfer of some programs run by other Ministries to the agency.³⁴

32 Beneficiaries might have benefited from more than one support program and that CORFO also supports individual persons.

33 See an example of public made evaluation, the evaluation carried out by Centro Latinoamericano para el Desarrollo Rural – Rimisp, Evaluación de Impacto Informe Final Programas de Fomento de CORFO, Ministerio de Economía, Enero, 2011

34 López Acevedo G & Hong W. Tan, Impact Evaluation of SME Programs in Latin America and Caribbean, Word Bank Group, Washington, 2010
(see www10.iadb.org/intal/intalcdi/PE/2010/05674.pdf)

6. Brazil: Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (SEBRAE)

6.1 Status and background

The Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (SEBRAE) (the Brazilian Micro and Small Business Support Service in English) was established in 1972 to support micro and small enterprises.

The National Bank for Economic Development (BNDE) and the Ministry of Planning learnt from approaches in the US, Japan and European countries. Although various elements were incorporated from these various contexts, no specific approach was adopted in its entirety in the configuration of SEBRAE.

Support to SMEs in Brazil dates back to 1964 when the BNDE set up the Program of financing small and medium sized enterprises (FIPEME) and the Fund for technological-scientific development (FUNTEC).

SEBRAE was considerably weakened by a number of financial crises in the period 1985-1990. These resulted in shifts in institutional responsibility, moving from the Ministry of Planning to the Ministry of Industry and Trade (MDIC). This followed in substantial budget instability, which in 1990 resulted in 40% of its staff being dismissed. To strengthen the institution, it was decided to ensure a stable annual budget that would be set relatively independent from the federal budget.

6.2 Regulatory framework

On 9 October 1990, SEBRAE became an autonomous non-profit private entity, based on presidential decree 99.570 and supplementing law number 8029 of April 12, 1990.³⁵ These legislative instruments seek to make the agency less dependent on allocations from the federal budget. SEBRAE is directly funded by a mandatory contribution from larger enterprises, which has enabled it to expand its service structure to all states of the country.

6.3 Mission, target and fields of action

Current mission of the agency

SEBRAE's mission is to

“promote the competitiveness and the sustainable development of small businesses and foster entrepreneurship to strengthen the national economy.”³⁶

35 See for the implementing decree http://www.planalto.gov.br/ccivil_03/decreto/D99570.htm, and for law http://www.planalto.gov.br/ccivil_03/LEIS/L8029cons.htm#art8 (both visited on January 29, 2015).

36 SEBRAE (2012), Sistema SEBRAE: Direcionamento Estratégico 2013-2022, available at <http://www.sebrae.com.br/Sebrae/Portal%20Sebrae/Anexos/Direcionamento%20Estrategico%202022.pdf>

Objectives

SEBRAE's objectives for the strategy period until 2022 are:

- Increase the competitiveness and sustainability of small businesses and provide incentives to entrepreneurship.
- Develop solutions to sustainable small enterprises, promoting the improvement of entrepreneurs and business competitiveness.
- Strengthening of small enterprises and fostering entrepreneurial culture.

SEBRAE has set more specific objectives for its processes for the current period, which include:³⁷

- Create a favorable environment for the development of small businesses.
- Promote the education and culture of entrepreneurship.
- Offer knowledge about and for small businesses.
- Define and strengthen the network of strategic partners.

The target group

In Brazil, an enterprise is defined small if its annual revenues are below USD 142,540 and medium-sized if its annual revenues lie between USD 142,540 and USD 1,425,406. In 2008, a new category of individual micro-enterprise was defined, which has an annual upper revenue limit of USD 23,756.

SEBRAE does not specifically focus on a particular sector and aims to support a broad range of SMEs in different stages of development.

In general SEBRAE' clients are:

- Prospective entrepreneurs
- Potential businessmen/women
- Medium-sized enterprises
- Small enterprises
- Micro enterprises
- Individual entrepreneurs
- Fishermen
- Small farmers

6.4 Institutional framework

Main characteristics of SME policy in the country

The Ministry for Small and Medium-Sized Business was recently established in March 2013 and is responsible for the development of a SME policy, which encompasses the following approaches:³⁸

37 SEBRAE (2012), Sistema SEBRAE: Direcionamento Estratégico 2013-2022, available at <http://www.sebrae.com.br/Sebrae/Portal%20Sebrae/Anexos/Direcionamento%20Estrategico%202022.pdf>

38 See <http://smpe.gov.br/assuntos/>

- Brazilian Craftsmanship Program
- Strengthening SME capacity
- Supporting SME in quality assurance certification of products
- Encouraging credit provision for SMEs
- Further implementation of specific SME approach in public policies
- Promoting innovation
- Increasing market Access
- Supporting business start-up
- Apprenticeship programs (PRONATEC)
- Simplification of administrative rules
- Providing support in understanding various tax regimes relevant to SMEs

Role of SEBRAE in the enterprise promotion system

SEBRAE played an important role in the development of a national SME support policy, advocating for years for the creation of a dedicated Ministry with practical support for SEBRAE. The role of SABRAE lies in the implementation of a number of SME support measures.

6.5 Operational framework

Governance

The main governing board of SEBRAE is the Governing Council, whereby public and private sector institutions are represented. Representatives from public stakeholders, include the Secretary of Small and Medium-sized Enterprises of the President of the Republic and a representative from the Funding Authority for Studies and Projects, which falls under the Ministry of Science, Technology and Innovation. A majority of private sector stakeholders are represented in the Governing Council from financial institutions and various business associations.

The Presidents of each Governing Council is elected among his or her peers for a period of four years and cannot be re-elected.

Levels of autonomy and structure

SEBRAE is in principle autonomous from governmental institutions and, therefore, not directly linked to one ministry.

SEBRAE has 27 state offices and a national headquarter office, based in Brasilia, and it provides support from over 613 Business Services Centers (2013).

Given the autonomy of the state-level branches, these have specific action programs. However, each state-level branch consists of a Governing Council, a Fiscal Council, and an Executive Board responsible for the daily management. Each Executive Board consists of three Directors, which are responsible for their own directorates. Most commonly, the General Director is responsible for the units strategic planning, communication/marketing, a legal unit and an internal audit unit. A second Director leads the technical directorate and the third Director is

responsible for the running of the internal organization, including HR, finance, controlling, IT and management.

Design of support programs

It is set by law that "SEBRAE should plan, coordinate and direct technical programs, projects and support for micro and small enterprises activities in accordance with national development policies, particularly those relating to industrial, commercial and technological areas."³⁹

Support services offered

SEBRAE delivers four types of activities:

- Entrepreneurial education
- Develop information, orientation, qualification and consultancy solutions for improving SME's market situation
- Develop information, orientation, qualification and consultancy solutions for improving innovation and technology
- Develops information, orientation, qualification and consultancy solutions for improving access to financial services

Activities include:

- Lobbying and advocacy
- Information
- Advice and consultancy
- Provision of finance in collaboration with partners that help SMEs to obtain loans by functioning as guarantee
- Training
- Mentoring
- Networking and match-making
- Export promotion
- Events

These activities are implemented in cooperation with other institutions, either private or public. SEBRAE generally manages the support projects but contractors implement most of them.

Promotion of services

The website and the 613 centers across the country are key in promoting activities. National and state-level trade and industry associations and chambers of commerce, amongst others, represented in SEBRAE's federal and state-level boards, are active in reaching out to their members to participate in certain projects. In addition, SEBRAE can also make use of a government database holding all registered enterprises.

39 As per art. 2 of Presidential decree 99.570.

Budget and payment of the services

The annual budget of SEBRAE is roughly USD 800,000,000 with the majority of funds determined by the federal law but some basic restrictions are set:

- At least 45% should be targeting initiatives according to regional guidelines and priorities established by the state-level Governing Councils.
- At least 45% will be allocated in accordance with the policies and guidelines established by the Governing Council of SEBRAE, seeking to have a performance in conjunction with other similar organizations and helping to reduce regional inequalities. This proportion of the budget is dedicated to national priorities, as set by the federal branch of SEBRAE. This means that any state branch can apply for this funding by filing a proposal in line with the priorities set at the national level.
- Up to 10% may be spent on operational expenses of SEBRAE.

SEBRAE's income comes from the contributions of large enterprises with an annual turnover of more than USD 1,425,406. By law, the Instituto Nacional de Seguridade Social (INSS) collects 0.3% of the monthly wages paid by these enterprises as budget for SEBRAE. The collected revenues are redistributed among the different SEBRAE branches. The allocation of these funds to each state branch is partly based on the level of commerce tax collected and on the number of citizens.

In addition, SEBRAE generally conducts SME support programs and services through co-funding, which commonly represents 10% for targeted entrepreneurs but can go up to 30-40% for larger enterprises. SEBRAE indicates that sharing the costs of support programs highly increases engagement from entrepreneurs.

SEBRAE's budget has grown steadily, around 5% per year, but in the period 2010-2014 it stagnated. As it is linked to the wage payments of large enterprises, budget growth generally follows macro-economic conditions.

SEBRAE has also signed various memoranda of understanding or partnership agreements with international organizations, such as the ILO and the Inter-American Development Bank, and thus also receives financial contributions from these.

Number of clients reached

The goal in 2013 was to serve 1,982,000 clients. According to its latest statistics, a total of 3,830 projects were conducted, in which 1,926,000 enterprises were assisted by October 2013. Among these, a total of 993,000 individual micro-entrepreneurs, 788,000 micro enterprises and 145,000 small businesses were assisted.⁴⁰

In total, approximately 8.5 million SMEs are active in Brazil.

40 See Sebrae.com.br, Apresentação SEBRAE (Oct. 2013) "Brazilian Micro and Small Business Support Service."

Human resources and recruitment processes

In 2013, SEBRAE employed 6,554 full-time equivalent staff, including roughly 1,200 trainees. Given the high number of trainees, over 52% of staff work less than six years.

The Governing Councils of the state branch offices and the national branch consist of representatives from different stakeholders. The entities themselves nominate their representatives. These Governing Councils elect the Executive Board Members for a term of four years.

SEBRAE hires consultants and trainers to carry out some of its activities. In 2013, it drew on a pool of 9,864 accredited contractors.

Quality assurance

To assure the quality of its programs, SEBRAE has implemented PMBOK procedures (project management body of knowledge), developed by the Project Management Institute and consistent with other project management standards, such as ISO 9000. It comprises all relevant processes of project management, including communication management, the management of costs, HR, project integration, procurement, quality, risk, scope, stakeholders and time.⁴¹

Monitoring and evaluation

Monitoring and evaluation is an integral part of SEBRAE's approach. For every intervention, targeted enterprises are requested to fill out questionnaires to evaluate progress. The indicators applied depend on the type of intervention.

Questionnaires are distributed before support is administered and are annually repeated to monitor yearly progress. Based on the collected answers, overviews are created per individual enterprise but also aggregated by region, sector, or other characteristics. This can influence future policy priorities set by SEBRAE.

A yearly entrepreneurship award (MPE Brasil) approaches a substantial number of enterprises that are not directly assisted to fill in the questionnaire as part of the award contest. As such, data is also available on the quality of management for SMEs not targeted by SEBRAE, which provides a valuable base for comparison on the identified indicators.

SEBRAE has undertaken an internal assessment of its management quality based on eight broad quality management criteria, which are applied to all organizations targeted and developed by the Fundação Nacional de Qualidade. The spider graph below shows the results, highlighting internal progress between 2012 and 2013 on the average performance of 25 SEBRAE state branches. The outside green line displays the average scores of the winners of the national quality label 2013.

41 See <http://www.pmi.org/>



Since SEBRAE is an autonomous actor and is not accountable to Parliament or the Government, the results of evaluation and monitoring are only submitted to its Governing Council.

7. South Korea: Small & medium Business Corporation (SBC)

7.1 Status and background

The government established the Small & medium Business Corporation (SBC) in January 1979: a non-profit and government-funded organization.

SBC was created to develop and support SMEs in the supply chain of exporting large enterprises in the context of Korean economic development of the 70s and 80s. Even though the original focus was on industrial SMEs, as from the 1990s support⁴² extended to the development of service SMEs. The strategic focus of SME supporting policy now covers all sectors.

7.2 Regulatory framework

The SBC was designated as a quasi-government institution for the purpose of fund management, according to the Management of Public Agencies Act (January 2009).⁴³ It is also subject to rules related to civil laws except for items ruled by the SME Promotion Act of 2010, which is the corporation's founding law for establishment (Article 68).⁴⁴

7.3 Mission, target and fields of action

Current mission of the agency

The legal tasks of the SBC are to:

- Effectively implement government policies and programs for the sustainable growth and development of SMEs.
- Provide a wide range of assistance and services to help Koreans start, run and grow their businesses.
- Provide support to improve competitiveness and to help SMEs resolve their difficulties.

Objectives

The objective of the SBC is to contribute to the national economy through the provision of SME development support.

The target group

The target group of the SBC is SMEs from all sectors of the national economy.

42 See also Entrepreneurship, SME Promotion and Micro-credit Schemes, in: OECD, A framework for growth and social cohesion in Korea, June 2011.

43 Source: SBC, 2014 Annual Rating Meeting, 29 August 2014, on: <http://home.sbc.or.kr/sbc/eng>

44 <http://www.smba.go.kr/eng/smes/laws.do?mc=usr0001162>

7.4 Institutional framework

Main characteristics of the SME policy in the country

The main elements of the SME policy are:

- Policy fund support for SMEs:
 - Support the start-up of small and medium venture enterprises;
 - Promote new growth of industries and stimulate commercialization of developing technologies; and
 - Support cooperation among companies, small tradesmen and export financing.
- Technical support, including comprehensive evaluation:
 - Customized support based on comprehensive evaluation results; and
 - Introduce high-quality engineers and support new product development.
- Support export marketing and overseas business cooperation:
 - Support pioneering overseas on/off-line markets for SME products; and
 - Provide various opportunities for SMEs to initiate business matchmaking in international arena (consulting on laws, regulations and contract negotiation, etc.).
- Provide training on management and technical courses:
 - Improve SME CEO's and employees' innovation and job capabilities; and
 - Provide policy programs, technical trainings and other programs to distinguish from private sector training programs.

Role of SBC in the enterprise promotion system

In the context of the enterprise promotion system, the SBC is controlled by the Small and Medium Business Administration (SMBA) since its establishment in 1996. SBC is, therefore, subject to pertinent laws under the supervision of this controlling ministry regarding budget approval and monitoring business operations. Although SBC is the main government institution, different support measures by various ministries and organizations exist often without clear coordination.

7.5 Operational framework

Governance

SBC's President is nominated by the Director of the Nomination Committee, approved by the Commissioner of SMBA and finally appointed by the President of the Republic.

The CEO and directors are selected pursuant to Article 26 of the Management of Public Agencies Act. The CEO is appointed by the President and is responsible for the day-to-day management. The government forms a committee of recommendation, comprised of representatives from the government and the private sector, which recommends board members. The board members themselves finally accept potential candidates. Key board members are thus in an indirect manner chosen by the government.

The auditor is appointed by the President of the Republic.

Levels of autonomy and structure

Operating at central level is the: President, Office of the President, Auditing Office and Public Relations Department.⁴⁵ Furthermore, a Senior Vice President for Planning and Administration oversees five divisions:

1. Business Financing
2. Global marketing
3. Human Resources and Technology Support
4. Regional network: Capital (Seoul) area
5. Regional network: Central and Southern Region

These divisions comprise together a total of 20 departments.

Moreover, there are 31 Regional Offices, four Regional Training Institutes, one Youth Start-up Academy and seven Overseas Networks.

The SBC encompasses three subsidiaries:

1. *Small Business Distribution Center* that distributes and promotes SME products. It was established in December 1995, has a paid-in capital of USD 139.7 million, includes four divisions, 18 teams and 131 employees.
2. *Korea Venture Investment Corp*, which manages “Fund of Funds” for Venture Start-ups. It was established in June 2005, has an aid-in capital of USD 60.9 million, contains four divisions and 40 employees.
3. *Small Business Cooperation Registrar* (SME certification support: EU, ISO, etc.). It was established in July 1995, has a paid-in capital of USD 1.7 million, four teams and 16 employees.

Design of support programs

SBC decides on key strategic directions in consultation with the SMBA, the Ministry of Strategy and Finance, amongst others. Indeed, the SBC needs to have approval from the SMBA for fund management plans, the settlement of funds, and for enactment and revision of major rules, such as articles of incorporation, accounting guidelines and number of employees.

Almost all of the programs of the SBC are developed through collaboration with the public and private sectors. Many of its programs are designed and developed by various research institutes, such as the Korea Small Business Institute, a private foundation.

⁴⁵ Sources: SBC, Successful Business Companion, 2013, and Annual Rating Meeting, 29 August 2014, both on: <http://home.sbc.or.kr/sbc/eng>

Support services offered

SBC offers a wide range of services to Korean SMEs:

- Provision of finance (equity, credits, guarantees, etc.)
- Information
- Advice and consultancy
- Training and mentoring
- Networking and matchmaking
- Export promotion
- Events
- Certification
- Start-up support
- Distribution and promotion of SME products
- On-line marketplace for foreign buyers

Promotion of services

Promotion is done through SBC's website, brochures and the regional offices.

Budget and payment services

According to SBC's Budget Status Report, the 2014 budget was USD 8,559 million and it was allocated as follows:

- Loan program: USD 3,820 million
- Financial program: USD 123 million
- Non-financial program (training, marketing): USD 334 million
- Fund operating expenses: USD 92million
- Others (debt redemption, etc.): USD 4,189 million

The annual operating costs of the SBC are about US \$ 900 million.

The main source of SBC funding is the government, but a very small portion is raised from the private and public sector.

Number of clients reached

In 2013:

- 35,823 SMEs received loans;
- 3,965 companies received comprehensive and customized support based on business conditions via on-site diagnosis and consulting;
- 74,214 participants enrolled for various college level technology and business management courses; and
- The e-commerce program had 468,660 members.⁴⁶

The objectives for 2014 include, providing 20,000 people with off-line training and 13,000 on-line training courses.

⁴⁶ Source: SBC, 2014 Annual Rating Meeting, 29 August 2014, on: <http://home.sbc.or.kr/sbc/eng>

There are about 3 million SMEs in Korea.

Human resources

SBC has a staff of 830 people.

Monitoring and evaluation

The SMBA as well as the Board of Audit and Inspection conduct regular and special audits of the SBC. SBC is also subject to audits on the fair execution of the government's annual SME promotion policies and it receives annual inspections on financial support for SMEs from the National Assembly's audit.

8. South Africa: Small Enterprise Development Agency (Seda)

8.1 Status and background

Shortly after the first democratic elections in 1994, the South African government recognized the importance of small businesses.

In the past, the formal economy was dominated by large white-owned businesses and black people prevailed in the informal micro-enterprise segments of the economy.

Therefore, the small business sector was key to generate employment, create more equitable income distribution, foster black economic empowerment and stimulate economic development.

The important role of small business in the South African society resulted in the publication in 1995 by the Department of Trade and Industry (dti) of the "White Paper on the Development and Promotion of Small Business in South Africa."⁴⁷ A year later, the National Small Business Act⁴⁸ was passed by Parliament, which called on and guided institutions to implement this strategy.⁴⁹ The White paper and Act set out the objectives of the SMME development policy.

The national small business development strategy sought to strengthen cohesion amongst small enterprises and to level the playing field between big and small businesses. An important role was given to the Small Business Development Agency (SBDA) tasked to assist the Government in coordinating and facilitating the implementation of its national SMME strategy. In 1995, the SBDA was renamed to Ntsika Enterprise Promotion Agency (NEPA).

In 2004, the dti decided that there were too many organizations in the field of SMMEs active at national level. The Small Enterprise Development Agency (Seda) was established that year with the aim to become the center of excellence for small enterprise development in South Africa and integrate all government-funded small enterprise support agencies. Therefore, three existing entities were merged to form Seda: Ntsika Enterprise Promotion Agency, the National Manufacturing Advisory Centre (NAMAC) and the Community Public-Private Partnership Program⁵⁰ (CPPP). The Godisa Trust incubation program, technology transfer program and the SA Quality Institute were later incorporated into Seda to form the Seda Technology Program (Stp).

47 National Strategy for the Development and Promotion of Small Business in South Africa; White Paper of the Department of Trade and Industry, February 1995.

48 National Small Business Act, No 102, 1996.

49 Department of Trade and Industry, Small Business Development Guide.

50 See www.seda.org.za

8.2 Regulatory framework

Seda is a so-called Schedule 3A public entity⁵¹ in terms of the Public Finance management Act (Act no. 1 of 1999), as amended (PFMA).

The National Small Business Act, No. 102 of 1996 was amended several times:

- National Small Business Amendment Act, No. 26 of 2003. This amendment repealed all provisions pertaining to the National Small Business Council and to empower the Minister to establish an Advisory Body to represent the interest of small business.
- National Small Business Amendment Act, No. 29 of 2004. This Act provided for the establishment of the Small Enterprise Development Agency and to repeal all provisions relating to the Ntsika Enterprise Promotion Agency. It also amended the name of the principal Act from National Small Business Act to the National Small Enterprises Act.

Seda operates under the National Small Business Amendment Act No. 29 of 2004.

8.3 Mission, target and fields of action

Current mission of the agency

The mission⁵² of Seda is to develop, support and promote small enterprises to ensure their growth and sustainability.

Objectives

According to the National Small Business Act, the objectives of the agency are to: design and implement development support programs; to promote a service delivery network that increases the contribution of small enterprises in the South African economy and promotes economic growth, job creation and equity; and strengthen the capacity of small enterprises to compete successfully domestically and internationally.

The target group

Seda was originally created to serve small, medium and micro-sized enterprises (SMMEs) including co-operatives, as well as potential entrepreneurs with a business idea. The definition of SMMEs is provided for in the National Small Business Act (Act No. 102 of 1996) and is based on the number of employees, turnover and fixed assets.

Seda defines its clients according to the number of employees:

- Medium: 51-200
- Small: 21-50

51 A schedule 3A public entity is normally an extension of a public entity with the mandate to fulfil a specific economic or social responsibility of government. They rely on government funding and public money, either by means of a transfer from the Revenue Fund or through statutory money. As such, these entities have the least autonomy. Source: National Treasury, Annual Report Guide for Schedule 3A and 3C Public Entities.

52 Seda, Annual Report 2013/2014.

- Very small: 6-20
- Micro: 0-5

Due to the sheer number of people who start a business, Seda's focus has historically focused primarily on the micro and very small segment of the SMME sector. To balance between this and the emerging need to maximise impact measures such as employment, profitability and sustainability of assisted clients, the organisation has implemented a number of initiatives. One of these is prioritising the upper end of the small enterprise sector, i.e. the businesses employing between 21 and 200 people as the market segment with job creation potential.⁵³

8.4 Institutional framework

Main characteristics of the SME policy in the country

Small business development has always been the responsibility of the dti. In 2014, a new department was established, the Department of Small Business Development (dsbd). There are many issues relating to small enterprises that require focused policy attention like regulatory red tape, tax issues, entrepreneurial culture and labor issues. Previously, these were addressed by the dti Minister and competed with other issues such as global trade, competitive behavior and industrialization.

The main objectives of the SME and entrepreneurship policy are: increasing the supply of financial and non-financial support; creating demand for products and services; and reducing small enterprise regulatory constraints.

The institutional coordination between the Seda and other governmental institutions is facilitated by the existence of a technical committee made up of all departments and agencies involved in small enterprise development. It reports to a committee made up of national government ministers and their provincial counterparts called MinMEC (Ministers and Members of Executive Council).

Role of Seda in the enterprise promotion system

As an agency of the Department of Small Business Development, Seda is mandated to implement government's small business strategy; design and implement a standard and common national delivery network for small enterprise development; and integrate all government-funded small enterprise support agencies, across all spheres of government. In addition to Seda, there are a number of other parastatals that also support small businesses.⁵⁴ These include, amongst others: the Industrial Development Corporation (IDC), the National Empowerment Fund, the National Youth Development Agency, the Tourism Enterprise Programme, the Technology Innovation Agency (TIA), the South African Bureau of Standards (SABS), the Council for Science and Industrial Research (CSIR), and the Small Enterprise Financing Agency (SEFA). At provincial government level, there are development agencies which are responsible for financial and non-financial service delivery to small enterprises. At local government level, the municipal local

⁵³ <http://www.seda.org.za/Publications/Publications/Seda%20Profile%2006%202015.pdf>

⁵⁴ Source: Small Business Development Guide

economic development units provide financial and non-financial support to formal and informal micro, small and medium-sized enterprises through ward-based regional offices⁵⁵.

Through its partnerships with commercial banks and development finance institutions, SEDA aims to ensure that small enterprises receive the requisite financial support to start and grow. Currently, work is also underway to partner with various private sector entities for a variety of benefits that will accrue to the small business sector⁵⁶.

Seda's mission is to develop, support and promote small enterprises to ensure their growth and sustainability in coordination and partnership with other role players. The agency targets formal and informal micro, small and medium-sized businesses⁵⁷. The service delivery network of Seda consists of delivery points located throughout the country. These points currently take the form of Seda branches, Seda enterprise development centres, Seda supported incubation centres and Enterprise Information Centres (EICs). Seda also utilizes information kiosks and mobile units to access remote areas⁵⁸. In addition, Seda co-locates primarily with local municipalities and various other partners in areas where it does not have a branch.

8.5 Operational framework

Governance

The Board of Seda comprises six non-executive directors, appointed by the Minister of Trade and Industry⁵⁹ through a formal process as laid down in the National Small Business Act. In appointing the members of the Board, the Minister must ensure that a cross-section of the population of South Africa is reflected with special attention to race, gender, disability, geographical spread and organizations based in rural areas.

The Board of Seda will focus on strengthening relations with the National Black Business Caucus (NBBC), the Foundation for African Business and Consumer Services (FABCOS) and the National African Federated Chamber of Commerce and Industry (NAFCOC), to improve coordination with the private sector and efficiency in providing enterprise development services. The day-to-day management falls under the CEO.

Levels of autonomy and structure

Seda reports to the Department of Small Business Development and the Minister may give the Board written directives regarding the performance of its functions.

Apart from the Board and the CEO there are three staff divisions, namely Administration and support to CEO, Legal affairs and Risk and Audit Management. In addition, there are five line divisions: Corporate Services, Enterprise Development, Finance, Seda Technology Program, Strategy and Information Management.

55 SEDA Annual Performance Plan 2013/14, 2015/16.

56 Ibid.

57 Ibid.

58 SEDA Annual Report 2014/15.

59 Ibid.

There are 9 provincial offices, 43 Seda branches, 12 satellite offices, 17 co-locations, 29 co-locations at local municipalities/partners, 19 mobile units and 50 kiosks.

Design of support programs

The programs are legally embedded in the National Small Business Amendment Act. Work plans are developed based on the National Development Plan and the three-year strategic plan, based on the dsbd's objectives. An Annual Performance Plan, including strategic objectives together with key performance outcomes, is prepared by Seda and approved by the Board.

Seda implements programs both directly and in collaboration with other stakeholders, mainly municipalities and state-owned entities.

Support services offered

Seda provides the following services:

- Information
- Advice and consultancy
- Training
- Mentoring and coaching
- Networking and matchmaking
- Export promotion
- Events
- Facilitation of access to finance

Promotion of services

The promotion of its services takes place through Seda's website and the regional offices.

Budget and payment of the services

Seda's budget for 2013 was about USD 67 million. About two thirds of this budget was used in the delivery network and the rest for support and cross-cutting services. From the total budget, USD 59 million comes from the national government, USD 9 million from external earnings and USD 1.3 million from interest.

The budget forecast is:

- USD 49 million for 2015/16
- USD 59 million for 2016/17
- USD 66 million for 2017/18

Number of clients reached

The number of clients in 2013 reached 10,619. No exact information is available on how many SMMEs there are in South Africa. Estimates, depending on the definition applied, vary between 2.6 and 6 million.

The outputs in terms of clients assisted have been considerable and to maximize the impact, Seda has implemented two initiatives: i) a "client journey approach" that aims to work with small enterprises over a longer period; and ii) it has prioritized the upper end of the small enterprise sector, i.e. businesses employing between 21 and 200 people, as this market segment offers the greatest job creation potential.

Human resources and recruitment processes

The staff of Seda is composed of 4 people in top management, 21 in senior management, 289 professional qualified, 175 skilled and 57 semi-skilled.

Targets are set for equity in terms of gender, race (African, colored, Indian, white) and disabled people.

From the total staff of 546, 157 people work at national level and 389 at provincial level. To give an indication of staff stability, 85 employees left Seda in 2013 and there were 113 vacancies.

Concerning the recruitment process, the CEO position is advertised and Seda undertakes the selection process, with reporting to the dsbd.

Quality assurance

Performance indicators are set for the programs both in terms of quantitative targets and quality indicators. Human Resource Management quality indicators are also used.

Monitoring and evaluation

Each year a number of quantitative targets are decided by the dti. For 2013, 18 performance targets were set of which the agency exceeded 16. Seda carries out monitoring and the results are submitted to the government and published in the annual report.

In 2013, key achievements include:

- Satisfaction level of 97% for the services provided (target 88%);
- Increase in turnover for 67% of the clients assisted (target 35%);
- Increase in the number employed by 40% of assisted clients (target 25%).

Evaluations are carried out every three to five years by the Department of Small Business Development. The Department of Performance Monitoring and Evaluation (DPME), which is under the Presidency, carries out evaluations on behalf of the government, using consultants and research institutions. Evaluation guidelines are established by the DPME and all evaluations are submitted to the government and published.

Evaluations have led to programs being adjusted based on recommendations, mostly related to efficiency and effectiveness.

9. Spain (Basque region): Sociedad para la Transformación Competitiva-Eraldaketa Lehiakorrerako Sozietatea (SPRI)

9.1 Status and background

Sociedad para la Transformación Competitiva (Eraldaketa Lehiakorrerako Sozietatea) (SPRI), in English the Society for the Competitive Transformation,⁶⁰ was established in 1981 by the Basque government as an initiative to restructure and support the region's industrial business sector.⁶¹ The model of SPRI was inspired by UK development agencies⁶² and its founding capital was provided by the Basque government and three regional savings banks (57% and 43%, respectively).⁶³

During SPRI's initial period of 1981 to 1998, the focus was on restructuring sectors of industries in which mainly SMEs were active (machine-tools, casting, forging, stamping and machining, firearms, etc.). From 1998 onwards, a new strategy was implemented based on strengthening the promotion of the industrial base towards new science and knowledge intensive sectors, entrepreneurship and the creation of new enterprises, a renewed stimulus to the internationalization of regional enterprises and, the promotion of commerce and tourism activities.

The activities and support program of the SPRI have evolved in an attempt to adapt to the changing circumstances of the Basque economy and its enterprises.

Against this background, SPRI changed in 2011 its name from Sociedad para la Promoción y Reconversión (Industrial Society for the Industrial Promotion and Reconversion) to Sociedad para la Transformación Competitiva (Society for the Competitive Transformation), although maintaining the same SPRI acronym.

9.2 Regulatory framework

The main law that regulates SPRI is the law 5/1981 dated 10th June of the Basque Parliament.

9.3 Mission, target and fields of action

Current mission of the agency

The current mission of the SPRI is to support, promote and contribute to the competitive improvement of Basque enterprises.

60 See <http://www.spri.eus/>

61 SPRI was set up on the basis of Law 5/1981 of 10 June 1981, where its operational rules were defined in Decree 147/1981 of 30th December 1981

62 Etxebarria, C, La SPRI en los años ochenta: análisis de una experiencia, in: *Ekonomiaz*, N27, Vitoria Gasteiz, 1993 (see <http://dialnet.unirioja.es/servlet/articulo?codigo=2124031>)

63 During time, the participation of the Basque Government in the capital has gradually increased to 99%, whereas only 1% is owned by the savings banks (currently grouped under one bank).

Objectives

The major objectives of SPRI⁶⁴ are the following:

- Contribute to the promotion of enterprises and business development by conducting studies and providing advice services in management, economic, technical and other business interests.
- Encourage the creation of new enterprises and the expansion of established ones, with particular focus on technological development and export promotion activities.
- Foster cooperation and common actions amongst enterprises to increase their competitiveness.
- Support the reorganization and restructuring of enterprises.
- Encourage research and development projects, both of new processes and new products and related services.

The target

The SPRI support's Basque enterprises independent of size, sector or development stage, although, in practice, the major target group is SMEs and start-ups.

9.4 Institutional framework

Main characteristics of SME policy in the region

The Basque Autonomous Community has in a large number of main policy fields its own policies including, R&D promotion, employment, economic and enterprise development or taxation issues. For instance, the Basque Department for Economic Development and Competitiveness coordinates the design and implementation of the Basque enterprise and industrial policy and the SME policy.

In recent years, the Department has launched the Basque Enterprise System, an inter-agency plan approved by the Basque Government and the provincial councils to jointly coordinate support to entrepreneurship and enterprises, with a strong emphasis on SMEs.

In addition, there are other governmental and private organizations involved in the promotion of regional enterprises. For example, the Basque Government has created agencies that provide support to enterprises in specific fields such as the environment and energy. Moreover, the Science, Technology and Innovation Plan 2015 (PCTI 2015) reinforces the Basque Innovation System and the different participating agents (companies, agents of the Basque Science, Technology and Innovation Network⁶⁵ and the Basque Government).

Role of SPRI in the enterprise promotion system

The SPRI is formally assigned to the Basque Government's Department of Economic Development and Competitiveness and its enterprise support policy. It manages 75% of the budget for this Economic Development and Competitiveness

64 SPRI, Estatutos de la Sociedad
(see <http://es.slideshare.net/SPRICOMUNICA/estatutos-spri-2012-28011725>)

65 This is a network of research institutes that carries out research activities for the regional SMEs

Department and ensures that the budget is distributed to beneficiaries, namely enterprises and SMEs, through services, programs, investments and subsidies. The SPRI has a strong collaborative and networking approach, involving private actors, trade associations, and regional clusters of enterprises. It is also involved in support programs developed by regional governments and is thus the one-stop-shop for enterprises seeking support.

9.5 Operational framework

Governance

SPRI is governed⁶⁶ by a General Council, consisting of fifteen members of whom eight represent the Basque Government, one the Regional Saving Bank, three the provincial governments, one the Basque association of employers, one the Chambers of Commerce and one Elkargi (a Basque mutual guarantee company). The president of the General Council is the Minister of the Basque Department for Economic Development and Competitiveness. The General Council is re-elected with the regional elections.

Each year, the General Council sets a number of targets in line with the main guidelines provided by the Basque Department of Economic Development and Competitiveness, which are reflected in the proposed annual budget.

Levels of autonomy and structure

SPRI is organized around five main directorates, namely technology and innovation, internationalization, support services, communication and enterprise promotion. Each directorate defines its own activities, coordinated by the General Director.

The head offices of SPRI are located in Bilbao and it also shares facilities with the offices of the Basque Department of Economic Development and Competitiveness located in the capital cities of the three Basque Provinces.

Design of support programs

The strategic guidelines for SPRI are presented and drafted in the strategic plans elaborated by the Basque Department of Economic Development and Competitiveness. Examples include: the Science, Technology and Innovation Plan 2015, the Plan for Competitiveness 2010-2013 and the Plan in Support of Entrepreneurial Activities 2013-2016.

Based on these, SPRI elaborates an Annual Management Plan, whereby its activities foreseen for the year are presented: support programs to be developed, number of beneficiaries to be attended, and distribution of the budget, amongst others. These plans are incorporated into the annual public budgets of the Basque Government, which are publicly available.⁶⁷

Representative organizations of the private sector are usually invited to provide input in the design phase of programs and support measures. These have to fulfill

66 SPRI, reglamento del Consejo de Administración
(see <http://es.slideshare.net/SPRICOMUNICA/reglamento-consejo-administracion-spri>)

67 See for example <http://www.euskadi.net/k28aVisWar/k28aPrin.jsp?hz=i>

the legal obligations included in the European and Spanish legislation in terms of public support programs.

Support services offered

The main support services offered by SPRI include:

- *Grants and services:* Counseling, information and training related to ICT, R&D and investments, internationalization, industrial upgrading and renovation, financing, entrepreneurship and business transfer.
- *Finance:* The provision of financial tools such as venture capital, participation loans, guaranteed loans, repayable advances and interest rate rebate.
- *Entrepreneurship:* SPRI implements a Basque entrepreneurship service to help those entrepreneurs with a business idea to develop it.
- *Internationalization:* SPRI develops programs intended to promote internationalization of Basque enterprises and improve their international management capabilities. SPRI has a network of centers in more than 70 countries where Basque enterprises are supported in different ways.
- *Innovation and technology:* SPRI manages instruments and programs that support both strategic research performed by research institutions integrated into the Basque Science, Technology and Innovation Network but also R&D and innovative activities developed by Basque enterprises.⁶⁸
- *Strategic initiatives and projects:* Supports the Basque Government in developing its strategy for smart specialization; in-cluster policy management; the development of strategies in bio- and nanotechnology; the facilitation in the identification of strategic projects for the Basque Country, or the so-called Advanced Manufacturing Strategy 2020.

In addition, SPRI carries out awareness-raising and training services for enterprises in different domains, such as the development of new web-based enterprises, management skills, effective leadership for competitive enterprises and preparing management for future challenges. SPRI also supports the attraction of foreign investment in the Basque Country, through the provision of several ad-hoc tools and instruments. Overall, in 2014 SPRI developed approximately 30 policy measures and services in these domains.⁶⁹

Activities are either implemented by SPRI directly or in cooperation with other stakeholders, such as research centers, financial institutions and sector associations. The R&D support activities, for instance, are conducted in collaboration with the Research Centres of the Basque Network of Science, Technology and Innovation. Financial assistance programs are implemented in cooperation with banks and other financial institutions, with whom special

68 Emaitek: supports the performance and capabilities of the Basque Technological Centres.
Eortek: supports collaboration programs between Basque enterprises and Basque research centres.

Saiotek: supports of basic research activities by the Basque Technological centres.

Gaitek: supports R&D&I business projects for the development of new products

Eorgai: supports integrated projects for industrial research and experimental development of a strategic nature for the Basque Country

NETs: supports the launching and development of new science and technology based enterprises by supporting funding in R&D&i activities.

69 For a full description of the support measures see <https://app3.spri.net/ayudaspri/?idioma=es>

agreements have been signed. SPRI also develops and carries out a number of programs in collaboration with international organizations. An example, is the SUSTEEN Project carried out in cooperation with the Enterprise Europe Network and co-financed by the DG Enterprise and Industry of the European Commission.⁷⁰

External consultants are also hired for ad-hoc activities within programs, such as counseling services, diagnosis studies and elaboration of business plans.

Moreover, SPRI has the majority of shares of a number of public enterprises that form, together with the SPRI, the so-called SPRI Group.

Promotion of services

SPRI is particularly active in informing potential beneficiaries on its activities, programs and tools. In addition to the information provided on its web page, SPRI organizes informative sessions, often in collaboration with relevant stakeholders.

Budget and payment of services

The budget for 2014 was approximately USD 56 million but increases to USD 160.3 million for the whole SPRI Group. The budget of SPRI is devoted to personnel costs (12%), functioning expenses (18%) and money transfers to third institutions, which represent the largest share (56%). Due to mainly the economic crisis, the budget of SPRI has reduced during the past four years.

Approximately, 90% of the financial sources are Basque and this represents 34.1% for the whole SPRI Group. EU funding and payments from enterprises and trade associations account roughly 1% of all income.

Enterprises have to pay for participating in the different SPRI programs and the percentage of co-financing varies according to the type of support received.

Number of clients reached

In 2013, SPRI helped the creation of 179 new innovative and/or technology-based enterprises; more than 1,377 enterprises received support through the provision of R&D subsidies; 1,425 Basque enterprises received personalized advice on ICT solutions; and 445 projects were conducted by Basque enterprises in foreign markets. Even though no data is available on the size of the enterprises reached, it is likely that more than 96% are SMEs.

The total number of enterprises in the Basque region is approximately 159,000, out of which 99.8% are SMEs and roughly 10,200 and SMEs have between 10 and 249 employees.

⁷⁰ The SUSTEEN project aims at sustaining SMEs active in a given set of sensitive sectors becoming more environmentally performing by increasing their own awareness of their environmental impact and of the benefits they may get from adopting environmental friendly attitudes and by helping them achieving for free environmental value added services. See <http://www.susteen.eu/>.

Human resources and recruitment processes

In 2014, the SPRI Group employed 197 persons, including one General Director, five directors and one Secretary General. During the past four years the number of employees has remained stable.

The General Council elects SPRI's General Director, who in turn nominates the directors.

Quality assurance

SPRI has obtained several quality and environment certifications, notably the Diploma for Commitment to Excellence awarded in 2012 by the Basque Foundation for Quality, an ISO 9001 certified Quality Management System since 1996, an AENOR Certificate for Service Charter Service and an Ekoscan Environmental Management certificate since 2011.

Monitoring and evaluation

Monitoring reports are published every year.⁷¹

SPRI in 2014 developed a system of monitoring and evaluation, known as SIME that is intended to provide accurate and structured knowledge of the resources, results and impact of projects and programs. In particular, SIME focuses on those programs that support the Basque Science, Technology and Innovation Network and programs to support business R&D.

71 Examples are:

Memory of activities 2013 (see <http://es.slideshare.net/SPRICOMUNICA/memoria2013-es>)

Memory of activities 2012

(<http://es.slideshare.net/SPRICOMUNICA/memoria-spri-7> and <http://es.slideshare.net/SPRICOMUNICA/annual-report-25747286>)

In addition to this, there is information in the Basque Government's public budget on activities conducted by SPRI (see <http://www.euskadi.net/k28aVisWar/k28aPrin.jsp?hz=i>)

Appendix 1 Overview

	SBA	CORFO	SEBRAE	SBC	Seda	SPRI
Background information						
Country	United States of America	Chile	Brazil	South Korea	South Africa	Spain (Basque region)
Year established	1953	1939	1972	1979	2004	1981
Mission	Maintain and strengthen the nation's economy by enabling the establishment and vitality of small businesses and by assisting in the economic recovery of communities after disasters.	Improve the competitiveness and productive diversification of the country by encouraging investment, innovation and entrepreneurship, strengthening in addition the human capital and technological capabilities to achieve a sustainable and territorially balanced development.	Promote the competitiveness and the sustainable development of small businesses and foster entrepreneurship to strengthen the national economy.	Effectively implement government policies and programs for the sustainable growth and development of SMEs; provide a wide range of assistance and services to help Koreans start, run and grow their businesses; and provide support to help SMEs to solve their difficulties and improve their competitiveness.	Develop, support and promote small enterprises to ensure their growth and sustainability.	Support, promote and contribute to the competitive improvement of Basque enterprises.
Target group	All types of SMEs	Business sector with particular focus on SMEs	All types of SMEs	All types of SMEs	Small, medium and micro enterprises	Basque enterprises with a focus on SMEs and start-ups

	SBA	CORFO	SEBRAE	SBC	Seda	SPRI
Regulatory framework						
Legislation to support and mandate the creation of the agency	Small Business Act of July 30, 1953	Law number 6334 of April 29, 1939 of Reconstruction, Help and Support of the National Production; Law number 6440 of 10th January 1941	Law number 8029 of April 12, 1990 and Presidential Decree 99.570	SME Promotion Act (2010), Article 68; Management of Public Agencies Act (2009)	National Small Business Amendment Act, Act no 29 of 2004	Law number 5/1981 of 10th June
Institutional framework						
Ministry in charge of designing, monitoring and evaluating the implementation	Office of Management and Budget, the Office of Information and Regulatory Affairs and the Office of Inspector General	Ministry of Economic Affairs (MINECON)	Not directly linked to a Ministry	Small and Medium Business Administration	Department of Small Business Development	Basque Department of Economic Development and Competitiveness of the Basque

	SBA	CORFO	SEBRAE	SBC	Seda	SPRI
Operational framework						
Governance	<ul style="list-style-type: none"> - No board - Administrator: appointed by the President and who is a member of the President's cabinet - Administrator appoints Associate Administrators 	<ul style="list-style-type: none"> - Council: President (from the Ministry of Economic Affairs), executive deputy-president, 4 representatives from other ministries and one representative from the private business sector - Ad-hoc committees for specific topics - Include representatives of public and private sectors 	<ul style="list-style-type: none"> - Governing Council: comprised of representatives from public and private stakeholders, which nominate their representatives. - Each state-level branch consists of a Governing Council, a Fiscal Council, and an Executive Board responsible for the daily management - Each Executive Board consists of three Directors 	<ul style="list-style-type: none"> - Board: members are appointed by a committee of recommendation set up by the government - The President is nominated by the Director Nomination Committee, then approved by the Commissioner of SMBA and finally appointed by the President of the Republic - CEO is appointed by the President - The Auditor is appointed by the President of the Republic 	<ul style="list-style-type: none"> - Board: Six non-executive directors, appointed by the Minister (they must represent a broad cross-section of the population) - The board is comprised of one representative from the government department and the CEO of the Small Enterprise Finance Agency 	<ul style="list-style-type: none"> - General Council: 15 members (8 from the Basque Government, one the Regional Saving Bank, 3 the provincial governments, one the Basque Association of Employers, one the Chambers of Commerce and one a Basque mutual guarantee company) - The President of the General Council is the Minister of the Basque Department of Economic Development and Competitiveness. - General Director is selected by the General Council

	SBA	CORFO	SEBRAE	SBC	Seda	SPRI
Structure	75 District offices and 7 Disaster Centre Offices.	15 regional offices.	27 branch offices in each state, and a national in the capital. 613 Business Services Centers.	31 regional offices, 4 regional training institutes, 1 youth start-up academy, 7 overseas networks.	9 provincial offices, 43 branches, 12 satellite offices, 17 co-locations with Seda, 29 co-locations at municipalities/partners, 19 Mobile units and 50 Kiosks.	Head offices in Bilbao and shared offices of the Basque Department of Economic Development and Competitiveness in the capital cities of the three Basque provinces.
Design of support programs	<ul style="list-style-type: none"> - Limited ability to initiate programmatic activity - Its function is to administer and implement the laws proscribed by Congress and the administrative initiatives proposed by the President 	<ul style="list-style-type: none"> - Ideas for new programs (often from relevant stakeholders) are developed into an initial draft, evaluated by an internal strategic committee with the Council taking the final decision - They have to fulfill the legal obligations concerning public support programs 	<ul style="list-style-type: none"> - Set by law that SEBRAE should plan, coordinate and direct technical programs in accordance with national development policies 	<ul style="list-style-type: none"> - Programs are developed through collaboration with the public and private sectors 	<ul style="list-style-type: none"> - Programs are legally embedded in the National Small Business Amendment Act 	<ul style="list-style-type: none"> - Strategic guidelines are elaborated by the Basque Department of Economic Development and Competitiveness - Input from private sector on the design phase of programs

	SBA	CORFO	SEBRAE	SBC	Seda	SPRI
Services offered	<ul style="list-style-type: none"> - Free counseling, advice and information on starting a business - Financial assistance through guaranteed loans by bank and non-bank lenders - Free consulting services through the network of SBDCs - Assistance to businesses owned and controlled by socially and economically disadvantaged individuals. - Women's Business Ownership Representatives are available to advise women business owners - Special loan programs are available for businesses involved in international trade 	<ul style="list-style-type: none"> - Support to the development of new enterprises and entrepreneurship - Support to innovation, including R&D activities. CORFO is the principal public agency in charge of promoting innovation in all types of enterprises and supports research centers - Support the improvement of the competitiveness of enterprises. CORFO helps small enterprises to strengthen the management of entrepreneurs through the development of skills and capabilities, and through the co-financing of investment activities. CORFO also promotes the integration of production chains of suppliers to improve and stabilize the commercial links with its clients 	<ul style="list-style-type: none"> - Entrepreneurial education - Develop information, orientation, qualification and consultancy solutions for improving SME's market situation - Develop information, orientation, qualification and consultancy solutions for improving innovation and technology - Develops information, orientation, qualification and consultancy solutions for improving access to financial services 	<ul style="list-style-type: none"> - Provision of finance (equity, credits, guarantees, etc.). This is its major activity - Information - Advice and consultancy - Training and mentoring - Networking and matchmaking - Export promotion - Events - Certification - Start-up support - Distribution and promotion of SME products - On-line marketplace for foreign buyers 	<ul style="list-style-type: none"> - Information - Advice and consultancy - Training - Mentoring and coaching - Networking and matchmaking - Export promotion - Events - Provision of finance 	<ul style="list-style-type: none"> - Counseling, information and training to increase innovation and competitiveness - The provision of financial tools such as venture capital, participation loans, guaranteed loans, repayable advances, and interest rate rebate - Basque entrepreneurship service - Programs to promote internationalization of Basque enterprises and improve the international management capabilities of enterprises - Supports strategic research and R&D and innovative activities developed by Basque enterprises

	SBA	CORFO	SEBRAE	SBC	Seda	SPRI
Implementation	<ul style="list-style-type: none"> - Guaranteed loans are available for credit-worthy veterans - Mentoring - Networking and matchmaking - Export promotion - Lobbying 	<ul style="list-style-type: none"> - It develops and runs programs to facilitate the access of enterprises to funding. CORFO operates through banks and other financial institutions 				<ul style="list-style-type: none"> - Supports the Government in developing its strategy for smart specialization; in cluster policy management; the development of strategies in bio- and nanotechnology; the facilitation in the identification of strategic projects for the Basque Country or the so-called Advanced Manufacturing Strategy 2020
Budget (2014)	770 million US\$.	2,011.2 million US\$.	791,892,000 US\$.	8,559 million US\$.	\$67 million (2013)	Approximately 56 million US\$.
Co-financing	Very limited.	Co-financing of project proposals. Some services have to be paid for.	Depends on the type of program. The level of co-funding can go up to 30%-40%. A 10% support for entrepreneurs is common.	Very limited.	Around 13% from external earnings.	Beneficiaries have to pay for services. This co-financing varies according to the type of support received.
	Most programs are implemented through market affiliation and some directly.	Collaborates with public agencies, public and private institutes and industry associations in the implementation of many of programs.	Implements in cooperation with other institutions, either private or public. SEBRAE generally manages the support projects but contractors implement most of them.		Implements programs both directly and in collaboration with others, mainly municipalities and state-owned entities.	Activities are either implemented by SPRI directly or in cooperation with other stakeholders. External consultants are also hired for ad-hoc activities within programs.

	SBA	CORFO	SEBRAE	SBC	Seda	SPRI
Number of staff	2148	658	6554	830	546	197
Monitoring and evaluation	<ul style="list-style-type: none"> - Independent Evaluations - Office of Inspector General and General Accountability Office reports and evaluations - Annual National Impact Study 	<ul style="list-style-type: none"> - Evaluation are part of National Quality system and carried out on yearly basis by third parties - Annual report: activities and resources used 	<ul style="list-style-type: none"> - Targeted enterprises are requested to fill out questionnaire to evaluate progress before support is administered and afterwards - Other enterprises not assisted are also asked to fill out the questionnaire to compare the development of quality in management in assisted and not assisted enterprises 	<ul style="list-style-type: none"> - The Small and Medium Business Administration and the Board of Audit and Inspection conduct regular and special audits of the SBC - SBC is also subject to audits on the fair execution of government's annual SME promotion policies - Annual audits on the execution of policy fund loans for SMEs - Annual inspections on financial support for SMEs from the National Assembly's audit 	<ul style="list-style-type: none"> - Monitoring is carried out by SEDA, results are submitted to the government and published in the annual report - Evaluations are carried out every 3-5 years by the Department of Small Business Development - The Department of Performance Monitoring and Evaluation (DPME) carries out evaluation on behalf of the government, using consultants/ research institutions - Evaluation guidelines are established by the Department of Performance Monitoring and Evaluation 	<ul style="list-style-type: none"> - Monitoring reports are published every year - SPRI in 2014 developed an evaluation system of its own programs: SIME. This is intended to provide accurate and structured knowledge of the resources, results and impact of projects and programs

