Argentine SMEs and their Support Programs:
The Barriers and Possibilities for Local Learning

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Gerald A. McDermott
The Wharton School
IAE

Email: mcdermott@wharton.upenn.edu

This paper reports on the state of small and medium sized enterprises (SMEs) in Argentina and the country's major SME support policies and programs. There is a vast literature in the disciplines and on development that has argued that SMEs are major sources of growth, innovation, employment, and basic social development.[1] Yet only recently has the literature on SME development begun to address the relationship between SME development and the liberalization policies enacted in the much of Latin America as well as the different types of social and institutional conditions that enables firm creation and SME growth.[2]

Much of the traditional debate on SME development falls into two camps. Advocates of neo-liberal and privatization policies argue that once private property rights are well-defined and prices are liberalized, the individual entrepreneur as arbitrageur will be able to read differences in relative prices and create a firm to fill gaps in existing markets. (Kirzner 1973, 1997, Johnson and Loveman 1995, De Soto 1987) Advocates of state intervention argue that market failures are extensive and that SMEs in particular face discrimination in access to resources. (Wade 1990, Basch et al. 1995) In this view, the state must help provide financing and training resources to enable firm creation and SME growth. In light of these two approaches, Argentina appears as an optimal case. Argentina led Latin American reforms under the Menem administration with policies of extensive privatizations, market liberalization as well as radical stabilization via the creation of a currency board. Argentina has also invested over the 1990s significant resources into SME support programs, such as financing, technology development, and training. However, economic growth, firm creation and SME development has stalled in Argentina.

Building on the recent work on social and institutional conditions for economic growth, this paper argues that the problem with firm creation and SME growth in Argentina is that entrepreneurs and SMEs lack, above all, local network and institutional conditions that help small firms, large established firms, and banks to share risk and learn from one another. On the one hand, the neo-liberal policies have created incentives for firms to shift away from higher value-added production and for banks to devote resources to established firms with steady returns. Consequently, SME development has suffered as large firms lack vibrant backward linkages to SMEs and banks shift lending away from SMEs and the interior of the country. On the other hand, SME support programs remain largely un-embedded in local firm communities – a tendency that arrests learning and experimentation.

The first section of the paper gives an overview of the current state of SMEs in Argentina, particularly in light of the neo-liberal policies enacted by the Menem administration.

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[1] See Piore and Sabel (1984), Acs and Audretsch (1990, 1993), Audretsch (1995), Grabher (1993), Pyke and Sengenberger (1992).

[2] For analyses on SME growth and firm creation in light of the privatization policies in East-Central Europe, see Grabher and Stark (1997), Acs and Audretsch (1993), Spicer, McDermott, Kogut (2000), and McDermott (2001). For analyses of the impact of neo-liberal policies on SME development in Latin America, see Basch et al. (1995) and Brugger et al. (1995). Notable recent work on social and institutional conditions on SME development in advanced industrial countries include Piore and Sabel (1984), Pyke and Sengenberger (1992), Grabher (1993) Locke (1996), Saxenian (1994), Sabel (1996), and the special issue of Strategic Management Journal (March 2000). Recent work that integrates these approaches into the development debates on East-Central Europe and Latin America are Grabher and Stark (1997), Spicer, McDermott, and Kogut (2000), McDermott (2000, 2001), and Tendler (1997).

Section II reviews the efforts and deficiencies in of the financial system to channel funds to SMEs. Section III reviews the major SME support policies in Argentina. It first analyzes the main financial support policies, highlighting their "market failure" approach and their lack of attention to institutional construction. The section then examines the major non-financial SME support programs, highlighting their lack of integration into the local community and lack of attention to network learning. Finally, the paper concludes with a summary of the main findings and with suggestions on an approach to assist the development of Argentine SMEs and support policies.

I.   The Current State of Argentine SMEs

As can be seen in Figure 1 and Tables 1 and 2, Argentina has a relatively high share of SME participation in the economy, in terms of shares of employment and output. Using a more sophisticated estimation of SMEs (see Appendix A), Argentine SMEs account for about 69% of employment, more than the averages for the US and Mercosur, but slightly trailing Chile and the EU-12.[3] The more detailed data show that SMEs in Argentina account for about 74% of industrial employment and 58% of industrial output, both of which are relatively high by international standards. For instance, in the Czech Republic, Hungary, and Poland, the leading post-communist countries, SMEs account for less than 50% of manufacturing employment. The difference is largely due to the fact that whereas centrally planned economies had virtually no private sector and SMEs prior to the collapse of communism in 1989, Latin American economies, even during authoritarian regimes with significant state ownership of the economy, were still dominated by private actors and market-based rules.[4]

Geographically, SMEs are mainly found in the Province of Buenos Aires and the Federal Capital, with the Provinces of Santa Fé, Cordoba, and Mendoza dominating SME shares for the interior of the country. (See Table 3.) This distribution of SMEs reflects the relative concentration of the population and economic activity in Argentina.

On the face of it, the SME community appears healthy. However, a closer look at the data reveals major problems for firm creation and SME development. (See Table 4 for a summary of operational characteristics of SMEs.) First, the average age of Argentine SMEs is very high relative to the age of SMEs in other countries. (Audretsch 1995, Caves 1998) Tables 5 a, b, c show the results of recent surveys of SMEs. The IAMC survey for reveals that about 55% of SMEs have more 26 years. The UIA survey shows that 31% and 40% of industrial SMEs have, respectively, 16-30 years and more than 30 years. These data strongly suggest that the Argentine SME market lacks turbulence. Argentine SMEs fail to

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[3] Unless indicated otherwise, the aggregated SME data are from the INDEC census of 1993. No other country census has be done since then. The term SME will include micro-enterprises. The INDEC data given in the paper, whether estimating sector shares or SME shares, does not include the extraction of oil and gas, mining, communications, financial services, public services, and health service, as they would overstate the shares of large firms. Also, the Census does not give data on agricultural, fishery, government, and housekeeping services.

[4] For discussions of SME development in East-Central Europe, see Acs and Audretsch (1993), McDermott and Mejstrik (1992), Spicer et. al. (2000), and Grabher and Stark (1997).

grow or graduate from the SME class and fail to die, implying the existence of strong barriers to development and start-up.

Second, studies continue to show that Argentine SMEs, notably in manufacturing, lack access to new technology, have poor management practices, and fail invest in and produce organizational and technological innovations, particularly when compared to large firms operating in Argentina.[5] For instance, INDEC's study of Argentine industrial firms reveals that while only 13% of SMEs maintain formal R&D units and 35% maintain "informal" R&D units, 30% and 50% of large Argentine firms have, respectively, formal and informal R&D units.

What can account for the lack of SME turbulence and development? And what are the impacts of Argentine economic and support policies on firm creation and SME growth? The following sub-section analyzes the main institutional and socio-economic causes.

Ia. Exports, Linkages, and the Value Chain

One source of technological, organizational and financial development for SMEs would be in exports. Ideally, exporting exposes firms to more competitive markets and access to foreign currencies, which together can aid firms to learn, find new partners, and access new technologies. As can be seen in Table 1, Argentine SMEs, relative to other countries and Argentina's size, export very little. Conversely, studies by FIEL (1995), CEPAL (1999), and FUNDES-UNGS (1999) show that Argentine SMEs face high organizational, legal, and financial barriers to obtaining new technology, despite trade liberalization policies of the 1990s.

However, Argentine SMEs can still gain these benefits to the extent that they are part of vibrant (international) value chains, such as suppliers for exporters and large firms, and they maintain network linkages with other SMEs. The former is important in the sense that exporters that produce high value-added goods for competitive international markets can create backward linkages with domestic SMEs and demand higher performance while providing new knowledge and better access to funding and technology. (Nelson 1993) The latter is important for similar reasons. As the extensive literature on inter-organizational networks has shown, network relations can act as effective governance mechanisms in pressing competitors and collaborators alike to compete on quality and productivity (and not just cost) and act as vital sources of shared learning, knowledge creation, and risk. (See especially, Piore and Sabel 1984, Grabher 1993, Saxenian 1994, Pyke and Sengenberger 1992, SMJ 2000 and Tendler 1997).

The evidence to date suggests that Argentine SMEs lack both kinds of linkages. First, while the Menem reforms have allowed trade to expand greatly for Argentina, they have also created incentives for Argentine exporters, dominated by a few large firms, to shift their focus toward lower value-added goods. For instance, although exports to Europe and the US have grown considerably, these exports are increasingly in primary goods and simple

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[5] The most comprehensive studies on these issues in Argentina are FIEL (1995), IERAL (1999), SOCMA (1997), Kosacoff (1993), Elgue (1999), Kantis (1998), and FUNDES-UNGS (1999.)

assembled goods. At the same time, while manufactured and processed goods are a large component of exports to the Mercosur, the most important market for Argentine firms, this market is relatively weak in terms of competition and demands for innovation and quality improvements. (Toulan and Guillen 1997, Guillen 2001) For instance, in the important automotive sector, a recent study by CEPAL (1999) shows that final assemblers are importing more complex, higher value-added components while using Argentine suppliers for simpler parts. This line of reasoning is reinforced when one considers that Argentina, as opposed to, say, Chile, is dominated by short-term capital flows, which indicates that foreign firms are not investing in complex production processes. (Ffrench-Davis, Maxfield 1998) The result can be a low equilibrium trap. (Hirschman, 1973) On the one hand, Argentine SMEs are not becoming embedded in high-end value chains, as exporters and foreign investors find it less risky to invest in or procure domestically simpler products. On the other hand, large foreign and domestic firms will be less likely to change this strategy to the extent that they find Argentine supplier less reliable and innovative than in other markets.[6]

Second, by most accounts, Argentine firms in general, and SMEs in particular, work in isolation and lack dense networks.[7] For instance, a recent study by FUNDES-UNGS (1999) found that only 5.1% of the firms surveyed consider that ties with other organizations (firms and institutions) are important, while 58.6% and 36.3% operate in, respectively, high and medium levels of isolation.

If Argentine SMEs face international trade barriers and lack the linkages among themselves or with large firms to facilitate learning and technology transfer, then one must next consider whether SMEs face similar restrictions for accessing finance. The next section analyzes this issue with specific focus on bank credit and the government programs that aim at helping SME finance.

II.   Argentine SMEs and Banking Institutions

The Argentine financial system underwent two major changes in the 1990s. The first was the creation the well-known currency board in 1991.   The second was a massive restructuring of the bank institutions following the Tequila crisis of 1994-95. (Powell 1996, Molano 1997) This crisis accelerated the purchase of domestic banks by foreign ones and the privatization of weak provincial banks, initiated a consolidation of banks (notably M&As of small, weak banks oriented toward SMEs and agriculture), and led to the Central Bank (BCRA) to create stricter prudential banking norms, such as one of the highest capital adequacy rates in the world of over 12%. The major results of these changes are twofold. Although interest rates dropped with stabilization, the real interest rates have plateaued at high levels and loans in US$ still represent a rather high 65% of loans in 1999. (See Figure 2. Note that in the second half of the 1990s, inflation in Argentina has been virtually non-existent.) Also, the penetration of the country by the banking system has declines while

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[6] The resent work on globalization and FDI argues that firms locate complex investments not simply based on cost but on the quality of the host country's local institutions and production networks. See for instance, Garrett (1998), Reich (1990), Nelson (1993), Guillen (2001).
[7] See supranote 5.

foreign bank ownership has risen. For instance, the number of banks has declined from 315 in 1985 to 168 in 1994 to 100 in 1999, and there was a decline in the number branches more than 75% between 1994 and1999. Foreign banks' shares of deposits and loans have grown, respectively, from 16.5% and 16% in 1994 to 44.8% and 46.7% by 1999. (IAMC, 1999, p. 63)

The impact of these changes has been less than promising. As noted in Table 4, SMEs continue to pay interest rates at about two times higher than those for large firms. This rate may indeed be higher for SMEs, when one takes into account the fact that experts estimate that about 20-25% of SMEs do not use bank credit at all (forcing them into the hand of informal money lenders) and often resort to bank financing via credit cards and overdrafts on current accounts (at interest rates of around 40-50%). Also, as can be seen in Tables 6 and 7, typical forms of SME financing for working capital and machines and equipment, such as bank loans, negotiable obligations, and new partners, are relatively small for Argentine SMEs. These Tables, along with Table 8, reveal that not only do Argentine SMEs rely significantly on their own resources for finances (presenting a obvious start-up and growth barriers), but they also rely on external financing much less than their counterparts in such countries as Spain, Italy and Japan. This problem of SME external financing is accented by the fact that although loans under one million dollars (a rough proxy of loans to SMEs) account for less than 12% of total loans in Argentina, they account for more than 70% of total non-standard loans. (IAMC, 1999, p. 65) This signals a potential downward spiral: few SMEs have access to bank financing, and those that do often have high interest rates and payment problems, which in turn leads banks to become even more risk averse towards SMEs.

The problems of SME finance are nothing new. (Hughes & Storey 1994) However, the ability of policies to help pull SMEs out this potential low-equilibrium trap depends on the analysis of the core problems. At first glance, the property rights/transaction cost and market failure approaches appear to offer solutions to Argentine SME finance problems. Improvements in the legal system, particularly movable property liens, bankruptcy, and leasing laws, credit record databases, and the tax system would reduce transaction costs. Argentina has recently taken steps in this direction, with Congress approving new legislation in 2000 on movable property liens and leasing. This will most likely allow firms to offer alternative forms of security and use both more types of banking and trade credits. Simplification of taxes (labor, VAT, etc.) is being debated and can reduce tax delinquency, allowing SMEs to present more sound financial records to potential creditors. Moreover, the BCRA has recently begun creating a centralized database on all creditors (Powell, Broda, Burdisso, 1997)

Structural problems of the banking system to a certain extent appear ready for the solutions of the standard recipes. As noted above, the consolidation of the banking sector and the creation of strong prudential banking norms were in general necessary to shore-up a historically weak banking system. Of course, these actions hurt SMEs. Fewer banks were making fewer loans to SMEs, as the banks found that during the restructuring uncertainties it was less risky to lend to large firms producing simpler products that could generate relatively quick returns and avoid both SMEs and complex production experiments.

Currently, five banks in Argentina, two of which are public, account for more than 75% of loans to SMEs.[8] Lending to manufacturing has dropped precipitously, with the annual growth rate of lending to the manufacturing sectors at a feeble 0.89%, well below the national average. Ideally, stronger banks with better laws will begin lending more to SMEs. Also, expansion in public-private guarantee funds would appear diminish negative affects of a more concentrated banking sector and tougher reserve requirements.

A closer look at the data, however, suggests the structural-organizational problems of the banks vis-a-vis SMEs goes well beyond the proposed legal and funding changes. First, consider the geographical problems of the banking system. Argentina not only has witnessed a concentration of banking and reduction of branches, but the distribution of banks is largely concentrated around Buenos Aires. For instance, the Federal Capital and the Province of Buenos Aires and the provinces of Córdoba, Santa Fé, and Mendoza together account for, respectively, over 53% and about 24% of bank branches. Also, whereas the Metropolitan area of Buenos Aires has a loan to GDP rate of about 83%, other regions, even the manufacturing regions of Córdoba, Santa Fe, and Mendoza have a n average rate of less than 20%. (IAMC, 1999, p. 67) This indicates that banks are not only following a low risk lending strategy towards larger firms but also towards economically dense regions. Second, the prospects for new financing channels to manufacturing sectors appear slim, as the large foreign banks dominate them. As mentioned above, the large banks in general have focused on large firms following less complex production processes. Moreover, as Guillen and Tschoegel (1999) suggest, the Spanish-owned banks, the dominant players, have been tentative in changing their low risk strategies towards established firms and densely populated areas.

When taken together, the geographical and sectoral changes in bank strategies that would be needed to enhance SME financing, appear difficult to achieve in the short- to medium-term. Powell, Broda, and Burdisso (1997) clarify the difficulties in a recent paper. In their analysis of the peculiarly huge variation in interest rates across banks, they first show that the problem is not one of strictly market power, costs, or risk. For instance, if market power were the problem, then one would see monopoly interest rates for certain types or locations of customers and loans. If market failure was the problem, then one would see credit rationing, discriminating against, say, SMEs, but effective interest rates should remain more or less the same across types of loans and customers and across banks. However, Argentina witnesses both monopoly interest rates, notably toward SMEs and firms in the interior of the country **and** credit rationing. In particular, while interest rates remain high for certain customers, they vary tremendously across banks and customers but little over time and across lending instruments. In their sophisticated and detailed analysis, Powell et. al. show that the problem is caused by a combination of imperfect information and local power that a bank may have in segmented (by client and geography) markets. In other words, they argue, banks develop relationships with specific types of clients who have poor information (e.g., SMEs and firms in the interior of the country), that can not be easily verified by third

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[8] These banks are Banco de la Nación Argentina, Banco de la Provincia de Buenos Aires, Banco Galicia, Credicoop, and Suquía. (IAMC, 1999, p. 191) Suquía is a product of the consolidation of several small, cooperative banks in the Cordoba-Santa Fé region. Suquía was bought recently by Banco Bisel, which is owned by the French, Credit Agricole.

parties. In turn, these clients can not easily find new creditors. On the one hand, these clients become captured and are charged monopoly interest rates. On the other hand, it becomes very costly for third party banks to learn about these clients and lend to them.

Although legal reforms and the improvements in debtor databases may improve the flow of information, the identification of relation-specific issues as the root of the lending problem for SMEs goes well beyond structural, legal, search cost remedies. The main reason is that project evaluation and monitoring has more to do with knowledge creation and relationship-building than access to information, per se. For instance recent work on financing of German SMEs (Sabel et. al 1994, Deeg, 1999) and project financing in the US (Sabel, 1995) shows that even in advanced industrialized countries with sophisticated information and analytical instruments, financiers often rely on tacit knowledge built up with a group of clients. As with product development projects with multiple actors, social relationships are often needed to bridge the necessary incompleteness of contracts with any experimental process, while frequent, structured interaction among participants is vital to learn about one another's capabilities and goals. (Piore et al 1995, Nelson and Winter 1982, Sabel 1994) Also, the recent literature on micro-financing and community infrastructure in poor regions reveals that firms and banks often avoid less developed clients because of the high risk-return uncertainties and the opportunity and personnel costs associated with investing into local relationships and knowledge. (See McDermott 2000 for a review of these arguments.)

Seen through the lens of relational learning, the problems of SME finance in Argentina demand two preconditions. First, the literature on the role of networks and participatory governance structures in knowledge and firm creation shows us that financial institutions must become embedded in dense inter-organizational and firm networks. (SMJ 2000, Spicer et al 2000, Herrigel 1996, Deeg 1999, Saxenian 1994). As mentioned above, the evidence shows that few Argentine SMEs operate in such environments or understand their significance.

Second, relationship- and knowledge-building are interactive, requiring the creation of a common discourse.[9] Even if one assumes that existing, notably foreign owned, banks will invest in training personnel and transferring the practices of relational banking to Argentina, it is unclear whether new or existing SMEs will have the incentives and resources to invest in such basic practices as business-plan writing, standard accounting rules, and methods of market analysis and product development monitoring. As with the adoption of ISO standards, these practices involve interactive learning at two levels. (World Bank 1998, Sabel 1995, Sabel and Prokop 1996) Once adopted, they enable firm actors to convey tacit knowledge about their capabilities and limitations to new parties. But also the process of adoption is a learning process in itself for the firm to understand the role of systemic self-evaluation – a process that demands outside mentors and training. Again the evidence on Argentine SMEs appears less hopeful. Studies show that in general few Argentine SMEs use training and consulting services. (See IERAL, 1999, for an overview of these studies.)

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[9] See in particular Helper et al. (2000), Sabel (1994), and Sabel and Prokop (1996) for the discursive preconditions relating to collaborative production and the application of ISO standards to countries such as Russia.

For instance, the FUNDES-UNGS study mentioned above shows that only 16% of the firms surveyed use both types of services.

III.   Argentine Support Policies

Argentina has invested in many support programs for SMEs over the 1990s. According to the Secretary of PyMEs (SePyME), which was created in 1997 under the Presidency but was moved in 2000 to the Ministry of Economy, Argentina has approximately 300 programs and lines of credit to support SMEs. (IAMC, 1999, p.23) Appendix B gives a summary of those programs financed by the national government. In light of the above analysis, this section analyzes how successful they have been or could be.

IIIa. Support Programs for SME Financing[10]

The large majority of programs for SME financing are at the national level. Several provinces, such as Neuquen, Cordoba, Buenos Aires, Santa Fé, Mendoza, and Misiones, have SME credit programs, such as micro-credits, working capital loans, etc., but there are virtually no analyses of them. In this section, the focus is on national programs, of which there are eight for general financing, one for working capital, and one for capital goods. The SePyME, the Banco de la Nación Argentina (BNA), the Consejo Federal de Inversiones (CFI) and the Banco de Inversion y Comercio Exterior (BICE) mainly execute these programs.   The two banks are fully owned by the state. The BNA is the largest bank in Argentina and the largest creditor to SMEs. BICE and CFI are relatively small entities (See Table 9), with the latter functioning at the provincial level. BICE and CFI do not directly finance firms, but rather channel funds through other banks. While BICE usually subsidizes interest rates, the CFI sets the rates that the firms pay.

The general financing programs are under the umbrella of the Plan Trienal de Fomento y Desarrollo de PyMEs, which was established in 1992 and is financed from the national budget. The principal financial agent of the programs is the BICE. Most funds are used to subsidize four points of interest rates charged on loans to SMEs. By the end of 1998, this approach facilitated 50, 392 loans totaling over $1.7 billion (an average of $35, 028 per loan).   Subsidized interest rates totaled approximately $112 million or 6.6% of the total loans granted. BICE also manages a Fondo de Asistencia for the creation of SME consortia. The Fondo subsidizes operating costs for the first three years of mainly consortia in the productive sectors. By the end of 1998, this program created 18 consortia.

The BNA administers 40 different lines of credit to SMEs. In addition to managing on its own credits within the Plan Trienal and credits for services, the BNA collaborates with a variety of public programs, including:
- micro-credit programs with the SePyME and CFI, both of which had less than 60 clients by the end of 1998;

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[10] Several national and provincial programs are linked to some form of training and technological development. Those types of programs are discussed in the following section. Also unless indicated otherwise, this sub-section draws heavily on IAMC (1999).

- working capital credits with the SePyME, which had 123 clients by the end of 1998;
- export financing with BICE and CFI, the average loans of which varied from $65,000 to $1.5 million.

By December 1998, the most important 18 lines of credit toward SMEs that were administered by the BNA had 7, 229 clients and totaled about $924 million.

Given the size of the SME community in Argentina, a country with approximately 36 million people and a GDP of about $288 billion, one can safely say that these financing programs have not reached many SMEs.

As in many countries, the main alternatives to credit lines are loan guarantee programs expressly for SMEs. Argentina is home to two different types of programs: Sociedades de Garantía Recíproca (SGRs) and a public guarantee fund. (See Exhibit 1.)

Enabling national legislation for SGRs was enacted in 1996. SGRs are created as corporate entities, usually by a large firm or bank and a group of SMEs, who are both founders and recipients of the guaranties. Argentine SGR legislation has the following main criteria:

1) There are two classes of members:
    a. Participant Partners: SME owners, be they physical or legal persons;
    b. Protector Partners: Physical or legal persons, public or private, Argentine or foreign, who provide the bulk of the base capital and guarantee fund.
2) During the first five years, an SGR must have at least 120 Participant Partners, who must contribute together a minimum of $240,000 of the base capital and each of whom can hold no more than 5% of the base capital (i.e., equity). Protector Partners can contribute no more than 49% of the base capital. The SGR uses the base capital to launch a guarantee fund, usually financed by the Protector Partners.
3) SGRs are have great freedom to decide the terms of the guarantees, including the amount guaranteed, the length of the loan, penalties, and commission and administrative fees. The law states that that the guarantees cannot exceed 100% of a loan or obligation.
4) The main restrictions on guarantees are:
    a. A Participant Partner cannot receive guarantees totaling more than 5% of the total guarantee fund.
    b. The SGR cannot guarantee more than 20% of loans provided by a single creditor.
    c. The SGR cannot give any loans, be they for partners or third parties.
5) Tax Breaks: While the revenues received by the SGR are exempt from VAT and income taxes, the financial contributions by both classes of partners to the base capital and the guarantee fund are deductible from the partners' income taxes.

To date, Argentina has four SGRs (See Exhibit 1.): Garantizar, Macroaval, CAES, and Avaluar. Garantizar was created in 1997 by the BNA, the Protector Partner, and has 157 Participant Partners from trade associations. By 1999, it had guaranteed 800 loans to SMEs,

with the guarantees totaling $15 million. 76% of the SMEs are from the metropolitan area of Buenos Aires, of which 23% are in the trade and service sectors, and 77% are in the agricultural and industrial sectors. Macroaval has 102 Participant Partners and its Protector Partners are the Banco de Salta and the Government of Salta Province. Its base capital is only $250,000. CAES is the SGR created by the large metallurgy firm, Siderar, of the Techint Group. It has 178 Participant Partners, mainly suppliers of Siderar. Avaluar has three firms as its Protector Partners (Aluar, Fate, and Hidroeléctrica Futaleufú), and 124 Participant Partners.

In 1996, the government of the Province of Buenos Aires created a standard public guarantee fund, FOGABA. FOGABA guarantees 75% of a loan, charging a commission to client SMEs. It also guarantees negotiable obligations between firms (SMEs and large firms) and offers technical guarantees for the execution of a particular contract or service. FOGABA claims to have funds to guarantee $240 million of loans or obligations and another $500 million to back commercial financing. By 1999, FOGABA had guaranteed loans totaling $23 million for 132 firms.

Although independent studies estimate that loans facilitated by SGRs have effective interest rates of 40-50% less than loans without guarantees, the penetration of these activities has clearly been limited. Clearly these limitations will subside with time. As the SGRs and FOGABA improve their operations and demonstrate quality financing, more banks may participate. Nonetheless, the guarantee approach faces two major barriers related to the analysis of SME financing in the last section.

First, institutional learning takes considerable time and money, and Argentine institutions have not demonstrated quality learning in recent history. For instance, the author's interviews with FOGABA revealed an excessive bureaucratic process. On the one hand, it can be expected that that FOGABA wants to avoid going bankrupt and must, at least in the initial stages, use very detailed evaluation procedures. On the other hand, FOGABA did not show how it would decentralize its activities, like developing mechanisms to monitor participating banks to manage the guarantees. Indeed, FOGABA has a serious problem gaining banks to take their clients. FOGABA mainly works with the Provincial Bank of Buenos Aires, which itself is a questionable institution. Moreover, considering that most banks in Argentina demand guarantees of about 150% of loans, SMEs face a barrier of coming up with their own share of the loan security.

This problem of decentralization leads to the second main limitation of guarantee programs: a failure of being embedded in local firm and organizational networks via a participatory governance structure. Recall that in the above analysis, banks and other financial institutions find it costly to experiment with new clients, especially those with limited information and with complex product development programs that have uncertain returns. In other word, banks find it relatively costly to learn how to monitor (ex ante and ex post) and create new instruments for SMEs, preferring to stick with known clients with clear records and rates of return. Guarantee programs, in and of themselves, do little to encouraging banks to learn about SMEs and build relationships with them. Take the case of SGRs.

On the one hand, SGRs depend largely on preexisting networks of firms to be effective. Notice that in four years only two SGRs were established by firms. This may not be surprising in light of the above-mentioned studies on the lack of dense inter-firm and inter-organizational networks. On the other hand, the main incentive for firms or banks to participate in a guarantee program, be it an SGR or FOGABA, is a limited financial one. The evidence from Argentina, and even advanced industrialized countries, shows that such incentives are insufficient to encourage learning. (McDermott 2000, Tendler 1997) If the state sticks with financial guarantees (bigger tax breaks or guarantees) it runs the risk of increasing its exposure via a higher loan-loss rate. The lowering of this risk depends on the public institution being well embedded at the local level to create effective decentralized, monitoring mechanisms of public or private delegates to manage the guarantees and project evaluations.

This embeddedness view of the costs of learning and relationship-building points to several additional institutional characteristics. These include multi-level, public-private collaboration for financing, training (of both financiers and SMEs), and technical assistance. The latter two characteristics are vital to even begin a dialogue between creditors and potential clients. Moreover, even if collaboration is possible, questions remain about tying accountability into the learning process. Argentina has been plagued with local clientalism and patronage and centralized bureaucratic procedures, none of which aid monitoring and learning. Programs that fuse the two together need to have multiple parties participate in such a way that demands their responsibility for the provision of services and mutual oversight. (McDermott 2000, 2001; Sabel 1996; Tendler 1997) For instance, banks need to be invested in a guarantee program to minimize their opportunism. At the same time, having SME groups and providers of other SME support services invested in the program would facilitate mutual monitoring, inter-organizational learning about the needs of SMEs, and *ex ante* screening and preparation of SME projects. The SGR approach partially recognizes these issues, by having financiers and SMEs jointly invested into the fund, but lacks participation of other key SME support organizations and thus does little to aid the construction of coherent networks where they do not already exist. The following section analyzes the extent to which the training and technical assistance programs for SMEs in Argentina provide the needed services and develop effective decentralized governance.

IIIb. SME Support Programs for Training, Technology Transfer, and Commercial Upgrade

The 1990s saw a large growth in the number of programs offering training and technical assistance to SMEs in everything from human resource management and organization to technological and export capacities. Appendix B offers a summary of programs at the national level. One of the few systematic studies of non-financial support programs for SMEs in Argentina estimates that approximately $222 million dollars is now being spent annually by national, provincial, and municipal governments and non-government organizations for such programs (Table 10).[11] (IERAL, 1999, pp.97-99) This figure is equal to about 0.08% of the GDP and 0.26% of total public sector spending of Argentina and

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[11] These estimations do not include support programs for the fishing and agricultural sectors.

translates into about $2800 per SME. As Table 11 shows, this level of spending is on par with Argentina's neighbors.

These estimations also reveal two characteristics about the geographical distribution of the programs in Argentina. First, As Table 10 shows, national funds are about two and a half times greater than those at the provincial and municipal level. This point of data raises the question about the institutional capacity of the sub-national governments to develop, fund, and manage such programs. It also makes the issues of decentralization and national-sub-national collaboration all the more important for the evaluation of nationally sponsored programs. Second, although the estimations do not include the programs of all sub-national governments, they do include those from the provinces of Buenos Aires, Córdoba, Santa Fé, Mendoza, Misiones, and Neuquen and the government of the Federal Capital (Buenos Aires). Together these sub-national jurisdictions account for 80% of SMEs that generate 64% of total employment and 87% of the GDP.   Also, these jurisdictions when combined with the national government account for over 78% of total public sector spending. In turn, the geographic concentration of public programs reflects the relative geographic concentration of industry, SMEs, economic activity, and population in Argentina.

Despite the growth in the 1990s of technical assistance and training programs in Argentina, the existing evidence reveals that SMEs have low access to or low motivation for such services. For instance, as mentioned, above the FUNDES-UNGS study shows that very few SMEs access training and consulting services (16%). It also demonstrates that a staggering 78% of firms surveyed used no instrument of SME support (e.g., training, technical assistance, credit, export promotion) during the two years prior to the survey (1998), which adds extra concern as the Argentine economy was rebounding in 1996-97.

The remainder of this section draws on the IERAL study, unless indicated otherwise. The study first analyzes the organizational structure of national and sub-national agencies and then turns to an analysis of specific types of assistance programs.

IIIb.i. Organizational Factors of SME Support Agencies

As can be seen in Tables 12 and 13, the study gives two groups of data. The first group is the budget size and substantive orientation of the assistance services provided by the agencies (i.e., technological development, best practices, export promotion, etc.).   The second group concerns IERAL's performance criteria:
- Market Orientation – the extent to which market prices and the preferences of users are determine the activities of the agencies;
- Operational Decentralization – the level of development of a network of local institutions that is used to provide services and facilitate user access;
- Private Sector – the extent to which non-government and private actors participate in the management and provision of services.

The results of IERAL's evaluation of the national agencies, summarized in Table 12 and Figure 3, are striking. Not only do all but one score relatively poorly, but also budget size has little in common with performance. (See Exhibit 2 for summary descriptions the two

leading national agencies.) IERAL notes that a key reason for their lack of integration into local economies can be found in the way these agencies were constructed from the beginning – very centralized. To a certain degree, over centralization is a product of the efforts by the central government to reorganize and streamline the management of existing programs and agencies. For instance, FONTAR was created in 1996 to provide financing and technical assistance to firms engaged in developing and adapting new technologies. Moreover, FONTAR was to have a decentralized operating structure, with provincial offices working closely with the relevant provincial organs, which also provided representatives for project evaluation and approval committees of FONTAR in the respective provinces. However, this approach was obstructed in the manner that both FONTAR was initiated and the Ministry of Education was reorganized. The ministry created the Agencia Nacional de Promoción Cientifica Tecnológica to integrate and coordinate that various existing (SECyT, CONICET, INTI) and new initiatives (FONTAR and FONCYT).   Concerned with duplication and turf battles, the ministry's actions led to a centralization of decision-making within the Agencia and the other organs. When SePyME was born, its first objective was to catalogue and consolidate many of the existing, redundant and sometimes conflicting SME assistance programs in various ministries. As turf battles grew, centralization increased, which hindered any efforts by SePyME to develop local offices.

These problems may subside with time. Indeed, the new De La Rua administration has recently passed a new law for SMEs that includes funds for SePyME to develop a public-private network of service centers. Currently, a debate is growing about how to proceed. One coalition (oriented around IAMC) advocates converting the BNA into an institution exclusively for SMEs and thus using the BNA branch system (the largest in the country) as the basis for the new SePyME network of service centers. Another coalition (from the UIA) advocates a de novo system of centers created with local governmental and private actors. Such actions would demand however substantial changes in the way that services are created and in the level of cooperation with provincial and municipal governments. Considering the poor record of the BNA and the difficulties of both restructuring existing BNA activities and also integrating SePyME ones, the BNA proposal looks unfeasible. Assuming that FONTAR can follow the lead of SePyME , though cooperation between national agencies and programs is usually very poor (IERAL 1999 IAMC 1999, FUNDES-UNGS 1999), the UIA proposal can be evaluated in two ways.

First, one must evaluate the quality of the sub-national governments: are they already strong partners or do they need restructuring themselves? IERAL's evaluation of the leading sub-national agencies, summarized in Table 13 and Figure 4, reveals less than optimal conditions at these levels. However, IERAL offers additional data that illuminates some of the conditions for better or worse performance of agencies. The first, most obvious revelations are that simply being local does not determine success and that dramatically different agencies under the same provincial government may exist.   Sub-national governments suffer from many of the same institutional and governance problems that national governments do. In many ways, these problems are exacerbated by a history of both centralism and center-periphery disconnect.   This history leaves sub-national governments with a baggage of clientelism and weak institutions of accountability as well as a lack of resources and know-how to design and implement new private sector support

programs. (McDermott 2000, Tendler 1997) For instance, the government of the Province of Neuquen initiated a series of measures to support the horticultural sector and SMEs (see Exhibits 3 and 4). Not only did the programs become encrusted in bureaucratic rigidities, but they also suffered from a lack coordination and cooperation among several provincial, municipal and national institutions. It appeared that Neuquen tried to implement programs without much consideration for the development of reasonably coherent inter-organizational networks. A similar fate met the initiatives of Misiones, which opted for a different strategy: rather than creating a new agency, it adapted existing provincial organs to coordinate and direct the assistance of national agencies (i.e., SePyME, CFI, Agencia, Ministerio del Interior, and Fundación Exportar). (See Exhibits 5 and 6.) Although this approach helped the national agencies interact at the local level of execution and helped Misiones access national resources without duplicating efforts, the approach has met serious problems. In particular, the provincial actors themselves lack professional and institutional links to the SME community, other than those associated with certain powerful agro-industrial interests. That is, the Misiones approach demands that the provincial actors have their own network of public and private organizations to determine the needs of SMEs and direct the resources of the national agencies efficiently. Apparently, the provincial government bodies lack both coherence and organizational ties to the SME sector. (Evans 1995)

In contrast, those sub-national agencies, such as IDEB of the Province of Buenos Aires and the Agencia para el Desarrollo Económico of Córdoba, that do score high according to the IERAL criteria show a set of common organizational characteristics that combine the use of the market and a rich inter-organizational network. (See Exhibit 7.) First, both agencies focus their programs on support for SME training and technical assistance in process and organizational best practices, rather than grants or training in narrow area, such technology acquisition or exports. (See below for a more detailed discussion of training approaches.) Second, they have consciously constructed centers and incubators that appear to have participatory governance structures with a variety of public and private actors. In turn, the agencies can become nexus points for a network of diverse, previously disconnected private and public organizational actors, be they private consultants, trade association, banks, or universities.   Such networks not only help the agencies tap into existing human and organizational resources for new uses, but they also promote learning and monitoring by facilitating a flow of information among the participants and allowing the participants to have a strong voice in the design, execution, and evaluation of services.   While some participants contribute their knowledge and experience with SMEs but lack resources, others that lack experience with SMEs learn to utilize their institutional resources in new ways. Third, the participation of both supply and demand-side actors helps the agencies develop demand awareness instruments, such as low-cost preliminary consulting and workshops for SMEs. Third, both agencies use co-financing and not full subsidies to use market prices and demand as complementary governance and evaluation mechanisms.

In light of this evidence, the SePyME plan for a decentralized network of SME support centers will depend largely on its ability to learn from more successful sub-national partners and to apply these lessons to regions lacking institutional and organizational coherence. The concluding section of this paper will discuss the issues of the institutional conditions for

a national body to facilitate decentralized monitoring and inter-regional learning – issues that SePyME officials appear pay minimal attention to. However, in employing several people who managed the relatively successful UIA-IDB Centros de Desarrollo Empresarial, SePyME has the potential knowledge in designing centers. A closer look at the CDEs exposes several strengths and weakness of this model.

In late 1996, the IDB (via the MIF) and the Union Industrial Argentina (UIA) launched three SME support centers – in San Rafael (Mendoza), Mar del Plata (Buenos Aires) and Rafaela (Santa Fé). Nexus Associates recently completed an external, positive evaluation of the design and existing results (i.e., finances, customer satisfaction, demand growth, etc.) of the CDE in Rafaela, which covers a few "departments" in Santa Fé and neighboring Córdoba. (IDB-Nexus Associates 2000) Approximately 2,554 firms were operating in this region during the 1990s, 99% of which were classified as SMEs with under 100 employees. Similar to the above-mentioned agencies, the Rafaela CDE combined the use of the market with an inter-organizational network. On the one hand, the charge for services allowed market prices and demand to shape the supply and to discipline the CDE, which must become self-sustainable within a few years. On the other hand, the CDE was designed by combining strong and weak organizational and professional ties (Granovetter 1985): the CDE partners and co-governors are a variety of regional public agencies, educational institutions, and trade associations that also contribute a small, experienced full time staff; the CDE, in turn, has indirect, extended ties to a broad network of private consultants, who are contracted to provide services. This participatory approach helped solidify the commitment of existing actors with resources and local knowledge and facilitated inter-organizational specializations and synergies. Moreover, this type of network helped the CDE, from its inception, identify the key needs of the potential customer base, generate demand awareness instruments for SMEs, and diversify services from general courses on best practices to smaller, intensive workshops for certain types of business operations. This knowledge is supplemented by periodic market surveys and focus groups.

A second similar characteristic is that CDE programs focused on training and technical assistance in mainly core business processes, such as strategic planning, product development, marketing and sales, order fulfillment, and support processes. Programs focused also on specific outcomes and practices as well as behavioral and motivational issues of SMEs and their employees.

One, however, notices three critical limitations of the Rafaela CDE model. First, the Nexus report notes that the Rafaela CDE may face serious self-sustainability problems. Currently, the CDEs have a subsidy from the MIF, which covers, for instance about 25% of variable costs, including consultant fees and direct project expenses. Nexus recommends that the Rafaela CDE expand and diversify its customer base and services. (Note that the Rafaela CDE targeted 800 firms in the region in need of their services, and by late 1999 616 firms had participated in one or more CDE programs.) But from a network view, even this strategy may be insufficient. As several scholars on network dynamics have argued (Rowley, Behrens, and Krackhardt 2000, Kogut 2000, McDermott 2001, 2001, Locke 1996), over time different types of network structures can become rigid, stagnant, and grounds for self-dealing. In turn, expansion of services and the customer base can be

limited by the boundaries of the network itself. The issues of financial self-sustainability and expansion of market lead to the two other problems, the second being knowledge development. As mentioned, the Rafaela CDE relies on contracting outside consultants, not only to tap into a network of experienced and capable actors but also keep down costs. Continued use of consultants on project-by-project basis can act as a barrier to institutional development and knowledge transfer. The CDEs, in turn, must explore ways to select certain consultants as full time employees while strengthening the network ties to other sub-contracted consultants.

The third related problem is one of self-selection. Anecdotal evidence reveals that the other two CDEs are not functioning as well as the Rafaela CDE, with one in large disarray. Much of the performance differences, between the CDEs as well as between the providersin different parts of Santa Fé and Córdoba, are due to the fact that the regions have distinctly qualitative differences in their inter-firm and inter-organizational networks. For instance, Rafaela has been the subject of several studies (e.g., Kantis 1998, 1999, Kantis et al. 1999, Casaburi 1998, FUNDES-UNGS 1999) that argue that its dynamic regional economy and SME sector is determined by the existence of rich socio-economic networks. The Rafaela CDE is relatively successful because is tapped into and helped re-focus these network relationships. To a certain extent, the same can be said for IDEB and the Córdoban agency. But none of these models, like the economic sociology theories on which they were based, say anything about how one helps construct networks from scratch or from fragmented pieces. (See McDermott 2000, 2001, 2002, and Sabel 1994 for empirical and theoretical discussions of these problems.) The concluding section will address in more detail this dilemma of the simultaneous creation of networks and SME support programs.

IIIb.ii. Success Factors of Specific Services and Programs

The IERAL study mentioned above also evaluates specific types of programs across both national and sub-national agencies. Tables 14-18 and Figures 5 and 6 summarize the results of their evaluation for the following types of programs: general training, restructuring and firm management, technological modernization and innovation, inter-firm cooperation, and export promotion. IERAL also uses a variety of criteria to rank the quality and performance of the different programs:
- Market Orientation – the extent to which market prices and demand are used to shape and discipline services and programs.
- Instructor Profile – the extent to which the service user (e.g., SME) can choose the instructor or relevant consultant or rather is given the instructor or consultant, who is a public employee of the providing agency.
- Follow-up – the extent to which the given program has a built-in methods of evaluating customer satisfaction and preferences *ex post*.
- SME awareness – the extent to which the a given program helps clients become aware of the necessity to reorganize the firm and improve management practices.
- Customization of services – the extent to which a program customizes services to the customers needs or lets him/her choose, on the one hand, or standardizes all aspects of the service, on the other.

● Customer-supplier links for technology – the extent to which a program helps users and producers of technology build close ties.
● Rules of Cooperation – the extent to which a program allows participating firms develop their own rules and forms of cooperation rather than imposing them on the firms.

The data call forth several interesting observations. First, although better-rated programs generally come from sub-national agencies, one can find "good" programs within "bad" agencies. Such examples are the PRE program within the SePyME and the *Consejeros fiscals* and *Crédito fiscal* programs within FONTAR. One should note, however, that the evaluations are based more on program design than actual execution and ex-post results. The question remains whether the existing agencies can identify their quality service/training models and provide an organizational structure that allows them to flourish and be duplicated or adapted to other types of programs. Second, programs that focus on training and assistance for improvement in firm organization and technology integration score better than those focused on teaching a narrow skill, like export promotion.

Third, the IERAL analysis reveals that the characteristics of better-designed programs have much in common with the characteristics of better-designed agencies discussed above – extending the market-cum-network models of agency organization to the creation and teaching methods of specific programs. For instance, poorly rated programs tend to be standardized and rigid with little demand orientation and use of outside consultants or organizations. Not only do these aspects do little to address the needs of SMEs, but they also lead to mistaking information provision for knowledge creation, which demands greater interaction among various types of providers and users. Moreover, the provision of fully subsidized services and credits or tax breaks alone to stimulate the use of certain technologies or services not only eliminates demand sensitivity and market discipline but also makes the grave and often costly mistake of substituting monetary incentives for demand stimulation and user awareness. That is, as studies have shown about SME service and credit programs in other countries (Basch et al. 1995; Brugger et al. 1995), actors such as SMEs often are in a low equilibrium trap because they do not know how to get out. In turn, provision of services or supports must be combined with training and technical assistance to educate the user about how to identify his or her strengths and weaknesses and the adequate solutions.

On the other hand, better-rated programs not only use the market (via co-financing or matching grants) in having the customer cover some of the costs and chose from a variety of instruments or consultants, but they also develop networks of external organizational actors and potential clients to clarify the specific needs of SMEs and the alternative methods or forms of providing the services. For instance, in additional to conventional methods of market surveying, which can often identify generalities or the lowest common denominator, several of the programs of IDEB, Mendoza, and Cordoba gain knowledge about substance and forms of training and assistance from both partnerships with existing relevant public and private organizations (on both the demand and supply side) and the use of specific "demand support or awareness" methods, such as low-cost diagnostics and benchmarking of the practices of potential customers and low-cost assistance for the development of business

plans. Also, these programs tend to combine approaches that focus on linking certain practices with measurable results and those that help firm and employee behavior and motivation.

In many respects, the characteristics of "better-rated" programs follow those found in the Nexus study, which at least evaluated the organization of the Rafaela CDE and design of its programs according to measurable *ex post* results. This coincidence reinforces the argument for combining the use of the market with the development of inter-organizational networks as the basis of evaluation of both the structure of the support agencies and the substance and form of training and assistance programs. However, the Nexus study of the Rafaela CDE takes this argument further and, in so doing, reveals two potentially key weaknesses in other Argentine programs.

First, the Nexus study highlights the importance of the integration of training in specific practices with the adoption by the customer-firm of systematic methods of continuous self-evaluation and improvement, be it through the CDE's programs in ISO 9000 or in various core business processes. This is achieved usually in two main, related ways. One is the development of a series of courses or workshops that move the firm through a logical sequence of training in the basics of best practices followed by more specific methods of implementation of both a certain business process for a functional area and a means to track and benchmark progress over time. The other is by having the firm work on a specific project related to a functional area. By learning how to plan, implement, evaluate, and revise implementation of a practice, the firm learns not only the particular practice but also the general skills of how to measure the firm's capabilities relative to those of competitors and the demands of customers and how to improve certain operations on a periodic basis. It is unclear whether the programs of other Argentine agencies follow these methods or are even aware of the goal of having SMEs develop the general skills of continuous improvement. Programs focused on restructuring and management practices emphasize business processes and in so doing may be closest to fulfilling this goal. However, although programs, such as in technological modernization and innovation sponsored by FONTAR, have course designs akin to those of the Rafaela-CDE, their agency lacks an effective decentralized structure with a network of diversified organizational actors, who are vital to conduct *ex ante* diagnostics and mentor the customer over time.

Second, the Nexus study reports that the vast majority of projects at the Rafaela CDE are conducted on a group basis, typically with five to seven participating firms. Learning and working in groups are among the most effective methods and skills for obtaining continuous improvement systems and innovation. (Sabel 1996, Helper et al. 2000, and McDermott 2000) As discussed above, the creation of a participatory governance structure helps build an inter-organizational network that allows a support agency, among other things, to generate multiparty knowledge transfer and in turn interactive learning and monitoring among participants. A similar process occurs at the program or project level as well when using participatory, group-based learning methods, such collective problem solving projects. By trouble shooting issues in teams, previously unconnected firms learn how to cooperate, share information, and assess one another's capabilities and deficiencies. In so doing, collective problem solving can accelerate the learning process of a particular issue as well as

help firms build the skills of maintaining "vigilant trust" (Sabel 1993) with one another after the course has ended. In this respect, the other Argentine programs may well be deficient. The IERAL study makes little mention of the use of group or network learning methods in its analysis of the programs. When it does, such as with FONTAR's *Consejeros tecnologicos*, IDEB's *Programas de cooperación empresarial*, or Mendoza's *Integración PyME*, one learns that the program has little resources and lacks a coherent organizational structure.

IV. Concluding Remarks

This paper has argued that a key problem to SME development in Argentina is the lack of coherent, vibrant inter-organizational network that link related firms to one another and institutional actors, such as banks, universities, and publicly funded support agencies. Argentine policies that have aimed to improve the economy and SMEs in particular have concerned foreign trade liberalization, finance, and training and technical assistance programs. In most respects, these policies have fallen short in aiding SMEs.

First, the evidence on Argentine SMEs shows that most work in isolation. To the extent that they participate in value chains of large firms and exporters, SMEs tend to receive neither the demand pull nor the attendant support from large exporters or MNCs as the latter appear to engage in low-value added production, which create weak backward linkages, or to import complex components. The need for effective SME support programs that can help create supplier networks and upgrade the capabilities of the SMEs becomes critical. Exporters and MNCs will tend to avoid investing in complex production in the absence of at least credible private and public partners that will bear some of the costs of upgrading domestic suppliers.

Second, although financing of SMEs may improve with improvements in certain laws on movable property and in unified data bases of debtors, the core problem of SME access to bank finance appears to be a combination of structural and relational factors. That is, the evidence suggests that SMEs become beholden to quasi-monopolistic banks, since the banks find it highly risky to invest in complex production (be it in large or small firms) and in new clients with unclear information. This problem of risk averseness goes beyond imperfect information issues in the sense that banks, and financiers in general, find it costly to learn and experiment with new clients or conditions that produce unclear returns in the short-term. Learning and experimentation demands the development of close relationships between creditors and debtors, or at a minimum, creditors and credible third parties that can help creditors screen projects and share the burdens of ex post monitoring. Relationship-building is hindered in two ways. From a financier's point of view, the opportunity costs are high to train employees, reorganize their structures, and develop new products without assurances of reasonable returns. From the demand side, SMEs often lack the experience, information, and knowledge to present credible projects. In other words, project finance and development is as much about having relevant actors embedded in a common network or community and sharing a common discourse as it is about credit scoring. Notice that in this view, the recent euphoria about the potential in Argentina for the entry of risk capital may be short-lived, since venture capitalists tend to operate within known, dense inter-

organizational networks, in which credible third parties can at least provide tacit knowledge and social capital to aid financiers evaluate investment options.

During the 1990s, Argentina has devoted significant resources to help SMEs gain better access to finance, training, and technical assistance. The programs aimed at financial support for SMEs come in two main forms: subsidized credit lines and guarantee programs. These policies, thus far, have failed penetrate much of the SME market for two related reasons. First, the administering agencies are often disconnected from programs that provide training and technical assistance to SMEs. In turn, the agencies, participating banks, and the firms are unable even to start a common dialogue about the creation of quality projects and of corresponding financial instruments. Second, tend to be highly centralized and bureaucratic and, in general, fail to realize the importance of embedding their structures in local inter-organizational networks, which, as mentioned above, are critical sources of knowledge and complementary mechanisms of *ex ante* and *ex post* monitoring. To the extent that guarantee programs, such as the SGR policy, are aware of linking lending to inter-firm networks, they suffer from a chicken-and-egg problem. The SGR policy may be good for established, dense networks, of which there are few in Argentina, but it does not offer mechanisms that facilitate the simultaneous creation of new financial vehicles and inter-organizational networks.

In general, most agencies and programs that provide training and technical assistance services suffer from similar problems. On the one hand, the agencies lack mechanisms of decentralized monitoring that facilitate local learning and initiative. In turn, the agencies, particularly at the national level, become ever more dis-embedded from local organizational actors that can provide complementary resources and knowledge, resulting in inadequate projects and inter-agency turf battles. On the other hand, the programs and training methodologies tend to focus on individual firms, foregoing the benefits of interactive, group learning. In short, the benefits of collective problem solving are lost at both the agency and program levels. By not having the agency and its offices become nexus points of inter-organizational networks, the providers duplicate capabilities, fail to learn from one another about SME needs and the most efficient ways to address them, and have weak mechanisms of *ex ante* demand stimulation and *ex post* monitoring of customers and program effectiveness. Similarly, by not linking group learning to training and assistance, the programs limit the ability of participating firms to rapidly acquire a variety of knowledge for the implementation of continuous improvement systems as well as generate the basic skills of collective problem solving and inter-firm alliance-building.

For the agencies and programs that appear to be better performers, the reverse is the case in two ways. First, both the agencies and the programs are design and implemented to facilitate iterative institutional and SME learning by focusing on the importance of embedding themselves in inter-organizational networks and developing methods of collective problem-solving. Second, the emphasis on development of systems of self-evaluation and continuous improvement is apparent in both the way the agency creates its organizational structure and the way it trains and assists clients. The best examples of these traits can be found in the Rafaela CDE and certain offices and programs of agencies in Santa Fé, Córdoba, Mendoza and the IDEB of Buenos Aires.

However, these initial success stories, like a few SGRs highlight a critical barrier to growth and expansion of quality Argentine SME support initiatives: are they simply products of good location? That is, the few, more successful cases of support agencies and programs tend to be locate in regions where more or less dense inter-firm and inter-organizational networks already exits. The given models say little about the critical problem of simultaneously creating new programs and rich inter-organizational networks from fragmented institutional and economic actors. In turn, expansion of and agency's given market and duplication of a successful agency or program become limited to boundaries of a given regional network and institutional context. These limitations can translate into growth barriers for the fore-mentioned regions and continued low-equilibrium traps for the rest of Argentina.

Ideally, meso-level institutions must be created at both the provincial and national levels that can overcome these limitations by using mechanisms that would facilitate collective learning and monitoring at the local level and at the coordinating macro-level. As I have discussed elsewhere (McDermott 2000), Argentina indeed has the makings of such an institution, whose model can be applied to ongoing reforms of SePyME, FONTAR, FOGABA and IDEB, among others. This institutions is the Unidad Ejecutora Central (UEC) within the Sec. De Asistencia Financiera a la Provinces of the Ministry of Interior. The UEC structure facilitates collective learning and monitoring at the provincial and central coordinating levels in three ways. First, the UEC combines co-financing loans to certain types of provincial projects with technical assistance. In so doing, the UEC teaches provincial actors how to design and evaluate high-quality projects, which in turn, allows the UEC to decentralize monitoring capabilities over time to the provincial level and demonstrate to the less cooperative or motivated the benefits of participation. Second, the UEC simultaneously learns from its experiences with the provincial actors to improve its own methods of cross-provincial benchmarking and knowledge transfer. These two processes bring the dual benefits of improving the capabilities of the UEC to facilitate best-practices duplication across provinces and of freeing up resources and time to encourage and evaluate new initiatives the come from the provincial level. Third, the UEC is governed by a participatory, inter-provincial council, composed of representatives of each province and the Ministry of Interior. The rules of the council enable members to increasingly share information with one another and demonstrate, particularly, the success of certain models to laggards. Consequently, the council has facilitated mutual learning, monitoring, and thus cooperation at the political level as well.

As a way of assisting Argentina improve its SME support policies, therefore, one should engage in two simultaneous projects. First, using the Rafaela region and the Rafaela CDE in particular as a benchmark, one should examine SME development and support programs in two regions that either lack a history of SME networks or have problems reorganizing existing ones. Two types of candidates come to mind. One type are the CDEs in Mar de Plata and San Rafael that are not performing as well, despite their respectively large populations of SMEs in related industries. Analysis of these CDEs would help one identify the institutional and governance deficiencies of agencies and the local public and private actors. The other is the municipality of Palpala in the Province of Jujuy. Existing evidence

shows that this region was decimated by the closing of large steel and mining firms. Yet from this wreckage, ex-employees and the local government engaged one another and regional educational and financial institutions to create not only a public-private partnership for SME support but also a nascent inter-firm and inter-organizational network. The advantage of this case, or one similar, is that it focuses attention on methods to develop simultaneously new institutions for SME training and a potentially vibrant socio-economic community. Together, these comparative cases can help identify not only the best practices of local support programs and the conditions that facilitate institutional and network creation but also aid the outside investigator/consultant in helping these existing agencies trouble shoot more effectively. Moreover, the lessons gained can then become valuable templates to be applied in other regions and in national level agencies.

Second, the issue of best practices replication cannot be addresses without an understanding of how centrally governing bodies assist subordinate level actors in institutional creation – be it the national government vis-a-vis the provinces or the provincial government vis-a-vis the departments and municipalities. Thus, one should examine the development and operations of the UEC to assess its strengths and weaknesses and engage the SePyME and FONTAR to learn from these lessons.

In sum, such a dual project can advance institutional learning at local, provincial and national level in unprecedented ways, since it helps integrate lessons from several levels and can potentially facilitate cooperation among national and provincial actors.

Table 1: Argentine SMEs in International Comparison

	SMEs (quantity)	Net annual growth	Employees per company	% of Employment	% of exports
USA	6,000,000	2,1%	11	54%	31%
EU-12	18,500,000	2,0%	7	72%	15%
MERCOSUR	5,700,000	2,9%	10	62%	12%
Chile	480,000	4,0%	10	80%	19%
Argentina[*]	1,000,000	2,2%	10	69%	10%
Uruguay	170,000	3,7%	4	67%	18%
Brazil	4,050,000	3,0%	11	59%	9%
TOTAL	30,200,000	2,2%	8	64%	19%

Source: IAMC (1999), using data from Eurostat (UE); SBA (USA); CORFO (Chile); IMM (Uruguay) and IGBE (Brazil).
Note: [*] net rate obtained by extrapolation between Censo Económico (1993) and estimates on 1998.

Table 2: SMEs participation in Argentine Economy [*]

SMEs vs. Large Firms in Argentina							
Number of Companies							
	Mfg.	**%**	**Trade**	**%**	**Services**	**%**	**Total**	**%**
SMEs	89,605	99.46	503,193	99.95	301,371	99.49	894,169	99.75
Large	483	0.54	239	0.05	1,542	0.51	2,264	0.25
Total	90,088	100.00	503,432	100.00	302,913	100.00	896,433	100.00
Employment							
	Mfg.	**%**	**Trade**	**%**	**Services**	**%**	**Total**	**%**
SMEs	745,592	73.97	1,084,561	96.00	962,457	72.54	2,792,610	80.61
Large	262,317	26.03	45,162	4.00	364,263	27.46	671,742	19.39
Total	1,007,909	100.00	1,129,723	100.00	1,326,720	100.00	3,464,352	100.00
Gross Added Value [1]							
	Mfg.	**%**	**Trade**	**%**	**Services**	**%**	**Total**	**%**
SMEs	17,313,622	58.12	16,382,954	90.76	12,938,440	71.68	46,635,016	70.78
Large	12,473,777	41.88	1,667,972	9.24	5,111,652	28.32	19,253,401	29.22
Total	29,787,399	100.00	18,050,926	100.00	18,050,092	100.00	65,888,417	100.00

Source: IAMC (1999, p. 1).
[*] Excluded: Financial Services, Oil and Gas, Mining, Communications, Public Services, Health Insurance, Agribusiness, Fishing, Government and Housekeeping Services.
[1] Defined as the difference between the production value and the intermediate consumption.

Table 3: Geographic Distribution of Micro and SMEs (%)

	Number of firms (%)		Production (%)		Employees (%)	
	Micro	SMEs	Micro	SMEs	Micro	SMEs
Buenos Aires	35,0	33,8	33,6	28,2	32,0	34,7
Capital Federal	17,7	23,2	17,9	18,8	30,4	28,0
Santa Fe	10,0	9,7	9,7	9,0	8,9	9,1
Córdoba	9,5	9,3	9,8	7,0	8,7	6,2
Mendoza	4,4	3,9	4,4	3,1	3,3	3,2
Misiones	1,4	1,2	1,5	1,1	1,0	1,6
Neuquén	1,1	1,0	1,2	0,7	1,1	1,1
Resto	20,9	17,8	21,8	32,1	14,6	16,2
Total	100,0	100,0	100,0	100,0	100,0	100,0

Source: IERAL de Fundación Mediterránea based on Indec, Censo Económico, 1994, (IERAL, 1999, p. 89).

Note: IERAL defines Micro as firms with 1-5 employees and SMEs as firms with: 6-100 employees in trade and services; 6-150 employees in industry.

Table 4: Summary of Average SME Conditions in Argentina

	Small	Medium	Large
Organization	Individual Owner	S.A.	S.A.
Age in years	28	38	57
% That Subcontract	4.5% (of companies)	9.5% (of companies)	---
Doesn´t Operate with Bank Loans	24% of firms	14% of firms	---
Annual interest rates of Bank Loans)	25%	23%	12%
Technological Support	Customers and Providers	Customers and Providers	Providers and other sources
Initial Development based on:	Previous experience	Experience and access to new	Access to new technology

		technology	

Source: FIEL. Documento de Trabajo n°47.

Tables 5 a, b, c: Ages of Argentine SMEs

5a. IAMC Survey of SMEs in General	
From 1 to 10 years old	20%
From 11 to 25 years old	25%
From 26 to 50 years old	45%
More than 50 years old	10%

Source: 1000 firms Survey by IAMC, 1996 (IAMC, 1999, p.8)

5b. Industrial Sector	
From 1 to 7 years old	8%
From 8 to 15 years old	21%
From 16 to 30 years old	31%
More than 30 years old	40%

Source: IAMC (1999, p. 8); Pymis Observatory, UIA

5c. Retail Trade in Buenos Aires	
From 1 to 5 years old	39%
From 6 to 20 years old	47%
More than 20 years old	14%

Source: IAMC (1999, p. 8); MiPymes observatory, CEB

Table 6: Principle Sources of Financing Used by Argentine SMEs

Suppliers	37%
Bank Credit	25%
Short-term Credit	14%
Long-term Credit	5%
With Security	6%
Reinvestment of Revenues	14%
Partner Contribution	9%
Others	15%
Total	100%

Source: 1000 firms Survey by IAMC, 1996 (IAMC, 1999, p.9)

Tables 7 a, b. Sources of Investment Finance for Argentine SMEs

7a. IAMC Survey – SMEs	
Own Funds	64%
Bank Loans	20%
New Partners	8%
Issuing of Debt Securities	1%
Others	7%
Total	100%

Source: 1000 firms Survey by IAMC, 1996 (IAMC, 1999, p.9)

7b. SMEs in Industrial Sector	
Own Funds	46.0%
Bank Loans	27.0%
Suppliers Credits	18.5%
New Partners	5.4%
Others	3.1%
Total	100%

Source: Pymis Observatory, UIA (IAMC, 1999, p. 9)

Table 8. Structure of Liabilities of Manufacturing SMEs (in % of Total Liabilities)

	Argentina		Spain	Italy	Japan
	1994	**1996**	**1993**	**1993**	**1993**
Net Worth	55.6	55.1	45.4	32.4	24.2
Debts	44.4	44.9	54.6	67.6	75.8
Debts with Financial entities	17.3	16.0	20.8	25.0	41.4

Source: Observatorio PyME Industrial – UIA (IAMC, 1999, p. 45)

Table 9: Balance Sheets of BNA & BICE (March 1999, in Millions of $)

	BNA	BICE
Assets	17159	779
-Loans	9159	648
- Change in Loans (12/97-3/99)	+16%	-20%
Amount of loans[1]	558534	14
Liabilities	15278	252
-Deposits	12149	0
-External Lines and ON	779	143
Net Worth	1880	527
Adm. Expenditures – 1998	673	10
No. of Employees	15362	99
Monthly Salary (per employee)	$2340	$5140
Branches - in the country	576	1
Subsidiaries – outside the country	16	0

Source: BCRA (IAMC, 1999, p. 185)

1- The BICE has contracts with approximately 50 banks.
The BNA is a shareholder of the BICE (2.13% of BICE capital).

Table 10. Annual Resources for SMEs (Non-financial) Support Programs in Argentina*

SMEs Support Organisms	Resources (in millions)
National Public Organs[1]	151.7
Provincial and Municipal Public Organs[2y3]	65.9
Private Organs[4]	4.6
Total	222.3

Source: Based on 1999 Budgets of National and Subnational Governments and related Organs (IERAL, 1999, p.98)

Notes:
1-Includes: 1999 Budget of SePyME (Fiscal Credit Program included); Agencia Nacional de Promoción Científica (Fiscal Credit Program included), Fundación Export-AR, Promex, Instituto Nacional de Tecnología Industrial (INTI) (50% of budget) and Servicio Geológico Minero Argentino (SEGEMAR) (19% of budget).
2-Includes: 1999 budgets of IDEB, Ministerio de Producción de la Provincia de Santa Fé, Unidad de Promoción Empresarial Agrícola e Industrial de la Provincia de Mendoza, ProMendoza, Fondo para la Transformación y el Crecimiento de Mendoza, Centro Pymes de Neuquén, Secretaría de Industria, Comercio, Turismo y Trabajo del Gobierno de la Ciudad de Buenos Aires (20% of budget), and Secretaría de la Producción de la Municipalidad de Rosario; 20% of the 1997 budget of the Ministerio de la Producción of the Provincia de Buenos Aires.
3- Although the data do not include the programs of all sub-national governments, the jurisdictions considered account for 78.2% of total consolidated public expenditures of Argentina.
4-Includes: an approximation of the 1999 budgets of the IDB-UIA program of the Rede de Centros de Desarrollo Empresarial and the Programas de servicios de apoyo a la microempresa, run by the CGE.
* - Excludes: Agricultural and Fishing support organizations like the Instituto Nacional de Tecnología Agropecuaria (INTA), the Programa de Cambio Rural, and the Instituto Nacional de Investigación y Desarrollo Pesquero (INIDEP).

TABLE 11. Resources for SME Support Latin American Countries

Country	SME Support/ GDP
Brazil	0.10%
Chile	0.08%
Argentine	0.08%

Source: IERAL de Fundación Mediterránea (IERAL, 1999, p. 99).

TABLE 12. National Organizations of Non-Financial SME Support Programs

Organization	Size (Millions of $)	Objectives	Market Orientation	Operative Decentralization	Private Sector Role
Agencia-Fontar-Foncyt	69.9	MteI-FI[1]	Average	Low	Low
Sepyme	54.4	SDE[2]	Average	Low	Null
INTI	18.6	ET[3]	Low	Average	Low
SEGEMAR	4.0	ET	Low	Low	Low
Export-Ar Foundation	3.0	PE[4]	Average	Average	Low
Promex	1.7	PE	Low	Low	Null
Network of Enterprise Development Centers (IDB-UIA)	2.84	SDE	High	High	High

Source: IERAL de Fundación Mediterránea (IERAL, 1999, p. 106)

Notes:
1-Technological modernization, innovation and institutional strengthening;
2-Enterprise Development Services,
3-Technological Extension;
4-Export Promotion.

TABLE 13. Sub-National Organizations of Non-Financial SME Support

Organization	Size (Millions of $)	Market Orientation	Operative Decentralization	Private Sector Role
IDEB	12.0	Average	High	Average
Min. de la Prod. de Santa Fé	26.8	-	-	Low
Ss. de Com. Ext. Córdoba	1.1	Low	Low	Null
UPE Mendoza	2.0	Average	High	Average
Pro Mendoza	0.5	Low	High	Considerable
Ctro. de PyMEs Neuquén	2.5	Low	-	Null
U.O.Dir.Ind. Misiones	N/d	Low	-	Null
C.P.P.A. Misiones	N/d	Low	-	Null
Ss. de CeI Misiones	N/d	Low	-	Null
SICTyT del GCBA	3.2	-	-	-
S.P. de Rosario	1.1	-	-	Null
Ag. Des.Ec. de Córdoba	1.0	**High**	**High**	**High**

Source: IERAL de Fundación Mediterránea. (IERAL, 1999, p. 107)

Table 14. Characteristics and Evaluations of SME Training Programs

Program	Budget (Millions of $)	Market Orientation[1]	Instructor Profile[2]	Follow-up and Evaluation[3]
Federal Program of productivity training	2	Low	N/a	Low
Fiscal Credit Program	30	Average	High	Low
IDEB Training Program	0.82	Average	Average	Average
Enterprise Modernization and Quality Program - Mendoza	N/a	Average	Average	N/a
Enterprise Training Vouchers	1.00	High	High	High

Source: IERAL de Fundación Mediterránea (IERAL, 1999, p.117)

Notes:
1- The extent to which market prices and demand are used to shape and discipline services and programs.
2- The extent to which the service user (e.g., SME) can choose the instructor or relevant consultant or rather is given the instructor or consultant, who is a public employee of the providing agency.
3- The extent to which the given program has a built-in methods of evaluating customer satisfaction and preferences *ex post*.

TABLE 15. Characteristics and Evaluations of Restructuring and Management Programs

Program	Budget (millions of $)	Market Orientation[1]	SME Awareness[2]	Services Customization[3]
Enterprise Reconversion Program[B]	20	High	Average	High
Enterprise Advisers Program for Reconversion	N/a	Low	Low	High
Management Program IDEB	1.2	Average	High	Average
Environment Program IDEB	0.4	Average	High	Average
Quality Program IDEB	0.78	Average	High	Average
Competitiveness Program – Mendoza	V. N/a	Average	High	High
Enterprise Development Centers BID-UIA	2.8	High	Average	High

Source: IERAL de Fundación Mediterránea. (IERAL, 1999, p.118)

Notes:
1- The extent to which market prices and demand are used to shape and discipline services and programs.
2- The extent to which the a given program helps clients become aware of the necessity to reorganize the firm and improve management practices.
3- The extent to which a program customizes services to the customers needs or lets him/her choose, on the one hand, or standardizes all aspects of the service, on the other.
B- Evaluation was made based on the program's design, and not on its implemented form, since it started in 1999.

TABLE 16. Characteristics and Evaluations of Modernization and Innovation Program

Program	Budget (Millions of $)	Market Orientation[1]	SME Awareness[2]	Tech. Customer-Supplier Links[3]
Innovation and Modernization Credits (FONATAR)	25	Average	Low	Average
Technological Advisers (FONTAR)	3	High	Average	High
Fiscal Credit (FONTAR)	20	High	Average	Average
Technological Innovation Program IDEB	0.89	Average	High	High
Technological Services INTI-SEGEMAR	22.6	Low	Average	Average

Source: IERAL de Fundación Mediterránea. (IERAL, 1999, p.122)

Notes:
1- The extent to which market prices and demand are used to shape and discipline services and programs.
2- The extent to which the a given program helps clients become aware of the necessity to reorganize the firm and improve management practices.
3- The extent to which a program helps users and producers of technology build close ties.

TABLE 17. Characteristics and Evaluations of Inter-Enterprise Cooperation Programs

Program	Budget (Millions of $)	Market Orientation[1]	Freedom to establish rules and norms[2]
Enterprise Cooperation Program (IDEB)	1.1	Average	Average
SME Integration Program – Mendoza	N/a	Average	Average

Source: IERAL dd Fundación Mediterránea. (IERAL, 1999, p.124)

Notes:
1- The extent to which market prices and demand are used to shape and discipline services and programs.
2- The extent to which a program allows participating firms develop their own rules and forms of cooperation rather than imposing them on the firms.

TABLE 18. Characteristics and Evaluations of Export Promotion Programs

Program	Budget (Millions of $)	Market Orientation[1]	Competitiveness Promotion[2]	Formal Diplomacy Structure Independence[3]
Export- Ar	3	Average	Low	Low
Promex	1.7	Average	Low	Average
Promendoza	0.5	Low	Low	High
Coordinación de misiones comerciales de Córdoba	1.1	High	N/a	N/a

Source: IERAL de Fundación Mediterránea. (IERAL, 1999, p.125)
Notes:
1- The extent to which market prices and demand are used to shape and discipline services and programs.
2- The extent to which the program goes beyond traditional promotion of exportable goods and supports strategies of cost reduction and quality improvement.
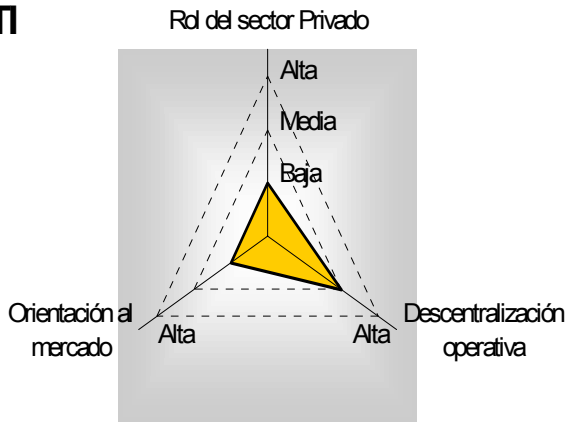3- The extent to which the program utilizes the network of diplomatic offices that help external trade promotion.

Figure 1
SME Share of Total Employment
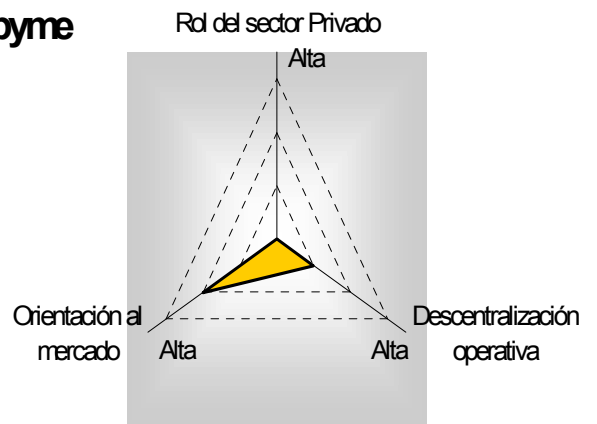(< 100 employess – trade and services; <150 employees – industry)
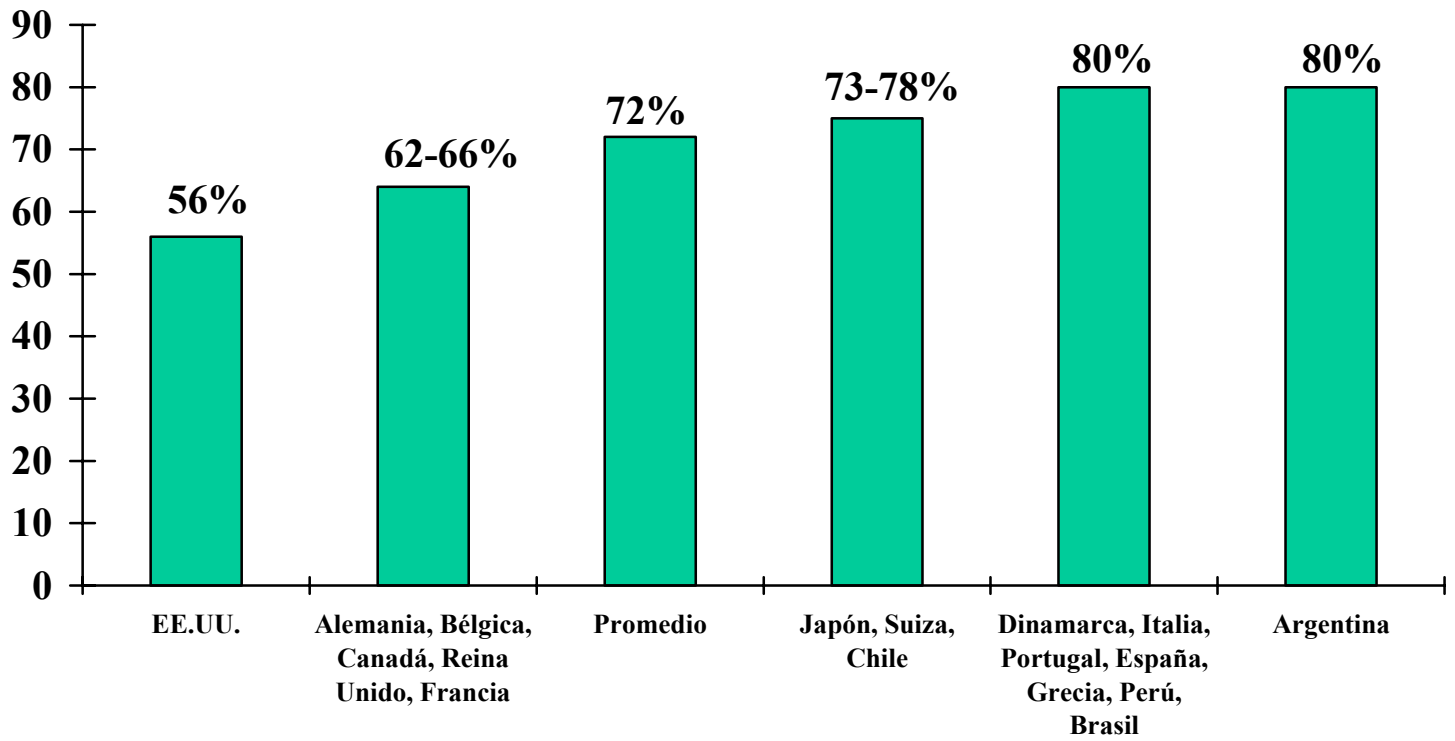
**VI.	Figure 2: Evolution of Interest Rates in Argentina**

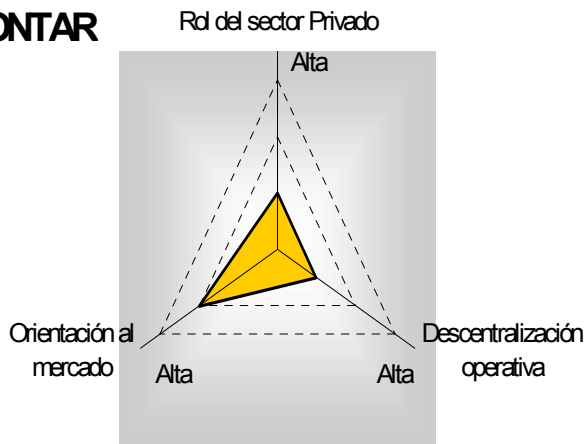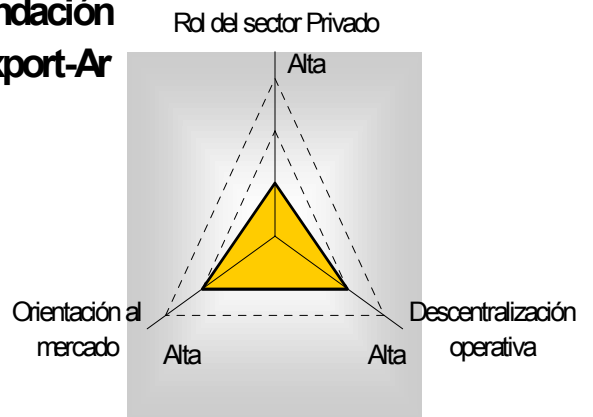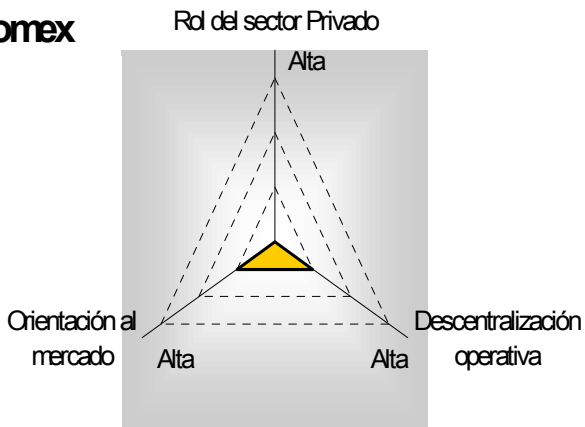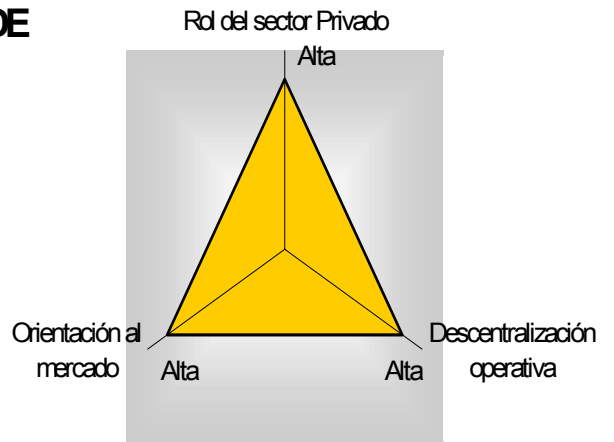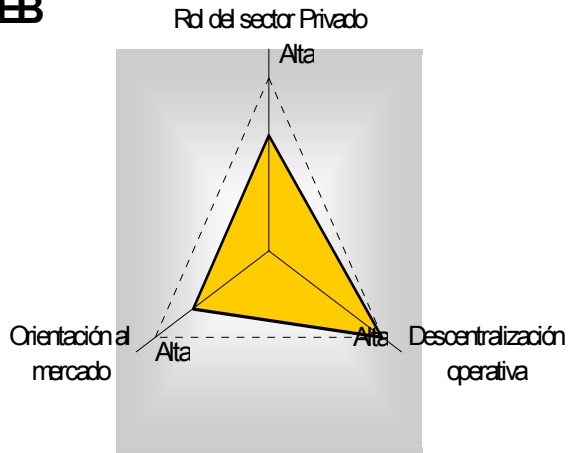**Figure 3. Characterization of National Organizations** (IERAL, 1999, p. 136)

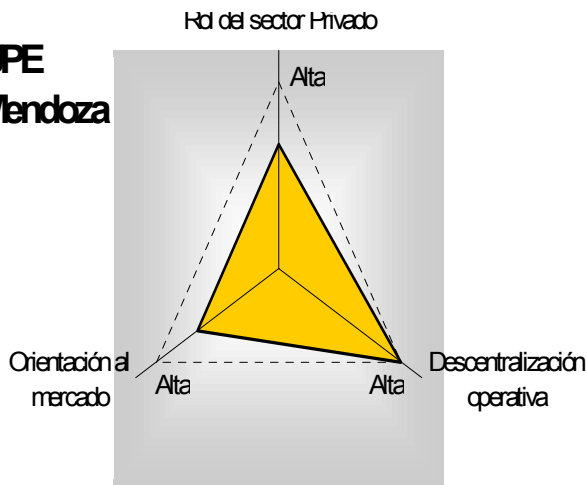**Figure 4. Characterization of Provincial Organizations** (IERAL, 1999, p.137)
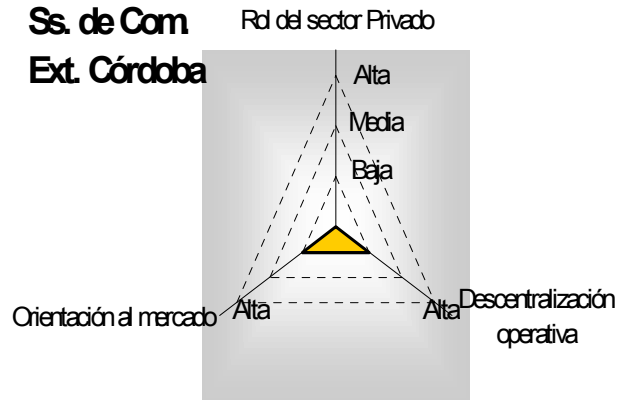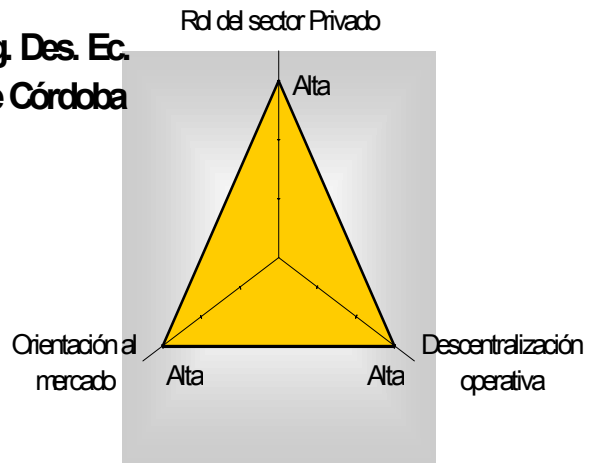
Figure 5. Budget and Number of Programs According to Area of Focus
(IERAL, 1999, p. 140)

Figure 6. Suitability Level of Programs of Training and Assistance (IERAL, 1999, p.141)

Grading Scale:
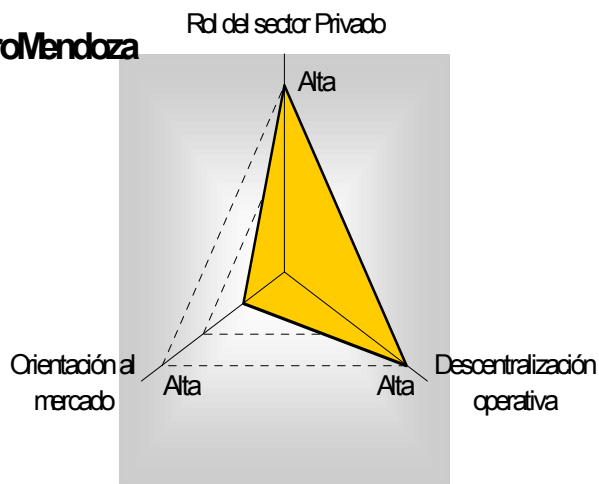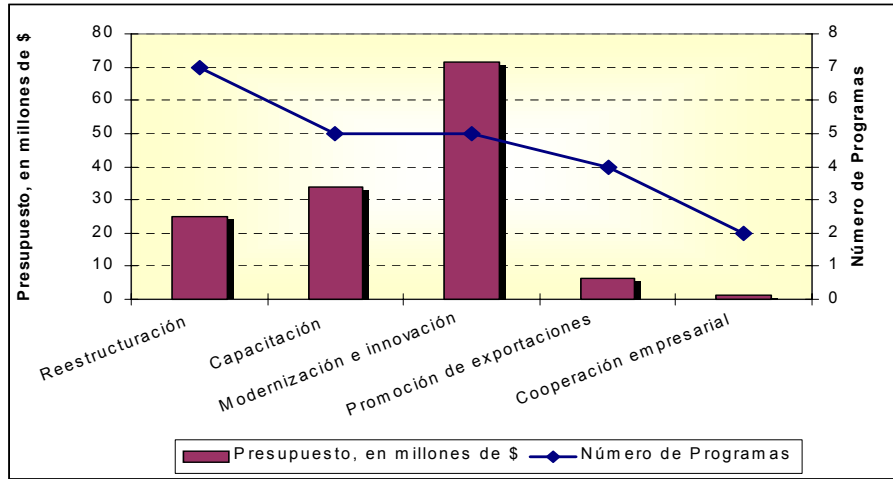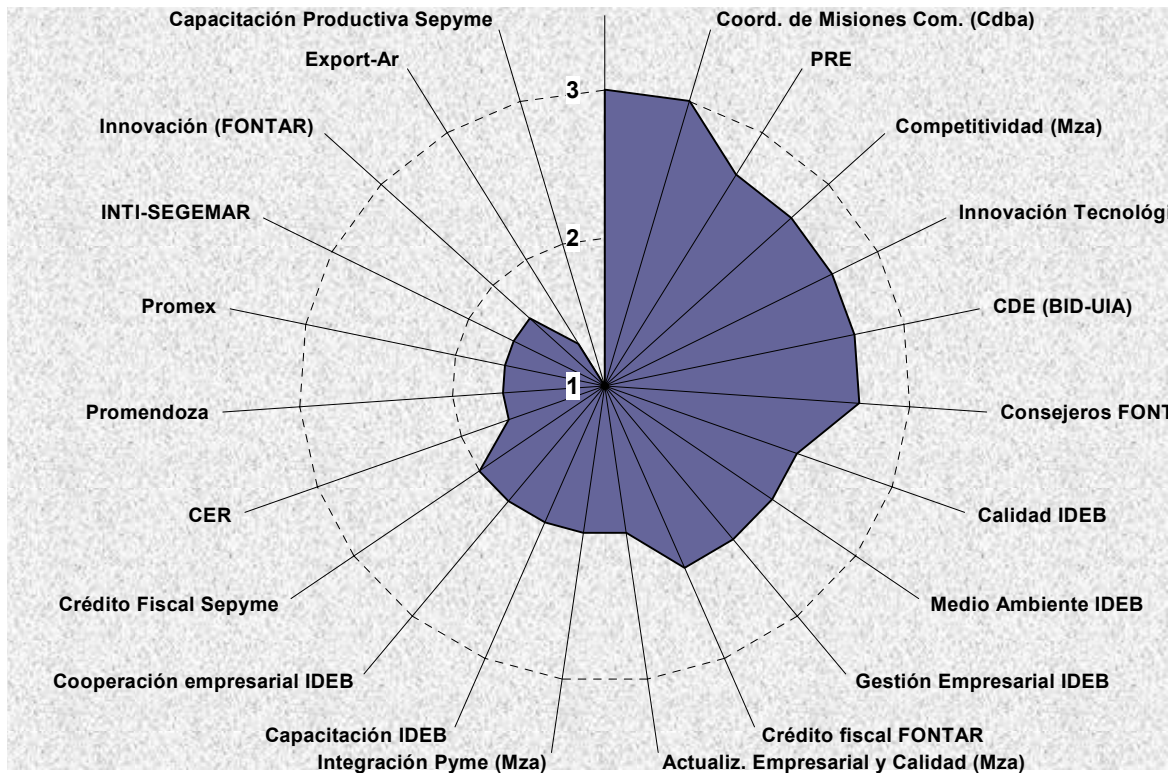1 – Low Level of Suitability
2 – Medium Level of Suitability
3 – High Level of Suitability

Exhibit 1. Sociedades de Garantías Recíprocas y Fondos de Garantía

F.O.G.A.B.A. Fondo de Garantías Buenos Aires

F.O.G.A.B.A. was created under the law 11.560. Its stated goal is to encourage economic activity within the province of Buenos Aires. Its statute of incorporation was approved in September 1995 through decree Nº 2.892 decree. The firsts authorities were chosen and it was decided that F.O.G.A.B.A. was going to depend on the Ministerio de la Producción y el Empleo de la Provincia de Buenos Aires. It's board of directors is composed by three persons of the private sector, one mipyme (chosen by the private sector) and four of the public sector.

F.O.G.A.B.A. officially started to work in March 1996 with a 50 millions pesos fund (now it has $12 millions), in 1998 a *fondo de riesgo bancario* was added which is going to have 60 million pesos but now it only has $19 millions.

F.O.G.A.B.A. is destined to guarantees loans to finance projects which contribute to develop SMEs based in Buenos Aires. It provides guarantees for the emission of bonds. F.O.G.A.B.A.'s insurance covers up to 75% of a loans principal and charges a percentage fee for this service. When gieven a guaranteed loan financing, if necessary, SMEs have to suscribe F.O.G.A.B.A. shares fo $1.200

Las Sociedades de Garantías Recíprocas

Currently there are four SGR operating: Garantizar SA, AVALUAR SA and MACROAVAL SA.

Garantizar SA was created in September 1997, has 157 active partners, a $18,8 millions and guarantees given for $15,4 millions. CAES started its activities a month before Garantizar, has 232 active partners, a $40 million fund and $158.1 millions on given guarantees. AVALUAR begun operating in September 1998, has 124 active partners, a $ 30,6 million fund, and $10,5 millions guaranteed. MACROAVAL is the newest SGR (December 1998), the smallest (112 active partners; $4.6 million fund; $24 thousand given guarantees).

Source: IERAL (1999, p.132)

Exhibit 2. The SePyME and the Agencía

The SePyME

Created in 1997, the Secretary of Small and Medium Enterprises (SePyME) was under the jurisdiction of the National presidency, and moved in 2000 to the Ministry of Economy. The purpose of this institution is to guide and help SMEs in education, financing, identification of new market niches, quality improvement, cost reduction, improvement of technology and promote modern managerial partnerships. Two subsecretaries, Politics & Programs and Technical & Financial Assistance, coordinate the main activities of the SePyME, which operates SME programs that were previously scattered across different jurisdictions.

VII.   The National Agency for Scientific and Technological Promotion

The agency was created in 1996 under the frame of a reform of the Science and Technology sector. The reform aimed to reshape the old rules and ways of functioning to improve collaboration with the private sectors and make an adjustment to the local and international context. The creation of the Agency altered the roles of SECyT and CONICET which previously administered programs for science and technology promotion within the Ministry of Education. The Agency deals with two institutions: Fondo Tecnológico Argentino (FONTAR) and Fondo para la Investigación Científica y Tecnológica (FONCYT). FONCYT supports research projects and activities that would have a public impact and that would help the development of new technologies. FONTAR finances modern and revolutionary technological projects that aim to improve the efficiency of companies that produce services and goods.

Source: IERAL (1999, p.105)

Exhibit 3. Horticulture in Neuquén, Argentina.
An example of the damage that a badly organized government can cause to private firms.

The horticulture industry was established as a key factor for the provision of Neuquén two years ago. The region has natural conditions (land, climate, and water) for horticulture but 80% of its consumer goods comes from other regions. There are only 372 hectares used in Neuquén.

A recent investigation shows the public institutions that work with enterprises of the private sector. At the provincial level are Secretary of the Copade Estate, Estate Secretary of Production and Tourism, Industry Provincial Direction of Commerce, Industrial Promotion and School of formal education in agricultural technique. At the national level the National University of Comahue and the National Institute of Agricultural Technology with services related to horticulture and Senasa. At the Municipality Jurisdiction Direction of *Microemprendimientos*.

These organizations did not coordinate their work and had their own goals. Consequently work was left undone, redundancy of work was common, and, above all, conflicting diagnoses of the same cases were left unresolved. Producers said that technical assistance was of poor quality, and that they had to visit many different offices to know clearly which was the right place for specific problems.

There is no unification of rules with other levels of the government. This process is very slow, advancing only in international relations linked with tourism and commerce with Chile through the constitution of Frontier Committees formed by businessmen of both countries and representatives of local governments. This affects severely the smaller economic units, transforming the possible plans (e.g. scientific and technological support, credits or technical assistance) into real failures.
Source: IERAL (1999, p. 91)

Exhibit 4. El Centro de Pyme de la provincia de Neuquén

The Centro de PyME's central mission is to strengthen micro, small and medium-sized companies. Its goal is to create jobs through the development of private activity promoting and supporting enterprises. It was created under the Nº 2.246 law in 1998. It finances its own operation through a fixed amount of money derived from provincial taxes levied on oil and gas. The budget for 1999 is $2.5 million. Most of this money is spent on the provision of services. Given the small number of provincial SMEs this is one of the best financing sources. The center is autarkic with legal/*jurídica* capacity to act in the sphere to act in public and private law. There is a board of directors in charge of supervising the accomplishment of the center's goals. The board of directors is composed of five members. All of them named by the following organizations: *Ministerio de Economía de la Provincia, el Secretario de la Producción y Turismo, el Secretario de* COPADE and two directors named by the provincial Executive Power. The center is run by an executive secretary named by the provincial governor with the agreement of the Poder Legislativo.
Source: IERAL (1999, p.110)

Exhibit 5. Organizational and Human Resource Problems of SMEs in Córdoba, Mendoza and Misiones.

Most of the SMEs in Córdoba are family based and their internal organization is absolutely informal. They do not planning method or organizational charts. Employees' and directors' responsibilities are not clearly distinguished and are often overlapping. Decision-making is concentrated in the hands of the owners and, most of the time, is intuitive and informal. In Mendoza there is also an important problem of organizational capacity and execution. People there seem unable to transform a situation because they generally do not statistically plan their businesses. These weaknesses limit the capacity to have access to financial credits.

In Misiones, companies tend to use cheap but unskilled labor, lending to very low productivity levels. Some advisors consider that the poor training of business persons is a strong limitation for the firms.
Source: IERAL (1999, p.94)

Exhibit 6. Organismos de apoyo de Misiones

Unidad Operadora de la Dirección de la Industria was created by provincial decree Nº 951/94. Its goals are to make industry reports, advise SME investment projects, and channel funds to SME. This office administers CFI loans, assisting customers with their filings and credit evaluations. It also informs and connects customers with private and public organizations.

The Coordinadora de Programas Provinciales de Apoyo gathers information on financial and non-financial assistance programs, publishes a Weekly Communication Agenda, interviews SMEs to provide them advisory services and accounting services, and organizes various business forums.

The Subsecretaría de Comercio e Integración is charged with export promotion. It collects and disseminates foreign trade data, and also distributes information about export demand via a database run by the *Fundación Exportar*. The Subsecretaría assists during trade shows and conventions, printing material about the province, its firms and products, etc. It does not distribute funds, but limits itself to informing SMEs about CFI credits. Its main institutional interlocutors are the municipalities and trade associations, particularly CACEXMI (*Cámara de Comercio Exterior de Misiones*).
Source: IERAL (1999, p. 111)

Exhibit 7. El Instituto para Desarrollo Empresarial Bonaerense (IDEB)

IDEB was created by a provincial law in 1996. The board of directors is composed of five members of the private sector and five of the public sector. IDEB's mission is to create and promote SMEs. Institutional construction is its main goal.

The view of the IDEB is that a stronger institutional frame is key for the development of the Micro- and SME sectors and for economy in general. The organizational structure of IDEB was designed to minimize the amount of hierarchical levels. The whole of the structure has around 110 people, of which 60 are technicians.

Companies have access to IDEB's services and programs through around 35 CENTROS IDEB. These centers are non-profit associations where all the managerial forces and the municipalities (less than 50%) must be represented. Universities, if there are any, must also be represented at the IDEB CENTER. The centers are active in out-reach and educating demand.

IDEB offers a limited selection of products and services to maximize economies of scale. These products and services have a specific manual. Universities give courses on quality, training, management, technology and environment. Commercial and Associative Programs are given by an IDEB center.

Source: IERAL (1999, p.108)

VIII. Appendix A

Definition of SMEs (IAMC, 1999, p. 2)

The *Ministerio de Economía,* through the resolutions Nº 401/89, 208/93 and 52/94 defines a SMEs according to these variables: employment, invoicing, assets, net worth and productive capital. It considers the particular characteristics of the productive sectors. That is why there is a specific definition for each of them.

The following chart exhibits the maximum levels of the variables to classify SMEs.

Sectors	Personnel	Annual Incomes (Millions of $)	Assets (Mill of $)	Net Worth (Mill of $)	Capital
Industrial	300	18	10		
Services and Commerce	100	12		2.5	
Mining	300	18	10		
Transports	300	15			
Farming/Agropecuario		1			3
Frutihortícola		9			7
Turistic Hotels	100	6,5			

The condition to belong to certain category is base on the following formula:

$$P = \left(10 \frac{Poe}{Pom} \times \frac{Vae}{Vam} \times 10 \frac{Ape}{Apm} \right)^{1/3}$$

Where:
P= "Puntaje PYME" given to the company.
PO= Personnel occupied.
VA= Annual sales with no IVA nor internal taxes.
AP=
E=
M=

When the "Puntaje PYME" is smaller or equal to 10 it will be considered that the productive unit is PYME.

Between 0 and 0,3 points	Microempresa
Between 0,3 and 1,5 points	Small enterprise
Between 1,5 and less than 10 points	Middle enterprise

Appendix B. Summary of National SME Support Programs in Argentina (IAMC, 1999, pp 24-34)

Programa	Institución responsable	Principales características	Observaciones
Programas de Apoyo a las PYMEs			
Financiamiento en general			
Plan Trienal de Fomento y Desarrollo de las PYMEs. Establecido en diciembre de 1992 - Fase Residual	Sec. Industria, Comercio y Servicios Sec. PYME	Hace referencia a 2 puntos: a) Régimen de equiparación de tasas de interés. Bonificación de tasas por préstamos comerciales para adquisición de bienes de capital, capital de trabajo y tecnología. El Estado Nacional se hace cargo del 4% de la tasa efectiva anual que cobran las entidades financieras por créditos otorgados a las PYMEs. Se está en la parte residual de este componente. b) Fondo de Asistencia para la constitución de consorcios PYMEs - Fondo de Garantía Suplementaria. Obtención a través de un contrato de seguro de las garantías requeridas para acceder al crédito otorgado por el régimen de equiparación de tasas.	En relación al punto a) Los datos a 1997 son los siguientes: 1) Bonificaciones requeridas por los Bancos: $17,5 millones. 11) Préstamos autorizados: 50.118. III) Crédito presupuestario disponible: $30,7 millones. IV) Han intervenido 48 entidades financieras y ha operado como Banca de Segundo Grado el BICE.
Programa Global de Créditos para las Micro y Pequeñas Empresas (MYPES)	Sec. PYME	Hace referencia a 3 puntos: a) Plan Trienal de Fomento y Desarrollo de las PYMEs. El agente financiero para la ejecución del mismo es el BICE y los fondos deben establecerse en el Presupuesto Nacional. b) Régimen de equiparación de tasas de interés. Bonificación de tasas por préstamos comerciales para adquisición de bienes de capital, capital de trabajo y tecnología. El Estado Nacional se hace cargo del 4% de la tasa efectiva anual que cobran las entidades financieras por créditos otorgados a las PYMEs. Se está en la parte residual de este componente. c) Fondo de Asistencia para la constitución de consorcios PYMEs - Fondo de Garantía Suplementaria. Obtención a través de un contrato de seguro de las garantías requeridas para acceder al crédito otorgado por el régimen de equiparación de tasas.	Según datos de la Sec. PYME, este programa ha distribuido US$89,5 millones a través de 9.510 créditos a un promedio de US$9.500 cada uno. Está prevista una segunda etapa del MYPES

		Programas de Apoyo a las PYMEs	
Programa	**Institución responsable**	**Principales características**	**Observaciones**
		Financiamiento en general	
Micro Nación	Convenio entre la Sec. PYME y el BNA	El programa habilita una línea de crédito por $200 millones para las micro y pequeñas empresas que deseen modificar sus estructuras productivas, adquirir bienes de capital, capital de trabajo o para ingresar en el programa SGR.	El 30% de la línea de crédito se destina a empresas dirigidas por mujeres. Los empresarios deberán participar en jornadas de capacitación con técnicos contratados por la Sec. PYME. El monto del crédito alcanza al 75% de la inversión, siempre que ésta no supere los $35.000, o el equivalente a un mes de facturación.
PROMECOM	Consejo Federal de Inversiones (CFI)	Promover y asistir inversiones que garanticen el mejoramiento de la competitividad de las PYMEs. Dos tipos de financiamiento de acuerdo al objetivo planteado: i) PROMECOM I: Créditos para el financiamiento de la organización productiva y la pre inversión. ii) PROMECOM II: Financiamiento de la inversión para proyectos nuevos o reconversión.	El BNA es el agente financiero.
Créditos para Microemprendi-mientos	Consejo Federal de Inversiones (CFI)	Promover y financiar los microemprendimientos productivos. Destinado a la adquisición de bienes de capital (hasta US$25.000), capital de trabajo (hasta US$10.000) y capacitación (hasta US$2.000).	El BNA es el agente financiero.
Financiación de proyectos de	BICE	Adquisición de bienes de capital y capital de trabajo. Inmuebles. Modernización industrial.	
Financiación a PYMEs	BICE	Producción y venta de las PYMEs a productores de bienes de capital y consumo durables.	
Financiación del IVA	BICE	Adquisición de bienes de capital, nacionales o importados, inversiones en minería, producción de bienes para ex ortación.	

		IX. Programa de Apoyo a PYMEs	
Programa	**Institución responsable**	**Principales características**	**Observaciones**
		Financiamiento Capital de Trabajo	
Financiación de Capital de Trabajo	BICE	Financiar necesidades adicionales de capital de trabajo derivadas de un mayor nivel de actividad.	
		Financiamiento Bienes de Capital	
Financiación para la compra de bienes de capital	BICE	Bienes de capital nacionales o importados. Equipos de riego y accesorios. Vehículos de transporte público para discapacitados. Controladores fiscales.	
		Tecnología	
Programa Bolívar	ONG - BID	Cooperación industrial, tecnológica y científica. Promueve la constitución de joint ventures entre empresas de dos o más países con el fin de incrementar la competitividad de los bienes y servicios generados en América Latina y el Caribe dentro del mercado mundial.	El Programa pone a disposición de los titulares de los proyectos, la posibilidad de utilizar el menú financiero que facilita el acceso al crédito.
Créditos de reintegro obligatorio	FONTAR	Financia proyectos de I&D de nuevos procesos productivos, desarrollo de nuevos materiales y nuevos productos, modificaciones de tecnologías, formación de recursos humanos.	La fuente de los recursos es el BID y el BNA actúa como agente financiero. Se financia hasta el 80% del proyecto con un monto máximo de US$ 2 millones.
Créditos especiales de reintegro obligatorio	FONTAR	Financia proyectos de adaptaciones y mejoras, desarrollo de tecnologías, introducción y perfeccionamiento de productos y procesos y gestión de calidad con bajo nivel de riesgo técnico y económico.	La fuente de los recursos es el Tesoro Nacional a través de la Ley 23.877 y la Agencia y provincias actúan como agentes financieros. Se financia hasta el 80% del proyecto con un monto máximo de US$ 300 mil,
Crédito de reintegro obligatorio para PYMEs	FONTAR	La producción de tecnología a escala planta piloto, prototipo y fábrica, con mediano nivel de riesgo técnico.	La fuente de los recursos es el Tesoro Nacional a través de la Ley 23.877 y la Agencia y provincias actúan como agentes financieros. Se financia hasta el 80% del proyecto con un monto máximo de US$ 200 mil.

Programas de Apoyo a las PYMEs			
Programa	**Institución Responsable**	**Principales características**	**Observaciones**
Tecnología			
Créditos de reintegro contingente	FONTAR	Subvenciones a proyectos de innovación tecnológica hasta la fase de construcción de prototipos o plantas pilotos. Asociados a un mediano a alto riesgo. Financiar la producción de conocimientos potencialmente aplicables a una solución tecnológica cuyo desarrollo alcanza una escala de laboratorio.	La fuente de los recursos es el BID y la Agencia actúa como agente financiero. Se financia hasta el 80% del proyecto con un monto máximo de US$ 1.5 millones. La fuente de los recursos es el Tesoro Nacional a través de la Ley 23.877 y la Agencia y provincias actúan como agentes financieros. Se financia hasta el 80% del proyecto con un monto máximo de US$ 200 mil.
Crédito Fiscal	FONTAR	I & D. El 50% del cupo fiscal de 1998 ($10 millones) se asignará a PYMEs.	Financia el Tesoro Nacional y el agente financiero es la Agencia. El monto máximo de financiamiento es el 50%, sin topes.
Subsidios para PYMEs - Desarrollo Tecnológico	FONTAR	Para empresas Micro y PYMEs. Subvenciones a proyectos de innovación tecnológica hasta la fase de construcción de prototipos o plantas pilotos. Asociados a un mediano a alto riesgo.	La fuente de los recursos es el BID y la Agencia actúa como agente financiero. Se financia hasta el 50% del proyecto con un monto máximo de US$ 100 mil.
Consultoría			
Programa de Consejeros Empresarios para la Reconversión (CER)	Sec. PYME	También denominado Consejeros Ejecutivos Retirados. Asesoramiento gratuito para la dirección competitiva de las empresas. El Consejero hace su tarea en forma honoraria.	

Programa de Apoyo a las PYMEs			
Programa	**Institución responsable**	**Principales Características**	**Observaciones**
		Consultoría	,
Fundación Invertir Argentina	Fundación Invertir Argentina	Los directivos **de pequeñas y medianas empresas son** asistidos, a través del apoyo técnico de ciertas universidades, en la preparación de información sobre sus firmas con el contenido y formato que requieren los bancos para evaluar proyectos de inversión o crecimiento. Una vez concluidas las actividades de los talleres y elaborados los memorándums informativos, los participantes del programa tendrán la oportunidad de presentar su empresa y proyecto a ejecutivos de bancos y, eventualmente, de Fondos de Inversión Privada en encuentros especialmente organizados.	Los requisitos para participar en el programa son: un nivel de facturación anual superior a $1 millón y mostrar rentabilidad positiva en los balances de los dos últimos ejercicios. **El costo es de $1.300 por empresa participante.**
Red de Centros de Desarrollo Empresarial	UIA	Promueve la mejora de la gestión empresarial a través de la cofinanciación de una amplia gama de servicios no financieros, tanto de apoyo comercial en el mercado local e internacional, como tecnológico, de capacitación, de cooperación interempresarial.	El proyecto se ejecuta de manera descentralizada. La UIA canaliza los fondos del proyecto a 4 fundaciones de "Centros de Desarrollo Empresarial". Los beneficiarios son las empresas industriales de las zonas de acción de los Centros, que empleen hasta 100 personas en su planta permanente.
Subsidios para PYMEs - Plan de negocios	FONTAR	Estudios de mercado, diseño, puesta en marcha de nuevas plantas o nuevas instalaciones, organización de recursos humanos.	La fuente de los recursos es el Tesoro Nacional a través de la Ley 23.877 y la Agencia y provincias actúan como agentes financieros. Se financia hasta el 50% del proyecto con un monto máximo de US$ 20 mil.
Subsidios para PYMEs - Formulación de Proyectos	FONTAR	Estudios acerca del estado de la tecnología y factibilidad económica, definición de objetivos, presupuesto, plan de trabajo, erogaciones, organización del proyecto y determinación de ejecutores.	La fuente de los recursos es el Tesoro Nacional a través de la Ley 23.877 y la Agencia y provincias actúan como agentes financieros. Se financia hasta el 50% del proyecto con un monto máximo de US$ 20 mil.

Programas de Apoyo a las PYMEs			
Programa	**Institución responsable**	**Principales características**	**Observaciones**
Consultoría			
Subsidios para PYMEs - Consejeros Tecnológicos	**FONTAR**	Programa coordinado entre la Sec. Ciencia y Tecnología y la Sec. de Industria. Cada proyecto se estructura con un tutor y un grupo de egresados universitarios, que se instalan a tiempo completo durante 10 meses en las PYMEs asociadas-	La fuente de los recursos es el Tesoro Nacional a través de la Ley 23.877 y la Agencia actúa como agente financiero. Se financia hasta el 50% del proyecto con un monto máximo de US$ 110 mil.
Certificación de calidad	BICE	Financiamiento de los servicios de consultoría para la obtención de los certificados de calidad.	
Estudio impacto ambiental	BICE	Financiar los servicios profesionales para el estudio de impacto ambiental.	
Capacitación			
Régimen de Crédito Fiscal	Sec. PYME	Beneficio impositivo que permite a las empresas recuperar las inversiones realizadas en capacitación de los trabajadores. Al momento de pagar los impuestos recaudados por la AFIP presenta el Certificado de Crédito Fiscal. Las empresas pueden obtener el Certificado de 3 formas: individualmente, asociándose con otras PYMEs o beneficiándose de la cesión realizada por la gran empresa a la que proveen.	El monto máximo del Certificado equivale al 8 por mil de la masa salarial bruta de los últimos 24 meses. Para 1998, se dispuso de $18 millones de cupo fiscal y para 1999, $12 millones. La capacitación estará a cargo de las Unidades Capacitadoras inscriptas en la Secretaría.
Subsidios PYMEs - Capacitación	FONTAR	Cursos de capacitación a cargo de las Unidades de Vinculación Tecnológica en nuevas tecnologías de producción y de gestión.	La fuente de los recursos es el Tesoro Nacional a través de la Ley 23.877 y la Agencia y provincias actúan como agentes financieros. Se financia hasta el 50% del proyecto con un monto máximo de US$ 20 mil.

Programas de Apoyo a las PYMEs			
Programa	**Institución responsable**	**Principales características**	**Observaciones**
Comercio Exterior			
Pymexporta. (También denominado PREX I)	Sec. PYME	El Programa reembolsa el 50% de los gastos de servicios de consultoría para la exportación, con un máximo de $75.000 por proyecto y $125.000 por empresa. Los empresarios reciben asesoría para formular el plan exportador a través de un Ejecutivo de Cuenta de la Agencia de Promoción de la Sec. PYME. Las mayores necesidades de las PYMEs se concentran en el rubro Promoción Comercial y Desarrollo de la Empresa.	Cerró su primer tramo: 1.073 planes exportadores de alrededor de 1.000 empresas, 465 de ellas empezaron a exportar por primera vez.
Financiación de Misiones y Ferias Internacionales	BICE	Ferias y Exposiciones Internacionales. Misiones comerciales al exterior. I&D de prototipos.	
Prefinanciación de Exportaciones. Financiación de exportaciones argentinas al Mercosur, Chile y Bolivia	BICE	MOI y MOA destinadas a la exportación.	
Financiación de exportaciones Extra Zona	BICE	MOI y MOA destinadas a la exportación. Bienes de capital. Partes y piezas para bienes capital. Otros bienes. Plantas industriales y obras "llave en mano" . Servicios técnicos, investigaciones.	
Sociedades Mixtas en el Mercosur	RICE	Bienes y servicios destinados a la constitución y al desarrollo de nuevas sociedades en cualquier Estado Miembro del Mercosur.	

Programas de Apoyo alas PYMEs			
Programa	**Institución responsable**	**Principales características**	**Observaciones**
Comercio Exterior			
Línea UBS	BICE	Financiar la importación de bienes de capital y servicios suizos.	
Línea del Banco Leumi Le- Israel	BICE	Financiar la importación de bienes de capital y servicios israelitas	
Información	Fundación ExportAr	Asesoramiento. Publicaciones: "Claves para Exportar " Catálogos sectoriales * Guías de negocios.	
Capacitación	Fundación ExportAr	En 1995 -1997: Seminarios y Encuentros Nacionales de Exportadores: 31 Seminarios, 8 ENEAS (1327 participantes y 4782 entrevistas) En **1998 -1999:** ENEAS con Países Arabes: 677 Asistentes. 356 empresas participantes. 1.157 entrevistas. 23 seminarios en el país (participantes superior a 2.500) . 36 seminarios en el exterior. 8 seminarios sectoriales por país y/o producto.	
Misiones Comerciales	Fundación ExportAr	En 1995 -1997: Ferias y exposiciones: 149 Ferias. 2639 participantes. US$$121.800.640$ ventas realizadas en las ferias. US$$512.567.000$ ventas proyectadas. Misiones Comerciales: 55 misiones. 1055 participantes. En **1998 -1999:** 42 ferias realizadas del 1 /1 al 31 /10/98. 915 empresas expositoras 4 ferias a realizar en nov.ldic. 98	

Programas de Apoyo alas PYMEs			
Programa	**institución responsable**	**Principales caracteristicas**	**Observaciones**
Comercio Exterior			
Promoción por grupos de empresas	Fundación ExportAr	**En 1998 -1999:** Programa conjunto con la Fundación BankBoston Formación de agrupaciones de exportadores de: yerba mate y te, equipamiento hospitalario, productos alimenticios varios (en formación), maquinarias para alimentación (en formación)	
Reconversión Productiva			
Programa de Apoyo a la Reestructuración Empresarial - PRE	Sec. PYME	El PRE tiene como objetivo el proceso de reestructuración de las PYMEs a través del desarrollo de la organización y en la calidad de los procesos y productos. Tiene varios componentes: a) Componente de apoyo directo a empresas, para facilitar la contratación de servicios de apoyo para mejorar la competitividad de las empresas. b) Componente de reorientación empresarial y apoyo a la oferta, tiene 2 subcomponentes: I) Reorientación empresarial, promover un cambio de actitud en los empresarios PYME para adecuar sus prácticas de gestión a las nuevas exigencias. I1) Apoyo a la oferta de servicios: capacitación para los oferentes de servicios de consultoría a las PYMEs. c) Componente de Coordinación de Información, coordinar y difundir los programas públicos y privados de apoyo empresarial y el modo de acceder a ellos.	Proyecto en ejecución.

Programas de Apoyo a las PYMEs			
Programa	**Institución responsable**	**Principales características**	**Observaciones**
Sistemas de Garantía			
Sociedades de Garantía Recíproca - SGR	Sec. PYME	Promueve la formación de SGR para facilitar a las PYMEs su acceso al crédito formal.	
FONMICRO	Sec. PYME	Sistema de garantías hasta $500.000. Asiste el Estado, fondea el Presupuesto y 20% de aporte de capital privado.	
FONPYME	Sec. PYME	Sistema de garantías de $500.000 a $ 5 millones. 50% de aporte de capital privado.	
Otros Programas			
Programa Consorcios PYMEs	Sec. PYME	Subsidios para costear parte del funcionamiento de los Consorcios PYMEs. En 1998 se subsidiaron 9 consorcios por un valor total de $180.000.	
Programa Compre PYME	Sec. PYME	Fomentar, desarrollar e incrementar la participación de las PYMEs en la provisión de bienes y servicios a las grandes empresas a través del financiamiento y la capacitación.	Se puede combinar con el Programa de Crédito Fiscal para desgravar la capacitación (Proyecto de decreto).
Línea para la Compra de locales	Sec. PYME	A propuesta de la Secretaría, el BNA dispone de una línea de créditos para la compra y remodelación de locales para actividades productivas, de comercialización y servicios.	El monto máximo de financiación corresponde al 70% del total de la compra o refacción y la amortización está prevista a 5 años a una tasa del 12% anual.
Programas específicos: PYME Mujer, PYME	Sec. PYME	La idea es escuchar a las PYMEs y luego ir definiendo de qué manera se puede brindar la ayuda necesaria.	

Programa de Apoyo a las PYMEs			
Programa	**Institución responsable**	**Principales características -**	**Observaciones**
Otros Programas			
Sistema Unico Integrado de Información a las PYMEs - SUIIP	Sec. PYME	Brinda información que permite solucionar los principales interrogantes que preocupan al empresario PYME.	
Observatorio Financiero PYME.	Sec. PYME	Unidad de monitoreo permanente de las ofertas financieras existentes en el mercado institucional para las PYMEs. Se confecciona un reporte periódico de libre disponibilidad, ingresándose los datos en el SUIIP	
Programas Coyunturales	Sec. PYME	a) Financiamiento por el problema informático del año 2000 e innovación tecnológica. b) Asistencia para Zonas Inundadas. c) Préstamos para afectados por corte de energía eléctrica.	
Programas Coyunturales	UIA	Relevar toda la información necesaria para realizar un diagnóstico y monitoreo de las PYMEs y promover un debate para informar sobre el tema a través de Encuestas Coyunturales.	PYMEs industriales

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