

Japan International Cooperation Agency (JICA)

**The Ministry of Production and Commerce,
The Bolivarian Republic of Venezuela**

FINAL REPORT
for
The Study on Promotion of
Small and Medium Enterprises in
The Bolivarian Republic of Venezuela

December 2001

UNICO International Corporation

PREFACE

The present study, conceived by the request of the Government of Venezuela to The Government of Japan, was conducted by the Japan International Cooperation Agency (JICA).


JICA sent a study team led by Mr. Masaaki Shiraishi, UNICO International Co., Ltd., to Venezuela four times between February and November 2001.

The study team discussed with government officials and other related parties, conducted field surveys in the study area, analyzed the survey results, and developed a set of proposals and recommendations, as compiled in this final report.

I sincerely hope that the report will contribute to the development of small- and medium-sized enterprises as well as economic development in the country, as part of the progressive relationship between the two countries, their governments and people.

I would like to express my gratitude to organizations and people who have extended cooperation and support for this study.

December 2001



Takao Kawakami

President

Japan International Cooperation Agency

December 2001

Mr. Takao KAWAKAMI
President
Japan International Cooperation Agency
Tokyo, Japan

Letter of Transmission

We are pleased to submit a final report on the “Study on Promotion of Small and Medium Enterprises in the Bolivarian Republic of Venezuela. The report consists of: proposals for overall promotion policies for small- and medium-sized enterprises; proposals for promotion programs for four priority subsector, i.e., automotive parts, plastics products, aluminum products, and information technology (software); and a report on the venture capital development study that was conducted as a pilot project.

Venezuela, one of the leading oil producing countries in the world, is also endowed with a variety of resources, including non-ferrous metal (bauxite, iron ore, coal, natural gas, gold, silver and uranium), forest, agriculture, livestock farming, hydropower, and tourism. However, the country’s economy is highly skewed toward the use of oil resources and some sectors have still to enjoy benefits from the abundant resources, as seen in various socioeconomic problems, including the increase in the number of population in the poverty group due to increased inequality in income distribution, the rise in unemployment rate due to the shortage of employment opportunity, and social unrest.

The Chávez administration, which inaugurated in 1999, set forth SME promotion as a major policy issue in the national economic development plan and enacted the SME Promotion and Development Law in this November, followed by efforts to start creation of an organization to implement systematic SME policies and programs.

In fact, the present study was conducted in conjunction with the first comprehensive SME promotion efforts in the country. Furthermore, the study itself was positioned as a critical SME promotion program in the national economic development plan.

The study was therefore started with high expectation for the JICA study team and was conducted under an enthusiastic support from various departments of the central

government, local governments, and private organizations, including the provision of important information and opinions. Throughout the study period, extensive discussion was made on issues related to legislation and policymaking by the Venezuelan government, and recommendations made in the report have led to the formation of the basic framework for the country's SME development strategy.

Finally, we would like to express our gratitude to JICA, the Ministry of Foreign Affairs, the Ministry of Economy and Industry, the Japanese Embassy in Venezuela, and other organizations and individuals for their guidance and support. At the same time, we would like to acknowledge cooperation and support we have obtained from the Vice Prime Minister's Office, the Ministry of Planning and Development, the Ministry of Finance, the Ministry of Science and Technology, the Ministry of Infrastructure, other government organizations, development corporations, state government organizations, local governments, trade organizations, universities, the Venezuelan Embassy in Japan, and many others.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'M. Shiraishi', with a long horizontal flourish extending to the right.

Masaaki SHIRAISHI

Team Leader,

Study on Promotion of Small and Medium Enterprises
in the Bolivarian Republic of Venezuela

INTRODUCTION

This report contains proposals and recommendations for promotion of small- and medium-sized enterprises (SMEs) in Venezuela, as compiled from the results of the extensive study conducted over the past eleven months since February 2001, including four field surveys covering various parts of the country.

At present, Venezuela is undertaking the series of economic reforms in line with the visions set forth in the long-term economic plan of the Chávez administration. Under the slogan of “decentralization”, the country strives to improve its industrial structure and revitalize regional economy. And promotion of SMEs is positioned as one of the major development goals. We believe that it is the time for the Venezuelan economy to implement the bold structural reform initiative as oil prices remain at relatively high levels.

Venezuela is a country known for its abundant natural resources. We have also reaffirmed, throughout the present study, that the country is endowed with human resources, including great development potential. The country needs the infrastructure to ensure the effective use of domestic resources for healthy development of the national economy, and national policy to encourage active participation of people in the development process by providing proper incentives according to an appropriate development guideline.

Now, the Venezuelan economy appears to go strong as supported by the oil industry that grows firmly. However, it still has a number of uncertain factors that could lead to socioeconomic instability, including poverty and unemployment. The government is fully aware of the situation and has been making earnest efforts to ameliorate the social problems by giving priority to promotion of SMEs in the manufacturing sector. In fact, SME promotion policy in the country has entered a full implementation stage very recently as the government established a basic policy framework by enacting the law to promote development of SMEs, and the present study is expected to provide useful input and impetus to policy implementation, as we have found through discussion with the government, private enterprises and other organizations.

The study team had the extensive talks with the central and local governments, related public and private organizations, business enterprises, and regional development corporations, in an attempt to develop a workable and realistic plan that reflects local

conditions as far as possible. We are pleased to present the draft plan for your review and comment.

The present study has progressed smoothly, thanks to close cooperation of excellent staff in the Ministry of Production and Trade, under the leadership of Vice Minister and Director General of Industrial Development Department. At the same time, we would like to express our gratitude to close cooperation and earnest support from the Vice Prime Minister's Office, the Ministry of Planning and Development, the Ministry of Finance, the Ministry of Science and Technology, the Ministry of Infrastructure, the Ministry of Environmental Resources, the Ministry of Energy and Mining, and other government organizations, development corporations, state government organizations, local governments, trade organizations, universities, and many others.

Masaaki SHIRAISHI

Team Leader,

Study on Promotion of Small and Medium Enterprises in
the Bolivarian Republic of Venezuela

List of Abbreviation

Abbr	Spanish	Abbr.	English
ALADI	Asociacion Latinoamericana de Integracion	LAIA	Latin American Integration Association
ALCA	Area de Libre Comercio de las Americas	FTAA	Free Trade Area of the Americas
ALCAN	Acuerdo de Libre Comercio de America del Norte	NAFTA	North American Free Trade Agreement
ALCASA	Aluminio del Carni S.A.		
AMIA	Asociacion Mejicana de la Industria	AMIA	Mexico's Motor Vehicle Assembly Association
ASP	Suministrador de Equipos de Aplicación	ASP	Application Service Provider
AVIAL	Asociacion Venezolana de la Industrial del Aluminio		
BANCOEX	Banco de Comercio Exterior	BANCOEX	Foreign Trade Bank
BANDES	Banco Nacional de Desarrollo, Economico y Social	BANDES	Venezuela's Economic and Social Development Bank
BCV	Banco Central de Venezuela	BCV	Venezuela's Central Bank
BID	Banco Interamericano de Desarrollo	IDB	Interamerican Development Bank
BIV	Banco Industrial de Venezuela	BIV	Industrial Bank of Venezuela
BPD	Barriles Por Dia	b/d	barrels per day
CAF	Corporacion Andina de Fomento	CAF	Andean Development Corporation
CAN	Comunidad Andina	CAN	Andean Community
CAPEIPI	Camara de Pequeña Industria de Pinchincha	CAPEIPI	Pichincha's Small Enterprise Chamber
CARICOM	Mercado Comun Caribeño	CARICOM	Caribbean Common Market
CAVENEZ	Camara Automotriz de Venezuela	CAVENEZ	Venezuela's Automotive Chamber
CAVSA	Corporacion Aluminios de Venezeula		
CDI	Centro de Datos de Internet	IDC	Internet Data Center
CEDEA	Centro Eurovenezolano Desarrollo Empresarial de Aragua		
CERT	Certificacion de Reembolso de Tributo	CERT	Tax Reimbursement Certificate
CFN	Corporacion Financiera	CFN	Financing Institution
CNTI	Centro Nacional de Tecnologias de informacion		
CNV	Comision Nacional de Valores	CNV	National Securities Commission
CONAPRI	Consejo Nacional de Promocion de Inversion	CONAPRI	National Council for Investment Promotion
CONATEL	Comision Nacional de Telecomunicaciones		
CVG	Corporacion Venezolana de Guayana	CVG	Venezuelan Corporation of Guayana
ERP	Plan de Requerimiento de Empresa	ERP	Enterprise Requirement Plan
FAVENPA	Camara de Fabricantes Venezolanos de Productos Automotores	FAVENPA	Venezuela's Chamber of Autoparts Manufactures
FIEM	Fondo de inversion para la Estabilizacion Macroeconomica	FIEM	Investment Fund for Macroeconomic Stabilization
FIV	Fondo de Inversiones de Venezuela	FIV	Venezuela's Investment Fund
FMI	Fondo Monetario Internacional	IMF	International Monetary Fund
FOB	Free on Board	FOB	Free on Board
FONCREI	Fondo de Credito Industrial	FONCREI	Industrial Credit Fund
FONMIPYME	Fondo Colombiano de Modernizacion y Desarrollo Tecnico de las Micro, Pequeña y Mediana Empresas	FONMIPYME	Colombia's Fund for the Modernization and Technical Development of Micro, Small and Medium-sized Enterprises
G-3	Grupo de Los Tres	G-3	Group of the Three
GMV	General Motors de Venezuela	GMV	General Motors Venezuela
ha	hectarea	ha	hectare
INAPYMI	Instituto de Desarrollo de la Pequeña y Mediana Industria	INAPYMI	Institute for Development of Small and Medium Industries
INCE	Instituto Nacional de Capacitacion y Educacion	INCE	National Institution of Training and Education
INE	Instituto Nacional de Estadistica	INE	National Statistics Institute
IP	Protocolo de Internet	IP	Internet Protocol

List of Abbreviation

Abbr	Spanish	Abbr.	English
IPAPC	Instituto Puerto Autonomo de Puerto Cabello	IPAPC	Autonomous Port Institution of Puerto Cabello
IPC	Indice de precios al Consumidor	CPI	Consumer Price Index
IVA	Impuesto al Valor Agregado	VAT	Value-Added Tax
LOA	Ley Organica de Aduanas	LOA	Customs Organic Law
MCCA	Mercado Comun Centroamericano	CACM	Central American Common Market
MCT	Ministerio de Ciencia y Tecnologia	MCT	Ministry of Science and Technology
MEM	Ministerio de Energia y Minas	MEM	Ministry of Energy and Mines
MERCOSUR	Mercado Comun del Sur	MERCOSUR	Common Market of the South
MF	Ministerio de Finanzas	MF	Ministry of Finance
MPC	Ministerio de Produccion y Comercio	MPC	Ministry of Production and Commerce
MRC	Manejo de Relacion de Los Clientes	CRM	Client Relation management
MW	Mega Watts	MW	Mega Watts
OAA	Organización de las N.U. Para la Alimentacion y la Agricultura	FAO	Food and Agriculture Organization
OCEI	Oficina Central de Estadistica e Informacion	OCEI	National Statistics and Information Bureau
OEA	Organización de Estados Americanos	OAS	Organization of American States
OEM	Fabricante de Equipos Originales	OEM	Original Equipment Manufacturer
OMC	Organización Mundial del Comercio	WTO	World Trade Organization
ONU	Organización de las Naciones Unidas	UNO	United Nations Organization
OPEP	Organización de Paises Exportadores de Petroleo	OPEC	Organization of Petroleum Exporting Countries
PCD	Porcentaje Obligatorio de Contribucion de Divisas		
PDA	Asistente Personal de Datos	PDA	Personal Data Administrator
PDVSA	Petroleos de Venezuela S.A.		
PHS	Sistema personal de telefono a Mano	PHS	Personal Handyphone System
PIB	Producto Interno Bruto	GDP	Gross Domestic Product
PIM	Administracion personal de Informacion	PIM	Personal Information management
PyMES	Pequeña y Mediana Empresas	SMEs	Small and Medium-sized Enterprises
SATB	Sistema Automatico de Transaccion de Bolsa	SATB	Automatic Stock Transaction System
SECOMLI	Sistema Electronico de Compensacion y Liquidacion	SECOMU	Electronic Compensation and Liquidation System
SENECA	Sistema Electronico de Nueva Esparta	SENECA	Nueva Esparta's Electronic System
SENIAT	Servicio Nacional Integrado de Administracion Aduanera y Tributaria	SENIAT	National Integrated System of Tax and Customs Administration
SIDOR	Siderurgica del Orinoco	SIDOR	Orinoco's Siderurgy
SIEX	Superintendencia de Inversiones Extranjeras	SIEX	Foreign Investment Superintendence
SISTECOR	Sistema de Conexión Remoto	SISTECOR	Remote Connection System
SOGAMPI	Sociedad Garantias Reciprocas para la Mediana y Pequeña Industria	SOGAMPI	Reciprocal Guarantee Company for Small and Medium-sized Enterprises
TI	Tecnologia de Informacion	IT	Information Technology
TM	Toneladad Metricas	MT	Metric Tons
UNCTAD	Conferencia de las N.U. Para el Comercio y el Desarrollo	UNCTAD	United Nations Conference for Trade and Development
UT	Unidad Tributaria	TU	Tax Unit
VENALUM	Industria Venezolana de Aluminio C.A.		

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