

MINISTRY OF ECONOMY
UNITED MEXICAN STATES

STUDY
ON HUMAN RESOURCE DEVELOPMENT PROGRAM
FOR SMALL AND MEDIUM-SIZED ENTERPRISES
IN THE UNITED MEXICAN STATES

FINAL REPORT

DECEMBER 2009

JAPAN INTERNATIONAL COOPERATION AGENCY

UNICO INTERNATIONAL CORPORATION

PREFACE

In response to a request from the Government of the United Mexican States, the Government of Japan decided to conduct a study on “Human Resource Development Program For Small and Medium-sized Enterprises in the United Mexican States” and entrusted the study to the Japan International Cooperation Agency (JICA).

JICA selected and dispatched a study team headed by Mr. Toru Moriguchi of UNICO INTERNATIONAL CORPORATION between August, 2008 and December, 2009.

The team conducted a field survey and held discussions with the officials concerned of the Government of the United Mexican States for formulating a recommendation on integrated Human Resource Development Program for Small and Medium-sized Enterprises in the United Mexican States. Upon returning to Japan, the team conducted further studies and prepared this final report.

I hope that this report will contribute to the promotion of Small and Medium-sized Enterprises Development of the United Mexican States and to the enhancement of friendly relationship between two countries.

Finally, I wish to express my sincere appreciation to the officials concerned of the Government of the United Mexican States for their close cooperation extended to the study.

December 2009

Atsuo Kuroda,
Vice-President
Japan International Cooperation Agency

December 2009

Mr. Atsuo Kuroda
Vice-President
Japan International Cooperation Agency
Tokyo, Japan

Dear Mr. Kuroda,

Letter of Transmittal

We are pleased to submit the final report of the Study on “Human Resource Development Program for Small and Medium-sized Enterprises in the United Mexican States”.

This Study was executed on the theme of the certification and training for small and medium-sized enterprises (SMEs) consultants, following the study for training and certification of SME consultants and its follow-up study from 2001 to 2003. Aiming at the establishment of the national certification system of SME consultants as a future goal, the objective of the Study was to formulate the recommendation for the establishment of the registration and training system of SME consultants by the Ministry of Economy.

Taking the opportunity of this Study, the Ministry of Economy had launched the new project of the selection and registration of SME consultants before the start of the first fieldwork by the Study Mission, following the profile of SME consultants and the selection process proposed in the previous study. The Mission started the Study with fieldworks for investigation of the actual situation of SME consultants in Mexico, and also technical support works to the project in parallel. The investigation study found out that the Labor Competency Technical Standard of SME consultants published in 2006 is not serving its purpose and many of the support projects of SMEs including those by the Ministry of Economy select and employ consultants by their respective process according to project requirements.

The main activity of the latter half of the Study was implementation of the pilot project to try the selection scheme of SME consultants structured with the Ministry of Economy partly based on the already launched project. The results of the pilot project were reflected in the final recommendations of the unified system of the registration and training of SME consultants of the Ministry of Economy detailed in this report. Interests to establish the registration system of SME consultants unified and shared among projects are building up in the Ministry of

Economy. We hope the system will be officially launched based on the proposed scheme.

We wish to take this opportunity to express our sincere gratitude to your Agency, the Ministry of Foreign Affairs, Ministry of Economy, Trade and Industry, and the Embassy of Japan in Mexico for valuable advice and support. We also wish to express our deep gratitude to the Ministry of Economy of Mexico, other public institutions or organizations involved in the Study, and those private agencies and consulting firms for the close cooperation rendered to us for this Study.

Very truly yours,

Toru Moriguchi
UNICO International Corporation
Team Leader, the Study on Human
Resource Development Program
for Small and Medium-sized
Enterprises in Mexico

United Mexican States



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|------------------------|----------------|---------------------|------------------|
| 1. Aguascalientes | 9. Durango | 17. Nayarit | 25. Sonora |
| 2. Baja California | 10. Guanajuato | 18. Nuevo León | 26. Tabasco |
| 3. Baja California Sur | 11. Guerrero | 19. Oaxaca | 27. Tamaulipas |
| 4. Campeche | 12. Hidalgo | 20. Puebla | 28. Tlaxcala |
| 5. Chiapas | 13. Jalisco | 21. Querétaro | 29. Veracruz |
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| 8. Colima | 16. Morelos | 24. Sinaloa | Distrito Federal |

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Abbreviations

A		
APEC		Asia Pacific Economic Cooperation
APEC-IBIZ CBC		Asia Pacific Economic Cooperation - International Network of Institutes for Small Business Counsellors Certified Small Business Counsellors
B		
BANAMEX	<i>Banco Nacional de México, S.A.</i>	Banamex Bank
BANCOMEXT	<i>Banco Nacional de Comercio Exterior, S.N.C.</i>	National Foreign Trade Bank
C		
CANACINTRA	<i>Cámara Nacional de la Industria de Transformación</i>	National Chamber of Industry
CANACO	<i>Cámara Nacional de Comercio</i>	National Chamber of Commerce
CEPAL	<i>Comisión Económica para América Latina y el Caribe</i>	Economic Commission for Latin America and the Caribbean
CEPii	<i>Centro Panamericano de Investigación e Innovación</i>	Pan-American Center of Research and Innovation
CETRO-CRECE	<i>Centro para el Desarrollo de la Competitividad Empresarial – Centro Regional para la Competitividad Empresarial</i>	Center for Enterprise Competitiveness Development – Regional Center for Enterprise Competitiveness
CIMO	<i>Programa de Calidad Integral y Modernización</i>	Comprehensive Quality and Modernization Program
CIPI	<i>Comisión Intersecretarial de Política Industrial</i>	Inter-ministerial Commission of Industrial Policy
CIPI-BDC	<i>Comisión Intersecretarial de Política Industrial – Banco de Datos de Consultores</i>	CIPI Consultant Databank
CNEC	<i>Cámara Nacional de Empresas de Consultoría</i>	National Chamber of Consulting Firms
COMPITE	<i>Comité Nacional de Productividad e Innovación Tecnológica, A.C.</i>	National Committee of Productivity and Technological Innovation
CONACYT	<i>Consejo Nacional de Ciencia y Tecnología</i>	National Council of Science and Technology
CONOCER	<i>Consejo Nacional de Normalización y Certificación de Competencias Laborales</i>	National Council of Standardization and Certification of Labor Competency
COPARMEX	<i>Confederación Patronal de la República Mexicana, S.P.</i>	Employers' Confederation of the Mexican Republic
CRECE	<i>Centro Regional para la Competitividad Empresarial</i>	Regional Center for Enterprise Competitiveness
CV		Curriculum Vitae
D		

E		
ECE	<i>Entidad de Certificación y Evaluación</i>	Certification and Evaluation Entity
EFTA		European Free Trade Association
EU		European Union
F		
FACOE	<i>Fondo de Apoyo para la Consolidación de la Oferta Exportable</i>	Support Fund for the Consolidation of Exportable Goods
FAMPYME	<i>Fondo de Apoyo para la Micro, Pequeña y Mediana Empresa</i>	Micro, Small and Medium-sized Enterprise Support Fund
FIDECAP	<i>Fondo de Fomento a la Integración de Cadenas Productivas</i>	Development Fund for the Integration of Productive Chains
FIFOMI	<i>Fideicomiso de Fomento Minero</i>	Mining Industry Promotion Trust
FIT	<i>Fondo de Innovación Tecnológica</i>	Technological Innovation Fund
FOAFI	<i>Fondo de Apoyo para el Acceso al Financiamiento</i>	Financial Access Support Fund
FONAES	<i>Fondo Nacional de Apoyo a las Empresas Sociales</i>	National Support Fund for Social Enterprises
FONCICYT	<i>Fondo de Cooperación Internacional en Ciencia y Tecnología</i>	Science and Technology International Cooperation Fund
FONDO PYME	<i>Fondo de Apoyo para la Micro, Pequeña y Mediana Empresa</i>	Micro, Small and Medium-sized Enterprise Support Fund
FOPRODE	<i>Fondo de Proyectos Productivos para el Desarrollo Económico</i>	Productive Project for Economic Development Fund
FUNDES	<i>Fundación para el Desarrollo Sostenible</i>	Foundation for Sustainable Development
G		
GATT		General Agreement on Tariffs and Trade
GCI		Global Competitiveness Index
GDP		Gross Domestic Product
GHP		Good Hygiene Practice
GMP		Good Manufacturing Practice
GNI		Gross National Income
GTEFL	<i>Grupo Técnico de Expertos en la Función Laboral</i>	Technical Group of Job Function Experts
GTES	<i>Grupo Técnico de Especialistas en el Sector</i>	Technical Group of Sector Specialists
H		
HACCP		Hazard Analysis and Critical Control Point
I		
ILO		International Labor Organization
IMSS	<i>Instituto Mexicano del Seguro Social</i>	Mexican Social Security Institute

INCA Rural	<i>Instituto Nacional para el Desarrollo de Capacidades del Sector Rural</i>	National Institute for Capacity Development in the Rural Sector
INEGI	<i>Instituto Nacional de Estadística y Geografía</i>	National Institute of Statistic and Geography
IPADE	<i>Instituto Panamericano de Alta Dirección de Empresas</i>	Pan-American Institute of Executive Business Administration
ITESM	<i>Instituto Tecnológico y de Estudios Superiores Monterrey</i>	Monterrey Institute of Technology and Higher Education
J		
JETRO		Japan External Trade Organization
JICA		Japan International Cooperation Agency
K		
L		
M		
MSME		Micro, Small and Medium sized Enterprise
N		
NAFINSA	<i>Nacional Financiera, S.N.C.</i>	National Development Bank
NAICS		North American Industry Classification System
NAFTA		North American Free Trade Agreement
NGO		Non Governmental Organization
NTCL	<i>Norma Técnica de Competencia Laboral</i>	Labor Competency Technical Standard
NVQ		National Vocational Qualification
O		
OECD		Organisation for Economic Co-operation and Development
P		
PAC	<i>Programa de Apoyo a la Capacitación</i>	Training Support Program
PDE	<i>Programa de Desarrollo Empresarial</i>	Entrepreneurial Development Program
PIAPYME	<i>Programa Integral de Apoyo a las Pequeñas y Medianas Empresas, Centro Empresarial México - Unión Europea</i>	Integral Support Programme to Small and Medium Enterprises, Mexican-European Union Business Center
PMETyC	<i>Proyecto para Modernización de la Educación Técnica y la Capacitación</i>	Technical Education and Training Modernization Project
PND	<i>Plan Nacional de Desarrollo</i>	National Development Plan
PNF	<i>Programa Nacional de Franquicias</i>	National Franchise Program
POES	<i>Procedimientos Operativos Estandarizados de Saneamiento</i>	Sanitation Standard Operating Procedures (SSOP)

PROFEPA	<i>Procuraduría Federal de Protección al Ambiente</i>	Federal Prosecutor's Office of Environmental Protection
PROFORHCOM	<i>Programa Multifase de Formación de Recursos Humanos Basada en Competencias</i>	Multiphase Skills-based Human Resource Development Program
PROMODE	<i>Programa de Capacitación y Modernización Empresarial</i>	Training and Enterprise Modernization Program
PROPICE	<i>Programa de Política Industrial y Comercio Exterior</i>	Industrial Policy and Foreign Trade Program
PROSEC	<i>Programa de Promoción Sectorial</i>	Sectoral Promotion Program
PSP	<i>Prestador de Servicios Profesionales</i>	Professional Service Provider
Q		
R		
S		
SAGARPA	<i>Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación</i>	Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food
SARE	<i>Sistema de Apertura Rápida de Empresas</i>	Rapid Business Start-up System
SCCL	<i>Sistema de Certificación de Competencia Laboral</i>	Labor Competency Certification System
SECTUR	<i>Secretaría de Turismo</i>	Ministry of Tourism
SECOFI	<i>Secretaría de Comercio y Fomento Industrial</i>	Ministry of Trade and Industrial Development (current Ministry of Economy)
SEDESOL	<i>Secretaría de Desarrollo Social</i>	Ministry of Social Development
SEMARNAT	<i>Secretaría de Medio Ambiente y Recursos Naturales</i>	Ministry of Environment and Natural Resources
SEP	<i>Secretaría de Educación Pública</i>	Ministry of Public Education
SICNO	<i>Sistema de Información del Catálogo Nacional de Ocupaciones</i>	National Occupational Catalog information System
SIEM	<i>Sistema de Información Empresarial Mexicano</i>	Mexican Enterprise Information System
SME		Small and Medium Sized Enterprise
SNCL	<i>Sistema Normalizado de Competencia Laboral</i>	Standardized System of Labor Competency
SNG	<i>Sistema Nacional de Garantías</i>	National Guarantee System
SRA	<i>Secretaría de la Reforma Agraria</i>	Ministry of Agrarian Reform
STPS	<i>Secretaría de Trabajo y Previsión Social</i>	Ministry of Labor and Social Welfare
T		
U		
UNAM	<i>Universidad Nacional Autónoma de México</i>	National Autonomous University of

UP	<i>Universidad Panamericana</i>	Mexico Pan-American University
W		
WEF		World Economic Forum
X		
Y		
Z		

Introduction

Framework of the Study

Introduction Framework of the Study

The "Study on Human Resource Development Program for Small and Medium Enterprises in the United Mexican States" has an overall goal to establish a national certification system of SME consultants in Mexico; for which, as achievable steps forward we propose to first create a system of registration and training of SME consultants by the Ministry of Economy and then develop it to become a national certification system.

1. Study background

This study was undertaken to meet the needs for further support, in response to the progress of construction of an institutional system in Mexico after the "Study on Training and Certification System of Consultants for Small and Medium Enterprises in the United Mexican States" from 2001 to 2003 by the Japan International Cooperation Agency (JICA).

The government of Mexico, while promoting economic liberalization, has taken measures to promote SMEs such as funding, business training, technical assistance, etc. This is based on the understanding that it is important to strengthen SMEs in order to maintain and generate employment as well as for sustainable economic development under such liberalization exposing domestic industry to fierce competition with imported products. Because of this, JICA conducted the "Study on Training and Certification System" mentioned above to provide cooperation in the area of SME development and proposed the establishment of a system that trains and certifies consultants with ability to diagnose and advise so as to contribute to the improvement of administrative capacity of SMEs.

After completing the "Study on Training and Certification System", the Ministry of Economy of Mexico once considered the introduction of a system of "SME University" for the purpose of improving the capacity of entrepreneurs and SME support providers. Upon request of the Ministry of Economy, JICA conducted a preliminary study in 2004 and as a result suggested that the Ministry should utilize the existing scheme of human resource training instead of implementing a new scheme of "SME University", and agreed anew with the Mexican side to continue the cooperation in building the system proposed in

the "Study on Training and Certification System".

In Mexico, to take a step forward in building the system, the National Council of Standardization and Certification of Labor Competencies (CONOCER¹) published the Technical Standard of Labor Competency (NTCL²) of SME Consulting in the Official Gazette in October 2006. On the other hand, the Ministry of Economy found it difficult that the recruitment and selection of consultants managed individually by different SME support programs would immediately converge with the national certification by CONOCER, and expressed its intention to establish independently a registration system at the national level. In addition, discussion began between CONOCER and the Ministry of Economy to realize the national certification system for SME consultants.

In response to this situation, JICA considered it timely to provide further support and determined to conduct this Study.

2. Purpose of the Study

The project purpose and expected outputs of the Study are:

Project purpose

From the point of view of establishing a realistic system, the certification and training system for SME consultants will be reviewed, and through the experimental procedure, a comprehensive plan for the training of SME consultants will be developed and proposed.

Outputs

- (1) Current situation and the tasks ahead of SMEs and SME consultant training in Mexico will be made clear.
- (2) A plan for the Ministry of Economy of Mexico to establish a comprehensive system of SME consultant training will be proposed.
- (3) A development plan (roadmap) to establish a national certification system for SME consultants will be drawn.

As conditions precedent to this Study, there was the fact that SME consultants in Mexico did not meet

¹ *Consejo Nacional de Normalización y Certificación de Competencias Laborales*

² *Norma Técnica de Competencia Laboral*

demand in both quality and quantity although they were expected to play a major role in promoting SMEs. The SME consultant certification system, which was the focus of this Study, would ensure to clients the quality of consultants while motivate would-be consultants. Therefore the system was expected to contribute to improving quality and increasing quantity of the SME consultants.

Moreover, although the labor competency certification by CONOCER was established as a national system of third party certification, for SME Consulting the NTCL had only been established but not yet begun operation. As mentioned earlier, the Ministry of Economy of Mexico considered it unrealistic to immediately take the national certification of CONOCER as a unified certification for SME consultants.

Under this situation, this Study was determined to urgently strengthen the quality and quantity of consultants, giving priority to the creation of a registration and training system for SME consultants under the initiative of the Ministry of Economy, and then to define and propose a consistent plan to establish a national certification system integrated with the scheme of CONOCER.

3. Scope of the Study

This Study was conducted within the following scope, based on the Scope of Work (S / W) agreed and signed on March 6th, 2008 between the government of Mexico and JICA.

(1) Target area

All the Mexico's territory, but field studies were conducted in Mexico City and its surroundings.

(2) Content of the Study

The Study consisted of 3 stages. The content of the Study in each stage is shown below.

Stage 1: Study to know the current situation and development of proposals for the plan relating to the comprehensive training system for SME consultants

- (1) Current situation of SMEs and SME consultant training in Mexico
 - a. Current status of SMEs and government policies towards them
 - b. Training needs of SME consultants
- (2) Development of proposals for the plan relating to the comprehensive training system for SME consultants.

Stage 2: Implementation of the pilot project

Registration and training of SME consultants that the Mexican government should deploy in the future is implemented as a pilot project.

Stage 3: Definition of a plan for the comprehensive training system for SME consultants and proposal of specific action plans for implementation

- (1) Definition of a plan for the comprehensive training system for SME consultants and proposal of specific action plans
 - a. Proposal on the registration system for SME consultants that should be implemented by the Ministry of Economy
 - b. Improvement plan for the training system for SME consultants
 - c. Proposal on the use of SME consultants in the SME policies and programs
- (2) Proposal on the development plan (roadmap) to establish a national certification system for SME consultants

The counterpart of this Study, being very encouraged to construct a registration system at the national level, had already begun the "SME Consultants with JICA Methodology" Project that Chapter 4 will describe in detail 4, before the Study started.

Once having confirmed that the Project had the same goal, the Study Mission decided with the prior approval of the Steering Committee to approach the establishment of a registration and training system of SME consultants by the Ministry of Economy through strengthening the above Project to a shared system for all SME support programs of the Ministry. In other words, the "definition of a plan of the comprehensive training system for SME consultants and proposal of specific action plans" have been made with the intention not of creating a new system but of improving and developing the incomplete

system that was already in operation.

4. Executing agency of the host country

The counterpart of this Study is the Training and Technological Innovation Bureau, Undersecretariat for Small and Medium Enterprises, Ministry of Economy³, and the cooperative institution is the CONOCER.

(1) Steering Committee

The Steering Committee established in the Ministry of Economy discussed the results of the Study process and ultimately approved decisions in the course. The Steering Committee consisted of the following institutions involved:

- Training and Technological Innovation Bureau, Undersecretariat for Small and Medium Enterprises, Ministry of Economy.
- CONOCER
- Mexico office of JICA

(2) Working Group

With the initiative of the Training and Consulting Division⁴, Training and Technological Innovation Bureau, Undersecretariat for Small and Medium Enterprises, of the Ministry of Economy, the Study pursued maintaining a close contact with CONOCER and the Consultant Selection Committee that was the operating body of the "SME Consultants with JICA Methodology" Project.

5. Schedule of the Study

A total of 4 field studies in Mexico were planned originally with the pilot project to be implemented in

³ *Dirección General de Capacitación e Innovación Tecnológica, Subsecretaría para la Pequeña ya Mediana Empresa, Secretaría de Economía*

⁴ *Dirección de Capacitación y Consultoría*

the third field study. However, the implementation schedule of the pilot project was changed and the fourth field study was suspended due to the spread of new influenza virus in the country in spring 2009. As a result, this Study made a total of 6 field studies in Mexico before the submission of the Final Report.

(1) Studies in Mexico

The summary of studies in Mexico is shown below.

Studies	Duration	Description of major activities
First field study in Mexico	From: August 5th, 2008 To: September 29th, 2008 (56 days)	<ul style="list-style-type: none"> • Study to know the current situation • Understanding the current situation relating to the registration and training system of the Ministry of Economy • First meeting of the Steering Committee • First workshop
Second field study in Mexico	From: October 23rd, 2008 To: December 22nd, 2008 (61 days)	<ul style="list-style-type: none"> • Understanding the current situation concerning the labor competency certification system • Recommendation to the current status of registration and training of the Ministry of Economy • Discussion of the general picture of a new system • Second meeting of the Steering Committee
Third field study in Mexico	From: January 15, 2009 To: February 22nd, 2009 (39 days)	<ul style="list-style-type: none"> • Discussion of the labor competency requirements of the SME consultants • Discussion of the new registration and training system of the Ministry of Economy • Planning the pilot project • Second workshop
Fourth field study in Mexico	From: April 26th, 2009 To: April 30, 2009 (5 days)	(Discontinued due to the spread of new influenza virus)
Fifth field study in Mexico	From: August 16, 2009 To: September 20th, 2009 (36 days)	<ul style="list-style-type: none"> • Implementation of the pilot project • Defining proposals
Sixth field study in Mexico	From: November 1st, 2009 To: November 15, 2009 (15 days)	<ul style="list-style-type: none"> • Explanation and discussion of the Draft Final Report • Third workshop • Third meeting of the Steering Committee

(2) Submitted reports

During the period of the Study, the following reports were submitted. The content was explained and discussed at the Steering Committee.

Reports	Delivery	Explanation and discussion
Inception Report	August 2008	First meeting of the Steering Committee
Progress Report	November 2008	Second meeting of the Steering Committee
Interim Report	March 2009	
Draft Final Report	October 2009	Third meeting of the Steering Committee
Final Report	December 2009	

6. Composition of the Study Mission

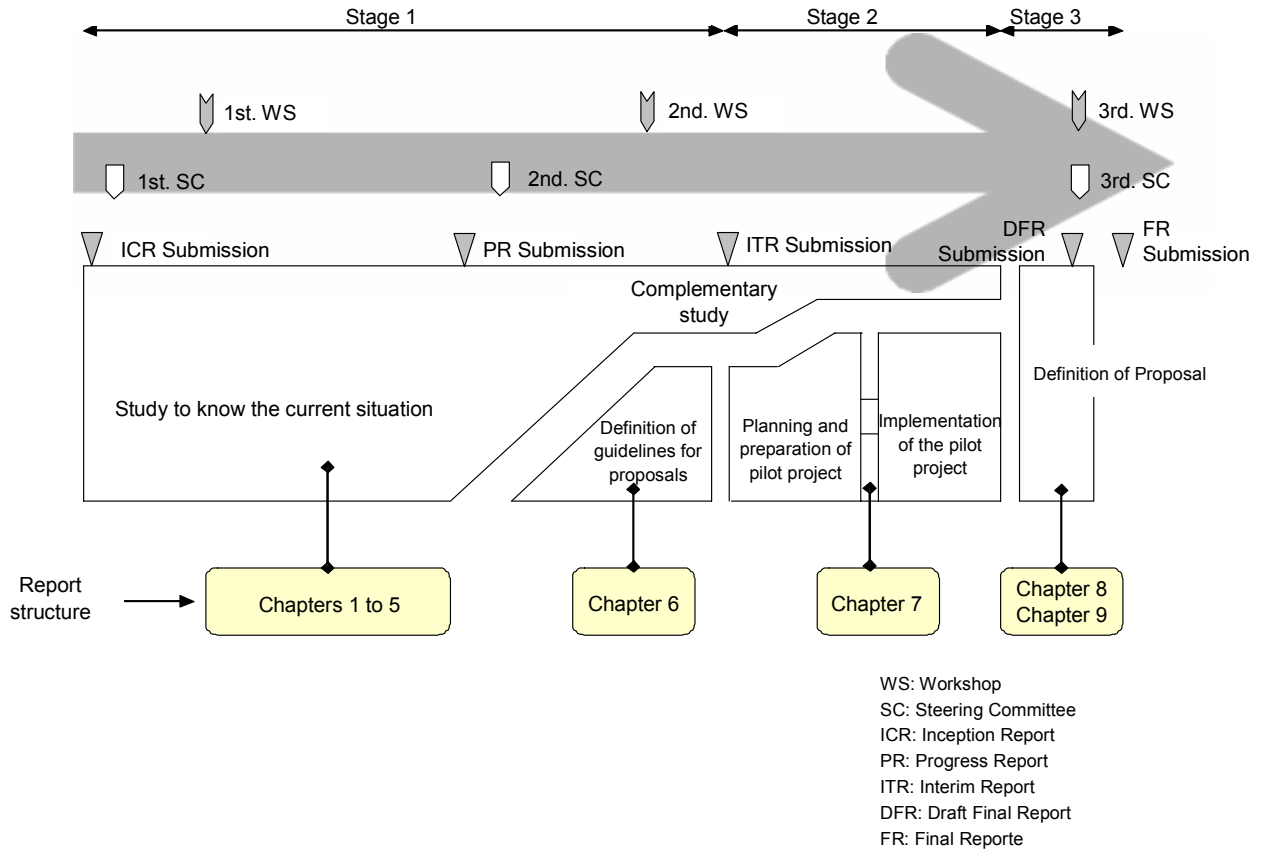
The Study Mission was composed of 5 members who took their respective positions and studies conducted in Mexico as shown below.

Name	Position	Field study in Mexico					
		First	Second	Third	Fourth	Fifth	Sixth
Toru Moriguchi	Leader / SME Promotion	✓	✓	✓	✓	✓	✓
Hiroshi Imaizumi	Sub-leader / Training and Certification System for SME Consultants	✓	✓				
Yasuhiro Izuho	SME Consultants Training Plan 1.1	✓	✓	✓			
Ricardo Hirata Okamoto	SME Consultants Training Plan 1-2	✓	✓	✓		✓	✓
Miwako Oikawa	SME Consultants Training Plan 2	✓	✓	✓	✓	✓	✓

7. Flow of the study activities and report structure

The following Figure shows the comparison of the flow of the study activities and the structure of the report. Throughout the period of the Study, the Study Mission cooperated with the "SME Consultants with JICA Methodology" Project conducted by the Training and Consulting Division, Training and Technological Innovation Bureau, Undersecretariat for Small and Medium Enterprises, of the Ministry of Economy, as well as continued discussions with CONOCER about the revision of NTCL of SME Consulting.

Figure Flow of the study activities and report structure



Chapter 1

General situation of the Mexican Economy and the SMEs

Chapter 1 General situation of the Mexican Economy and the SMEs

1.1 General situation of the Mexican economy

The performance and growth of SMEs depend on economic situation, policies and other business environment at the national level. Likewise, the structural reforms that create a promoting environment for a healthy development of companies will lead the whole economy to increased productivity and raised possibility of growth. In this section, first we will overview the macroeconomic performance and then analyze the competitiveness of México based on its industrial structure, human resources, and the conditions of the physical infrastructure.

1.1.1 Macroeconomic condition

(1) Economic liberalization and sustained growth

The economic liberalization in Mexico began in the 80's. Adding to the commerce and investment liberalization that advanced in two steps of the GATT affiliation in 1986 and the effect of the NAFTA in 1994, progress was made in the privatization of government owned companies, abolition of the price regulation and deregulation in the transportation, communication and financial sectors.

Joining the NAFTA, Mexico enjoyed the dramatically expanded export market while Mexican companies were exposed to competition with imports from the United States and Canada. These conditions gave Mexican companies pressure for efficiency.

The percentage of the imports and exports to the GDP increased from 27% in 1990 to 65% in 1999. In comparison with Argentina and Brazil, trade dependency rate¹ of Mexico is considerably larger both for exports and imports (Table 1-1).

¹ Percentage of imports and exports to the GDP

Table 1-1 Percentage of export and import to the GDP

	Import dependency rate				Export dependency rate			
	1990	1995	1999	2006	1990	1995	1999	2006
Argentina	2.3%	7.9%	10.5%	11.2%	8.2%	9.1%	10.3%	10.9%
Brazil	2.6%	7.5%	7.7%	8.0%	6.5%	7.0%	8.0%	8.3%
Mexico	14.5%	19.9%	33.6%	34.1%	12.5%	21.9%	31.6%	31.2%

Note: Based on 1995 values.

Source: CEPAL. *Anuario estadístico de America Latina y el Caribe 2000, 2007*.

Likewise, in the second half of the 90's, the relative advance of post-industrialization in Argentina and Brazil diminished the participation of the manufacturing industry in the national economy. In contrast, the proportion of the Mexican manufacturing industry increased and their importance in the export also increased. The percentage of the manufacturing products with respect to the total value of the exports rose suddenly after entering the NAFTA and it reached the level of 85% in 1999, marking Mexico as a singular country in Latin America.

Furthermore, taking in consideration that almost 80% of the exports go to the United States, we can say that the economic results of Mexico have been sustained by the manufacturing industry targeting the US market.

Table 1-2 Participation of the manufacturing industry

(Unit: %)

	To GDP (1995 values)				To total exports value			
	1990	1995	1999	2006	1990	1995	1999	2006
Argentina	18.2	17.2	16.5	16.3	29.1	33.5	31.7	31.1
Brazil	21.6	21.2	19.7	19.0	51.9	53.1	53.7	53.5
Mexico	19.4	19.1	21.1	18.0	28.0	77.2	84.8	81.1

Note: Based on 1995 values, except the data of Mexico in 2006 which is based on the current values.

Source: CEPAL. *Anuario estadístico de America Latina y el Caribe 2000, 2007*

INEGI

In reference of the two major economic crises that Mexico suffered during the last quarter of the century, the recovery to the growing path was fast after the monetary crisis of 1994, in contrast with the long recession after the 1982 crisis. In 1996 the GDP growth rate recorded 5%.

As a background of the fast recovery, there is considered to be a favorable cycle created by factors such as the export of products by the highly competitive *maquiladora*², inward foreign direct investment to the export-oriented assembly businesses, the overvaluation of the Mexican peso and resulting suppression of cost of imported components, thanks to the economic liberalization and especially the strengthened economic liaison with the United States.

On the other hand, the 1994 crisis reduced considerably the living standard of Mexico. To recover the per capita GDP and the private consumption per capita to the levels before the crisis, it took three and five years respectively.

A sudden reduction in real wages caused by the monetary crisis, which had not recovered to the level before the crisis even in the year 2000 (Table 1-3), contributed in a considerable way to improving the export competitiveness and slowing down the inflation. Nevertheless, it also slowed down in a significant way, the purchasing power of the household.

Table 1-3 Real labor salary (1995=100)

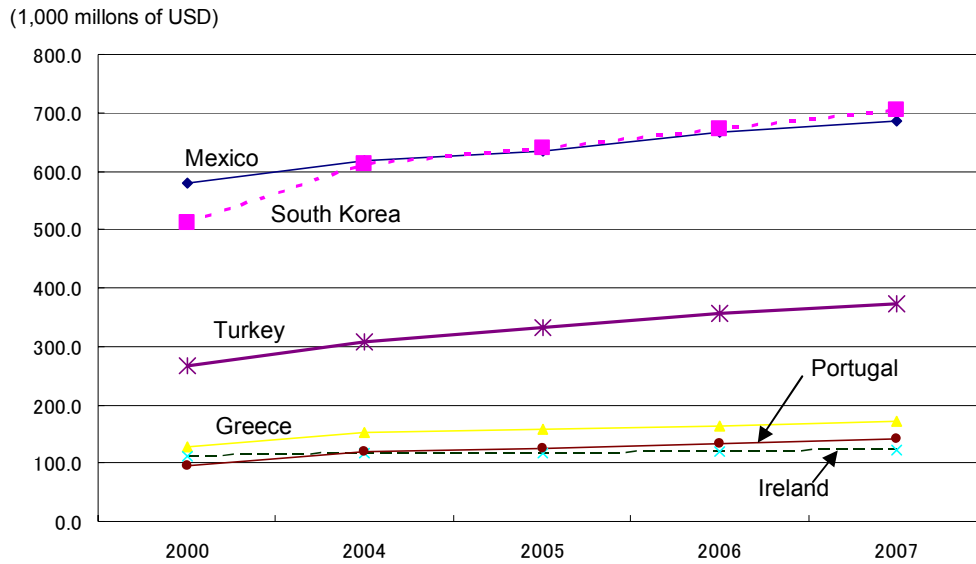
	1992	1994	1996	1998	2000
Argentina	101.7	101.1	99.9	99.0	101.6
Brazil	87.0	96.3	107.9	110.8	104.8
Mexico	100.7	114.9	90.1	91.5	98.0

Source: CEPAL. *Estudio económico de América Latina y el Caribe*

Figure 1-1 shows the GDP performance of Mexico compared with other countries.

² It is a special zone established in 1965, as a way to create employment in the border area with the United States and it consist in a system in which the 100 % export companies, with previous authorization of the government, are allow to get tax exemption to import parts, components, raw materials and machinery for the process and assembly of the products to be export.

Figure 1-1 Comparison of the GDP performance of Mexico and other countries

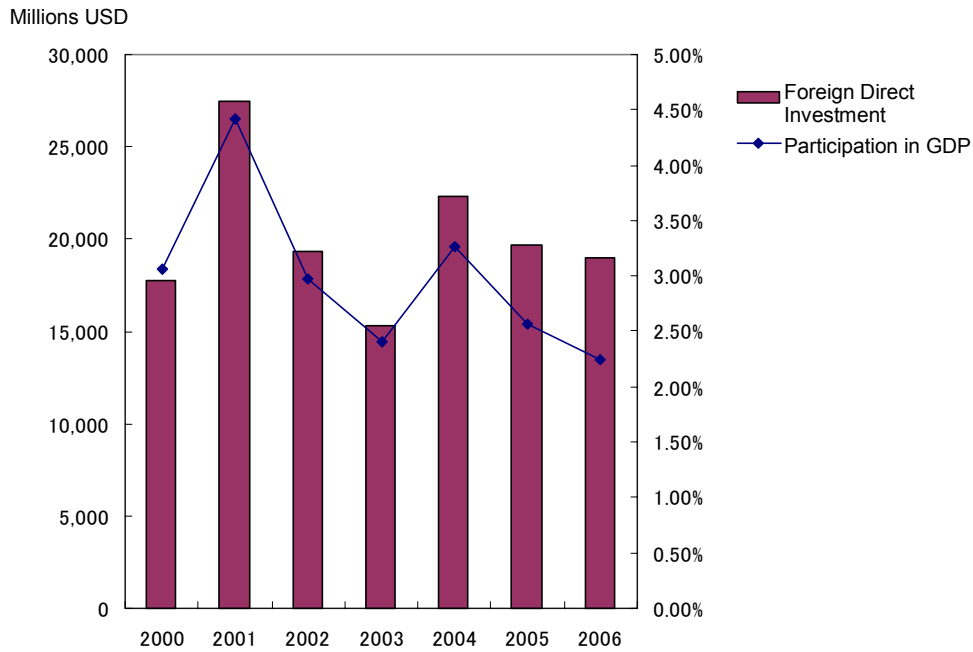


Note: Estimated with values of 2000 and exchange rate of 2000.

Source: OECD. *Annual National Accounts Database*.

Over 8 years from 2000 to 2007, a strong economic growth was achieved with an average of annual 4.5%. Inward direct foreign investment averages around 3% of GDP and has been an important source of capital funding (Figure 1-2).

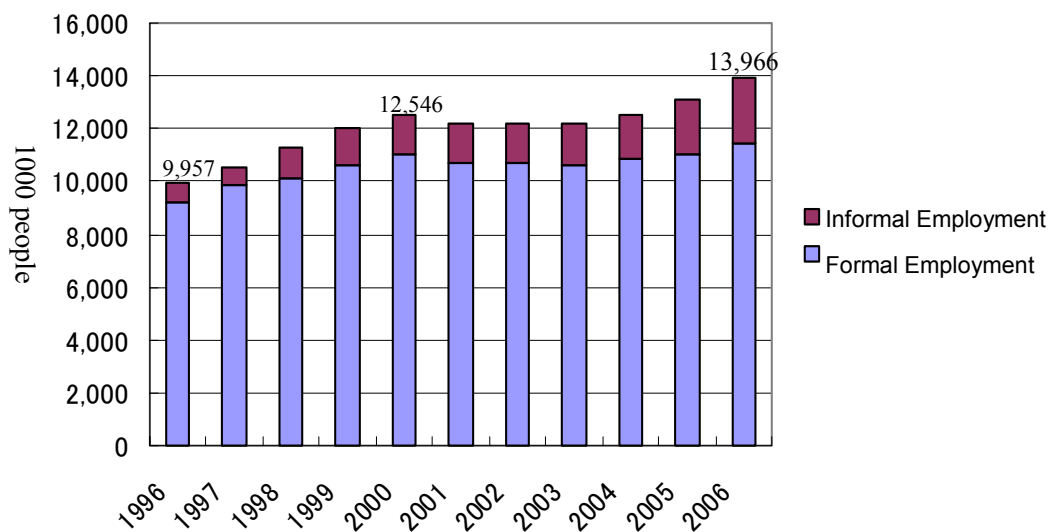
Figure 1-2 Foreign direct investment in Mexico



Source: *Banco de México* (2006).

In the labor market, around 4 million jobs were created in the formal sector between 1996 and 2006. However, the formal sector could not absorb the rapid growth of the working-age population and the informal employment having occupied 8.7% of the total jobs in 1996 increased to 21.9% in 2006 (Figure 1-3).

Figure 1-3 Evolution of the number of formal and informal jobs (1996-2006)



Source: Instituto Mexicano del Seguro Social (IMSS).

(2) Monetary and financial policies

In Mexico adopting the floating exchange rate system, the exchange rate has been fluctuating according the market trend since 1995, with some interventions from the Bank of Mexico.

The real effective exchange rate against the US dollar (Table 1-4) shows that the Mexican peso was strengthening year by year during the second half of the nineties decade.

Mexican peso became more and more overvalued while the deficit in the trade balance and the current account balance increased, backed by a significant surplus in the capital balance thanks to the inward foreign direct investment exceeding 10 billion dollars each year.

Table 1-4 Exchange rate, trade balance and direct Investment

	1995-97	1998	1999	2000	2001	2006
Real effective exchange rate (1995=100)	89.6	82.3	75.5	69.8	66.2	82.2
Trade Balance (Millions of USD)	4,620	-8,819	-7,382	-10,372	-13,298	-6,133
Current Balance (Millions of USD)	-3,784	-16,090	-14,325	-17,690	-17,198	-1,770
Direct Investment (Millions of USD)	10,514	11,311	11,568	13,162	24,500	18,938

Source: ECLAC (2000). Preliminary overview of the Latin American economy
 CEPAL. *Estudio económico de América Latina y el Caribe 2000-2001*
 Banco de México (2006).

During this time, monetary and financial policies of the Mexican government did not develop based on the conscience to lower the overvalued exchange rate.

According to the implemented financial policies, financial austerity and giving priority to curbing inflation have been maintained. One of the reasons why the Mexican government maintains the financial austerity is the fact that annual income is very low. The share held by oil revenues on annual income still occupies about 30%. To get rid of this structural weakness, the government made a tax reform, but the amplification of tax revenue base has not been enough.

The monetary policies consist in the indirect adjustment of the market interest rate, controlling money supply toward the target value of the overdraft for commercial banks called “*corto*”. With this, it is hard to expect a direct impact in stimulating the economy.

As a consequence, the main factors that determine the exchange rate are the exports and the inward direct investment. Both depend significantly on the economic performance of the United States.

(3) Mexican and USA economies

The most important partner in foreign trade of Mexico is the United States. According to the figures of 2006, 84.7% of exports and 50.9% of imports were transactions with the United States. Moreover, the trade balance recorded a deficit of 6.133 billion USD, but with respect to trade with the United States provided a surplus of 81 billion USD.

Figure 1-4 Principal destination of Mexico's exports (Percentage).

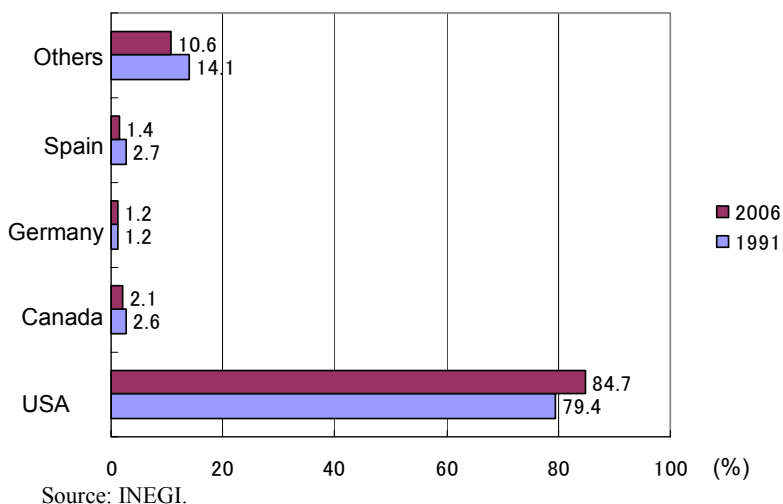
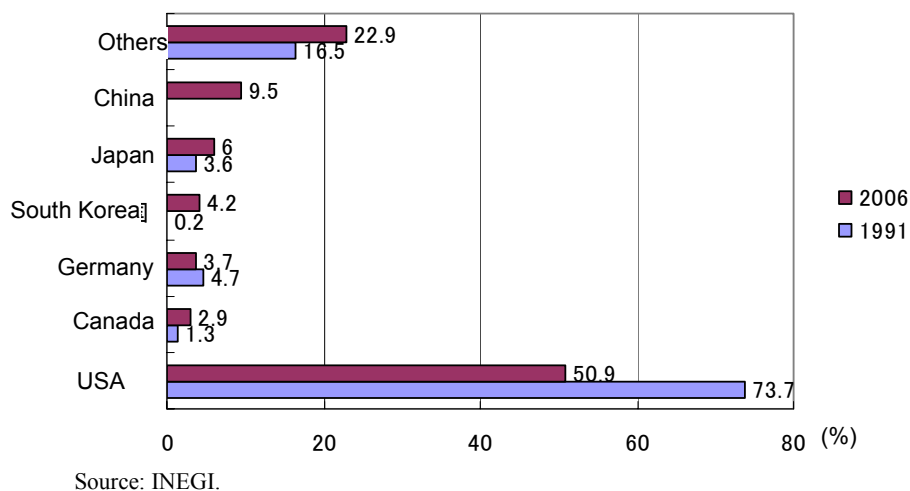


Figure 1-5 Principal countries of origin for imports to Mexico (Percentage).



Observed in detail it shows that among the manufacturing industry the *maquiladora* sector, mostly targeted to the U.S. market, leads Mexico's exports and contributes to the acquisition of foreign currency (Table 1-5). However, the sector is low-value adding, consisting of labor-intensive final assemblers of parts and components mostly imported from the United States. A study entrusted by the Ministry of Finance of Japan shows that the export competitiveness of the *maquiladora* sector has nothing to do with the improvement of productivity but has been

sustained mainly by that the cost of the imported parts has been kept relatively low due to the overvaluation of the Mexican peso. The study suggests the importance of transforming the Mexican manufacturing industry to higher-value added one while the influx of foreign currency continues³.

Table 1-5 Trade balance of Mexico

(1,000 millions of USD)

	2001	2002	2003	2004	2005	2006
Exports	158.8	161.0	164.8	188.0	214.2	250.0
Manufacturing	140.7	141.6	140.6	157.7	175.2	202.8
<i>Maquiladora</i>	76.9	78.1	77.5	87.0	97.4	111.8
Other sectors	63.9	63.5	63.2	70.8	77.8	91.0
Imports	168.4	168.7	170.5	196.8	221.8	256.1
<i>Maquiladora</i>	57.6	59.3	59.1	67.7	75.7	87.5
Other sectors	68.5	67.2	69.8	81.1	88.4	101.1
Trade balance	-9.6	-7.7	-5.7	-8.8	-7.6	-6.1
<i>Maquiladora balance</i>	19.3	18.8	18.4	19.3	21.7	24.3
Other sectors balance	-4.6	-3.7	-6.6	-10.3	-10.6	-10.1

Note: The data of 2006 are from preliminary numbers.

Source: *Banco de México (2007). Informe Anual 2007.*

The fact that Mexico has maintained the trade surplus with the U.S.A. is attributable mainly to the relatively low labor cost including salary, which means a greater advantage was given to the labor-intensive *maquiladora*.

However in these years the exchange rate is in the trend of dollar depreciation against peso. Likewise, the real wage index has risen to the level that no one can say the wage in Mexico is low among developing countries. Additionally, the hourly wage growing faster than in the U.S., delayed improvement of labor productivity and the downslide of the U.S. labor cost are combined to convince you that Mexico is diminishing its attractiveness to U.S. companies seeking a production location with lower costs (Table 1-6).

Table 1-6 Variation of the exchange rate, productivity and salary in Mexico and the USA

(%)

³ Japan Center for International Finance “Reforma económica del Centro y Sudamérica y su competitividad” (2002)

	Real exchange rate in Mexican pesos	Index of real salary	Hourly wage	Labor productivity	Labor cost
01/96	36.63	15.87	88.06(15.76)	16.76(27.12)	54.04(-8.93)
02/96	36.41	18.40	95.52(19.92)	22.46(33.44)	51.93(-10.13)
04/96	21.74	19.56	82.84(26.59)	31.67(47.81)	35.22(-14.36)
06/96	20.45	20.13	83.54(28.55)	32.25(48.87)	33.78(-15.26)

Note: The numbers in parentheses are the USA data. The period of the comparison are the 2000 decade (01, 02, 04 and 06); percentage of variation respect to 1996.

For the calculation of the growing percentage of the real exchange rate of Mexican pesos, the year of reference is 1996. The index of real salary is calculated based on the real salary of the manufacturing industry in Mexican pesos, based in the year 1994 = 100. The labor productivity and the labor cost are shown as the percentage of variations with respect to the year of reference, 1996

Source: *Banco de México. Informe Anual 2006.*

In 2008, the real labor salary in Mexico was at a higher level than in Argentina, 2.4 times than China's and 3.6 times than Indonesia's, compared at the general worker level (Table 1-7). According to interviews made in Mexico with the persons involved in local companies, an employee positioned as the middle manager and above earns a similar level of salary to those in Japan and the U.S.A.

Table 1-7 Comparison of real labor salary (2008)

	Indonesia	Thailand	China (Shanghai)	Argentina	Brazil	Mexico
Level of general worker	125-261.9	231.9-361.2	191.6-289.6	387-535	499	458-504

Source: JETRO. "Comparison of the cost of investment", *Overseas Information File*
<<http://www3.jetro.go.jp/jetro-file/country.do>>

Likewise, it's often said that the home remittance (money sent to Mexico by Mexicans living abroad) amounting 20 billion USD annually has been the support for the domestic consumption. Twenty-eight millions, which is equivalent to the two thirds of Hispanic immigrants in the U.S.A., are of Mexican origin. In this sense as well Mexico has a strong relation with the U.S. economy.

(4) Competition with China

While the expansion of exports to the United States remains an outstanding and indispensable policy for economic growth, Mexico is exposed to fiercer competition with price-competitive developing countries coming into the U.S. market. Among the competing countries, Mexico must pay more attention to China.

As for the variation between 2003 and 2004 in the participation of total imports from the United States, According to the annual report of the Bank of Mexico, the U.S. import value from Mexico recorded a 12.88% increase in 2004 over the previous year, and from China a 29.04% increase. As a consequence China's participation in the total imports to the United States increased from 12.13% in 2003 to 13.38% and on the other hand Mexico reduced its participation from 10.98% to 10.60%.

Looking at the import values by item, oil rose by 75.75% with China and a 24.60% with Mexico. As for cars, imports from Mexico increased by 4.91%, while no commercial results with China. Excluding oil and cars, records show a growth of 14.62% with Mexico and of 29.00% with China.

In the automotive sector, foreign manufacturers have established U.S.-oriented production base in Mexico, and thus it will be difficult for China to overcome these conditions as for finished cars. However, in terms of auto parts some manufacturers have replaced Mexican suppliers by the Chinese.

In the highly labor-intensive assembly sector, the competitive pressure from China is especially strong, which has resulted in the tendency that the manufacturers from Japan, South Korea or Taiwan move their production lines from *maquiladora* to China or Southeast Asia. The tendency is fueled by not only the labor salary increase in Mexico but also the abolition of the *maquiladora* system for the exports going to the NAFTA region at the end of the year 2000 and introduction of the Sector Based Promotion Program (PROSEC⁴) that gives preferential tariffs for the designated categories of industrial parts.

PROSEC is designed for the development of domestic industries instead of promoting export and the applicants are not required to export their products to be covered by the Program. The Program lists the sectors, products and the items of raw materials, parts and machinery to be

⁴ Programa de Promoción Sectorial

covered and lowers the import tariff at a fixed rate from 0 to 5% approximately. Nevertheless, the items eligible for the preferential tariff are reviewed several times in the year, and in consequence there are cases that an item suddenly gets out of the list or imposed a changed rate of tariff on. Moreover, the application procedure is complicated. Companies hardly consider Mexico as their base of production and export as it was any longer.

Meanwhile, the *maquiladora* system is still in effect for the exports to the regions outside NAFTA, EU and EFTA.

Mexico has increased the size of trade with China and is facing harsher competition with Chinese products in the domestic market as well as the U.S. market. In 2004 the value of Mexico's trade with China was 987 million dollars and 14 thousand 459 million dollars of exports and imports respectively, registering a negative balance for Mexico with 13 thousand 472 million dollars.

1.1.2 Industrial structure

Mexico's industrial structure has changed significantly over the past 15 years. Service industries maintain their growth, while the importance of agriculture and the manufacturing sector has declined in relative terms. Table 1-8 shows the GDP growth rate by industry. Recently, the contribution of the tertiary industry to GDP is evolving at high rates, approximately at 65%.

Table 1-8 GDP growth rate by industrial sector in Mexico (%)

	2000	2001	2002	2003	2004	2005	2006	2006 Structural proportion
GDP	6.6	-0.2	0.8	1.4	4.2	2.8	4.8	100
Agriculture, Hunting and Forestry	0.6	3.5	0.1	3.1	3.5	-2.1	4.8	5.0
Industrial Sector	6.1	-3.5	-0.1	-0.2	4.2	1.7	5.0	24.8
Mining	3.8	1.5	0.4	3.7	3.4	2.1	2.2	1.2
Manufacturing industry	6.9	-3.8	-0.7	-1.3	4.0	1.4	4.7	18.0
Construction	4.2	-5.7	2.1	3.3	6.1	3.3	6.9	4.0
Electricity, Gas and Water	3.0	2.3	1.0	1.5	2.8	1.7	5.0	1.6
Services Sector	7.3	1.2	1.6	2.1	4.4	4.0	4.9	65.8
Trade, Restaurants and Hotels	12.2	-1.2	0.0	1.5	5.5	2.7	3.7	19.7
Transportation, Storage and Communication	9.1	3.8	1.8	5.0	9.2	7.1	9.1	12.7
Financial services, Insurance and Real estate	5.5	4.5	4.2	3.9	3.9	5.8	5.4	16.4
Social, Personal and Community services	2.9	-0.3	0.9	-0.6	0.6	1.8	2.8	16.9
Banking services	6.8	6.5	7.6	7.1	7.5	10.9	8.5	-3.6
Taxes for net production (subsidies are excluded)	6.6	0.0	0.8	1.4	4.2	2.8	4.8	8.1

Source: *Banco de México* (2007).

After Mexico changed economic policies in the 80s towards the economic deregulation and trade liberalization aiming at trade and investment expansion, the manufacturing sector has played a key role in leading exports and become significant in terms of employment following the commercial sector (Table 1-9).

Table 1-9 First 5 sectors with largest employed populations (%) (2005)

Wholesale, retail commerce and repairs	22.9%
Manufacturing	16.9%
Agriculture, Hunting and Forestry	14.7%
Construction	7.9%
Hotels and Restaurants	5.9%

Source: LABORSTA, ILO (2006). *Yearbook of Labour Statistics*.

While the manufacturing industry in Mexico observes an accelerated diversification, metal products, machinery and equipment; food, beverage and tobacco; and chemicals, plastics and oil

occupy a major share in the industry. The metal products, machinery and equipment sub-sector, representing the largest share, has such leading products as metal parts for general industry, auto cars and parts, electrical appliances and parts, and communications equipment, among others (Table 1-10).

Table 1-10 Structural proportion and growth rate by sub-sector of Mexican manufacturing industry (1993 a 2006)

Year	Percentage of GDP		Growth rate to the previous year					
	1993	2006	2001	2002	2003	2004	2005	2006
Manufacturing industry	20.7	18.0	-3.8	-0.7	-1.3	4.0	1.4	4.7
Metallic products, machinery and equipment	4.3	5.7	-6.9	-2.0	-4.9	5.2	1.5	10.0
Food, beverage and tobacco	4.7	4.7	2.3	1.9	1.7	3.3	2.6	2.6
Chemicals, plastics and petroleum products	2.8	2.6	-3.8	-0.4	1.5	3.1	0.6	2.4
Nonmetallic minerals	1.4	1.3	-1.7	3.8	0.1	3.8	3.5	5.2
Textiles, apparel and leather industry	4.7	1.1	-8.6	-5.9	-6.7	2.8	-3.0	-1.0
Basic metal industries	0.8	0.9	-7.1	1.3	4.1	6.9	2.0	2.8
Paper, printing and publishing	0.9	0.8	-4.3	-1.8	-1	2.9	1.1	3.5
Wood industry	0.6	0.4	-6.7	-4.9	-2.2	2.2	-0.7	-0.9
Others	0.5	0.5	-2.1	-3.6	-1.1	2.8	0.4	3.7

Source: *Banco de México* (2007).

When maintaining the competitiveness with cheaper labor cost is difficult, it is necessary to shift to sectors that add higher value. However the manufacturing industry in Mexico is mainly constituted by final assemblers relying on imported parts and components, which results in delayed accumulation of technologies. That is the problem of the less developed supporting industry, a problem which has been pointed out for years. Even though in Mexico we find world class companies such as CEMEX, S.A.B. de C.V and CYDSA, S.A.B. de C.V, the SME sector is generally weak and has not developed to sustain the supporting industry as in many countries.

The income distribution is quite unbalanced. The great majority of the persons in poverty are hired in rural areas. The key to the improvement of the income of the poor layer lies in the improvement of the productivity of the agricultural sector. Similarly, those who are engaged in

micro businesses in urban areas such as street vendors or repair services have lived with low productivity for a long period of time without any chance to get out of poverty and typically belong to the informal sector.

1.1.3 Education and training

(1) Improvement of the educational system.

Public spending in education as proportion to the GDP increased 1.47 times between 1990 and 2006. Spending per student also rose approximately 15 times during the same period. Besides the illiteracy rate has decreased from a 12.1% in 1990 to 7.7% in 2006 (Table 1-11).

Table 1-11 Public spending in education and the illiteracy rate (1990 and 2006)

	1990	2006
Public spending in education		
As a percentage to GDP	3.7%	5.4%
Spending per student (1,000 pesos)	1.1	15.0
Illiteracy rate	12.1%	7.7%

Source: Secretaría de Educación Pública (2007).

On the other side, investment is not enough in education to train quality engineers and high skill workers, which has been pointed as one factor impeding the development of the supporting industry. In an international comparison about scientific knowledge, Mexico is behind not only China and South Korea but also Argentina and Brazil (Table 1-12).

Table 1-12 Scientific knowledge indicators (USA =100)

	Mexico	Argentina	Brazil	Korea	China	Thailand
Internet Service Providers (for each thousand people)	0.9	1.4	1.0	4.0	0.0	0.4
No. of personal computers (for each 10,000 people)	9.0	9.1	6.1	35.1	1.3	4.6
R&D in GNI	10.9	14.3	30.9	87.8	24.9	5.6
No. of scientists for R&D (for each one million people)	5.1	17.8	4.5	56.2	10.3	3.0
Patent applications in the USA (for each 1,000 people)	0.3	0.5	0.2	20.9	0.0	0.1

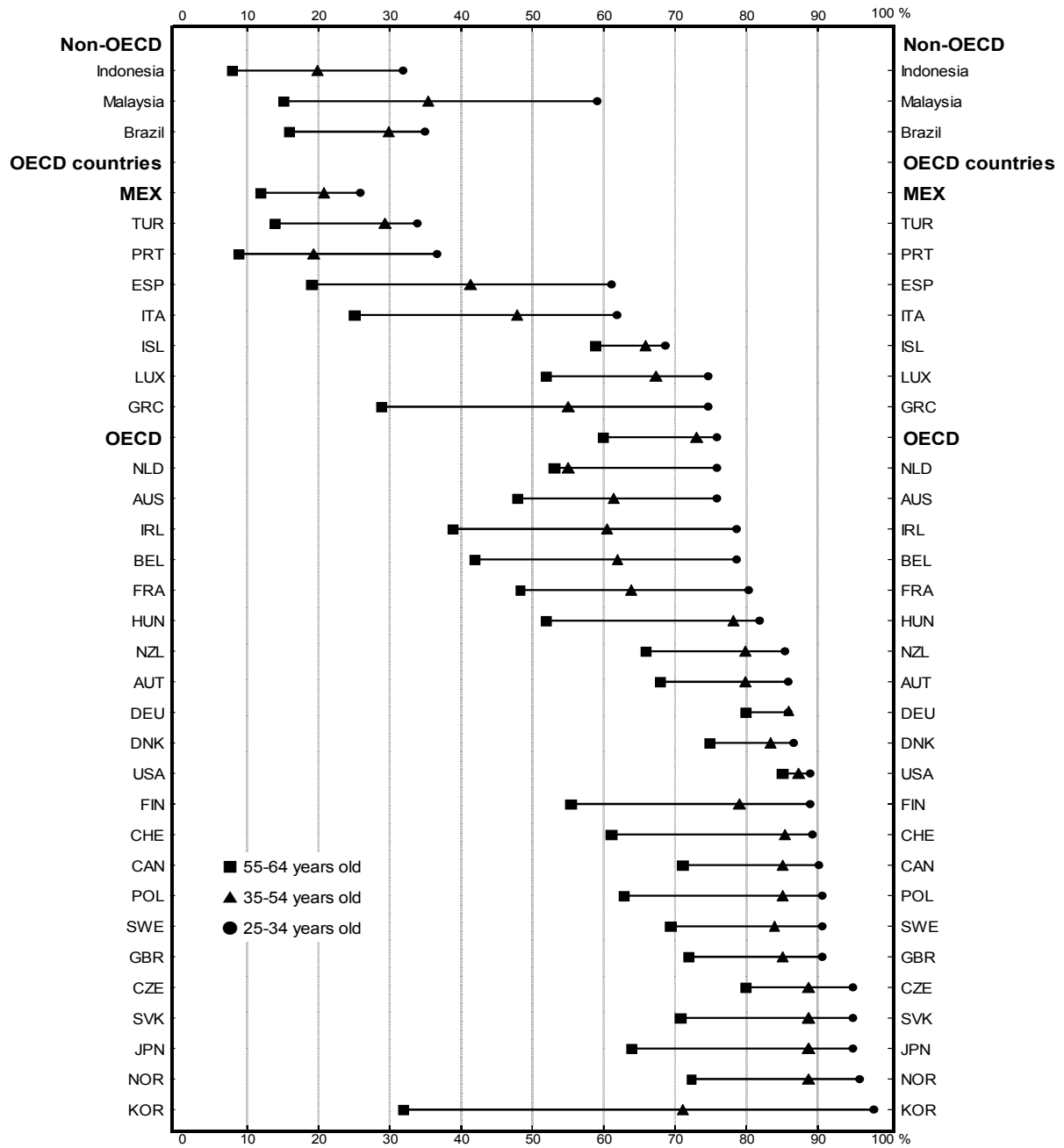
Source: Ferranti et al (2002). *From natural resources to the knowledge economy*, World Bank.

Certainly there are advances in the quantitative improvements of the educational services, but in terms of quality there are still important differences with respect to the OECD countries. In fact, the OECD Report⁵, seriously questions if there have been equivalent improvements compared with the increment of the spending for education. Mexico's human capital is at a low level among the OECD countries and the educational system has not yet worked sufficiently to reduce the gap, the Report says.

As it is shown in Figure 1-6, the education period for the children in Mexico is relatively short. Many poor children leave school before completing compulsory education, acquiring inadequate ability to read, write and do arithmetic. As a result, poverty is reproduced to the next generation.

⁵ OECD (2007). *SMEs in Mexico, Issues and Policies*

**Figure 1-6 Educational achievement of working age population
(Population with at least upper-secondary level qualification, 2003)**



Note: Percent of each age group. 2002 for Czech Republic, Iceland, Italy and Netherlands.

Source: OECD, Labor market statistics database

(2) Relevance of the school education to work

Adding to this general lack in the educational system, it's important to mention the problem of relevance of the school education to work. According to a OECD report and other documents and visiting surveys, the achievements of the technical education and vocational training varies among systems and the acquired skills of the graduates looking for a job frequently does not match with the educational needs of the industrial sector. The curricula reform in 2004 was to address this issue. It requires more efforts to look for qualitative improvements of the technical education through intimate coordination between the technical and vocational schools and the industry.

(3) Adult education

Due to the large share of the population with low educational achievements and the low competence level of the workforce, adult education is the key in providing opportunities to acquire new skills for current workers. Adult education can be expected to bring higher wage and improved livelihood, especially for workers with low qualifications. Nevertheless, Mexican companies rarely invest in training and most of the employees in need of training do not have an opportunity to receive adult education.

In Mexico, the inadequacy of adult education is a severe problem for the business world, especially for SMEs who cannot afford to hire skilled managers.

1.1.4 Infrastructure

Table 1-13 compares 1990 with 2006 and shows that the infrastructure level of ports, roads and phone lines, among others, have improved significantly.

Table 1-13 Infrastructure availability level (1990 and 2006)

	1990	2006
No. of land telephone lines (1,000 lines)	5,353	19,861
Road length (Km)	239,235km	356,945km
Length of railroad tracks (Km)	26,361km	26,662km
Maritime ports	76	97

Source: INEGI (2007). *Mexico at a Glance*.

However, an international comparison (Table 1-14) indicates Mexico's achievement is lower than Asian countries, in particular in port efficiency and road construction.

Table 1-14 Infrastructure cost

	Mexico	Argentina	Brazil	Asia *	Developed countries
Maritime port efficiency	3.34	3.81	2.92	4.54	5.76
Customs clearance time at maritime port	4.0	7.0	10.0	5.7	3.5
Road **	-0.03	-0.36	-0.50	0.70	1.15
Telephone lines ***	0.31	0.50	0.24	0.28	1.35

Note: * East Asia and Southeast Asia.

** Deviation from the world average of expanded Km per Km²

***Number of lines per person

Source: Ferranti et al (2002). *From natural resources to the knowledge economy*. World Bank.

Furthermore, a subject that will become more important from now on is the energy sector. There is a fear that the problems of the poor investment in the oil and electricity industries will cause shortage of energy or rise in the price.

With the current financial conditions mentioned above, it is difficult that the government make enough investment in the public goods sector, which has been an obstacle to the development of the infrastructure.

1.1.5 Competitiveness of Mexico

According to the Global Competitiveness Report 2008-2009 of the World Economic Forum (WEF), Mexico is ranked 60th out of 131 countries, descending 8 positions from rank 52nd last year (59th among the countries that participated in the previous year). Among the Latin American countries, Mexico ranks 4th following Chile (28th) Panama (58th) and Costa Rica (59th) with slight difference with the latter two.

The fragile nature of the economy against the external recession, with the characteristics of the synchronization with USA economy and the dependence on the oil incomes, already pointed out in the Global Competitiveness Report 2007-2008, is considered to have exposed itself in reality and resulted in the significant backward movement in the ranking position.

Table 1-15 Global Competitiveness Index

Index	Ranking (of 134 countries)
Global Competitiveness Index (2008-2009)	60
Basic requirements	60
Institutions	97
Infrastructure	68
Macroeconomic stability	48
Health and primary education	65
Efficiency enhancers	55
Higher education and training	74
Goods market efficiency	73
Labor market efficiency	110
Financial market sophistication	66
Technological readiness	71
Market size	11
Innovation and sophistication factors	70
Business sophistication	58
Innovation	90

Source: WEF (2008). *Global Competitiveness Report 2008-2009*.

Based on the Global Competitiveness Index (GCI) of the WEF, an analysis of the strengths and weakness of Mexico follows:

(1) Mexico's strengths

The relative strengths of Mexico compared with countries at the same level of development (GDP per capita of 3,000-9,000 USD) are *market size* (rank 11th), *macroeconomic stability* (48th) and *business sophistication* (58th).

1) Market size

Mexico ranks 11th regarding *market size*. Looking at the detail, it ranks 12th for *domestic market size index* and 16th for *foreign market size index*. The advance in the liberalization of international trade and investment mentioned in the paragraph 1.1.1 (1) is reflected on the strength. In particular, in the period from NAFTA-effecting 1994 to 2004 the amount of Mexico's trade with the U.S.A. and Canada increased more than 3 times. Furthermore, through the *maquiladora* system and the inward foreign direct investment, the finished product export to the U.S.A. saw an important increment.

2) Macroeconomic stability

Mexico ranks 48th regarding *macroeconomic stability* with its competitive advantage especially in *government debt* (rank 34th). This was made possible not only by the prudent monetary policies and flexible exchange policies mentioned in the paragraph 1.1.1 (2), but also for the stabilization programs including the external debt restructuring, large scale privatization, curbing of inflation and significant reduction in the government debt and financial deficit, to mention a few.

3) Business sophistication

Regarding the *business sophistication* ranking Mexico 58th, the strength lies especially in *local supplier quality* (rank 46th). It is expected on the other hand that the strength will be further developed through the improvements in *production process sophistication* (67th), *value chain breadth* (59th) and *state of cluster development* (58th).

(2) Mexico's weakness

The relative weaknesses of Mexico in comparison with countries in the same stage of development are: *labor market efficiency* (rank 110th), *institutions* (97th) and *innovation* (90th).

1) Labor market efficiency

Mexico ranks 110th for *labor market efficiency*, reflecting the discouraging effect of such burdens to employers as labor regulations, salary taxes and social overhead characterized with *rigidity of employment* (rank 99th), *hiring and firing practices* (91st), *non-wage labor costs* (89th) and *firing costs* (81st). The inefficient labor market is a factor of the expansion of the informal sector, which in turn may invite lower productivity and less tax revenue.

2) Institutions

In regard to *institutions* (rank 97th), Mexico has severe problems in security issues like *organized crime* (127th), *business costs of crime and violence* (125th), as well as legislative inconveniences like burden of government regulation (121st) and efficiency of legal framework (111th), among others. The inappropriate environment for competition due to the regulations is reflected also on *extent of market dominance* (103rd), *agricultural policy costs* (105th), *effectiveness of the anti-monopoly policy* (92nd), etc. in the category of *goods market efficiency* (73rd),

3) Innovation

Mexico ranks 90th regarding *innovation*. The main issue is *availability of scientists and engineers* (rank 105th). This is closely related with the problems in education and training described in 1.1.3 as reflected on *quality of math and science education* (127th) and *quality of the educational system* (109th) in the category of *higher education and training* (74th). Likewise, the issue affects the *availability of latest technologies* (92nd) and *firm-level technology absorption* (92nd), in the category of *technological readiness* (71st).

1.2 Small and Medium Sized Enterprises in Mexico

1.2.1 Size and structure of the SME sector

SMEs in Mexico play a very important role for the economy of Mexico.

SMEs number 4 millions, representing 99% of the total number of companies, while large enterprises constitute merely 0.2%, or 6,700. Their shares of employment are 70% for SMEs and 30% for large enterprises. Micro enterprises represent a large part of the SME sector, employing 8 million persons which represent the 40% of the total jobs. There are only 139,000 small enterprises and 32,000 medium enterprises.

The average number of employees in a company ranges 7-8 in SMEs, 2 in micro enterprises and 700 in large companies.

Box 1.1 Definition of SME in Mexico¹

Micro enterprise: Enterprises with 0 to 10 employees in the manufacturing, commercial and service sectors

Small enterprise: Enterprises with 11 to 50 employees in the manufacturing and service sectors and 11 to 30 in the commercial sector

Medium enterprise: Enterprises with 51 to 250 employees in the manufacturing sector, 31 to 100 in the commercial sector and 51 to 100 in the service sector

Micro enterprises characterize the SME sector in Mexico. Looking at the numbers of manufacturing companies by size class, Mexico stands out for the proportion of micro enterprises in comparison with other OECD countries (Table 1-16).

Table 1-16 Proportion by size class of manufacturing enterprises (2003)

	Number of employees (1 to 9)	Number of employees (10 to 49)	Number of employees (50 to 249)	Number of employees (over 250)
Mexico	90.86%	6.01%	2.20%	0.93%
Czech Republic	90.17%	7.13%	2.14%	0.57%
Hungary	86.24%	10.18%	2.82%	0.75%
France	82.84%	13.17%	3.15%	0.84%
Italy	82.63%	15.13%	1.97%	0.27%
Portugal	79.77%	16.28%	3.50%	0.44%
Spain	78.03%	18.68%	2.83%	0.46%
Holland	74.49%	19.08%	5.29%	1.13%
Austria	72.54%	20.63%	5.31%	1.52%
Denmark	71.67%	20.92%	6.00%	1.42%
UK	71.27%	21.45%	5.91%	1.37%
Germany	60.21%	29.69%	8.03%	2.07%
USA	58.17%	33.67%	5.13%	3.02%

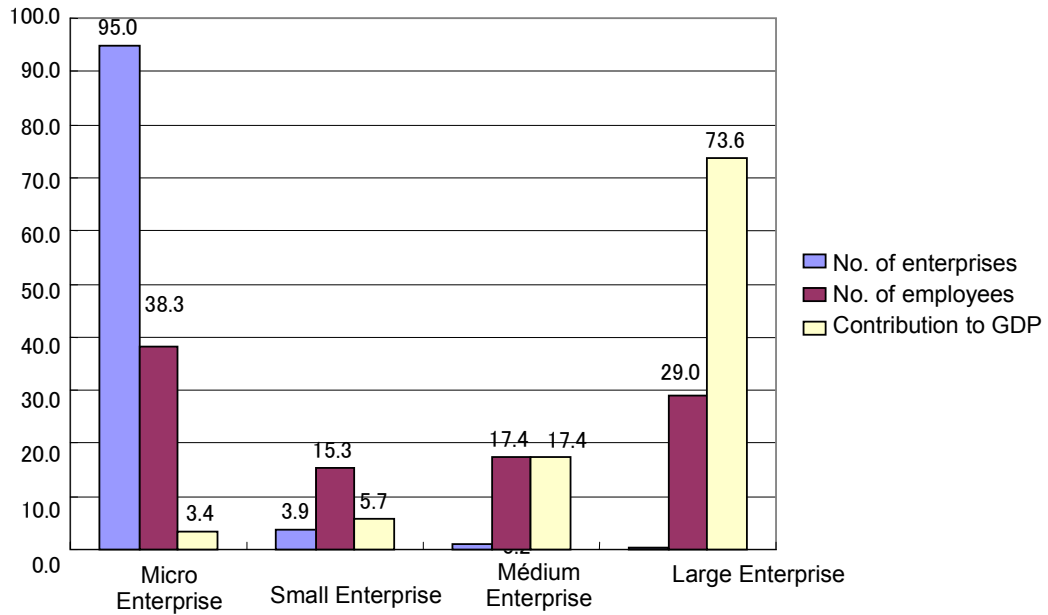
Note: Data of UK and USA are of 2002. Difference between countries regarding the SME classification by size is as follows: USA: 20-99, 100-499, over 500; Mexico: 0-10, 11-50, 51-250.

Source: OECD. *Database Businesses by Size Class*.

INEGI.

A comparison between the size class of the proportions of the number of companies and the number of jobs against the contribution to the GDP (Figure 1-7), large enterprises employ only 29.0% of the total employees and produce 73.6% of the GDP, while micro enterprises employ 38.3% of the total employees and produce only 3.4% of the GDP. The abovementioned OECD Report points out that the micro enterprises in Mexico are extremely small (those with 2 or less employees represents two thirds of the total enterprises) and the majority do not generate profits while the small and medium enterprises are relatively large within the size class and their labor productivity is comparatively high.

Figure 1-7 Number of enterprises, employees and contribution to the GDP by size class (2003)



Source: INEGI.

Most of the micro enterprises are managed by a family and the distribution of the production is limited within the local population. Retail trades, services and agriculture represent 90% of the micro enterprises. A very small proportion of micro enterprises (around 300,000 business units) belong to the manufacturing sector.

Table 1-17 Number of SMEs by sector (2005)

Sector	Total number	Percentage of enterprises			
		Micro	Small	Medium	Large
Manufacturing sector	328,718	90.9	6.0	2.2	0.9
Food	123,308	95.3	3.4	1.0	0.4
Textile	47,400	86.9	8.5	3.4	1.3
Wood	17,729	95.7	3.4	0.8	0.1
Paper	17,165	88.0	8.5	2.8	0.8
Chemical	7,706	49.7	28.7	16.6	5.0
Non metallic minerals	25,037	93.4	5.0	1.2	0.4
Basic metallic	1,250	61.8	21.5	12.1	4.6
Equipment and machinery	77,373	89.9	6.4	2.4	1.4
Other industries	11,732	89.1	7.2	2.5	1.2
Retail trade	1,580,587	97.0	2.1	0.6	0.2
Services	1,013,743	94.7	4.3	0.5	0.5

Note: INEGI's statistics denote the number of establishments instead of enterprises. Here we respect the source.

Source: OECD. *SMEs in Mexico, Issues and Policies*.

Original Source: CANACINTRA and INEGI

1.2.2 Informal economy

The official statistics are not sufficient to show the importance of micro enterprises. A significant portion of the workforce in Mexico is said to engage in the informal economy. Many agree to the estimation that more than 9 million (one quarter of the economically active population on the statistics) are employed in over 3 million informal businesses.

National Institute of statistical information and geography (INEGI⁶) defined informal sector in a narrow sense as “Jobs and productive activities that are not formally integrated in the economic structure (for instance street vendors and micro businesses)” and started their quantification. Employment in the informal sector defined as above is estimated 10.5 million in 2002, equivalent to one quarter of the total employment.

⁶ Instituto Nacional de Información Estadística y Geografía

1.2.3 Regional disparities

The geographic distribution of enterprises (Table 1-18) shows that the proportion of micro enterprises is higher in the south-southeast, central-west and center regions while the north region has relatively higher proportion of medium and large enterprises. That is a common tendency in the three sectors: manufacturing, commercial and service.

Mexico is a country with large regional disparities in the level of socioeconomic development in terms of education, health, poverty and other indicators. The expansion of the market size stimulated by the liberalization of the international trade and investment, mentioned in 1.1.5 (1) as one of Mexico's strengths, generated many benefits in the northern region that has advantages in exporting to the U.S.A. In contrast, the southern states are poor, bound with traditional farming system, lacking advanced industries and in general the productivity is much lower.

Table 1-18 Regional distribution of manufacturing, commercial and service enterprises by size and region (2003).

Manufacturing sector							
Region	Total		Distribution (%)				
	Number of establishments	%	Micro	Small	Medium	Large	Total
South, Southeast	80,450	24.5%	97.1	2.1	0.5	0.2	100
Central West	86,452	26.3%	89.9	7.3	2.1	0.7	100
Central	108,486	33.0%	90.1	6.4	2.6	0.9	100
Northeast	27,734	8.4%	82.7	10.4	4.4	2.5	100
Northwest	25,596	7.8%	86.5	7.2	3.7	2.5	100
Total Country	328,718	100%	90.9	6	2.2	0.9	100

Commercial sector

Region	Total		Distribution (%)				
	Number of establishments	%	Micro	Small	Medium	Large	Total
South, Southeast	329,746	20.9	97.6	1.7	0.5	0.2	100.0
Central West	386,916	24.5	97.2	2.0	0.6	0.2	100.0
Central	568,463	36.0	97.7	1.6	0.5	0.2	100.0
Northeast	154,440	9.8	94.9	3.7	1.0	0.4	100.0
Northwest	141,022	8.9	95.0	3.5	1.1	0.3	100.0
Total Country	1,580,587	100.0	97.0	2.1	0.6	0.2	100.0

Service sector

Region	Total		Distribution (%)				
	Number of establishments	%	Micro	Small	Medium	Large	Total
South, Southeast	205,746	20.3	95.7	3.6	0.3	0.3	100.0
Central West	244,213	24.1	95.3	3.9	0.4	0.3	100.0
Central	345,250	34.1	94.4	4.4	0.6	0.6	100.0
Northeast	108,321	10.7	93.5	5.2	0.7	0.6	100.0
Northwest	110,213	10.9	93.7	5.4	0.5	0.4	100.0
Total Country	1,013,743	100.0	94.7	4.3	0.5	0.5	100.0

Source: INEGI.

1.2.4 Challenges facing SMEs in Mexico

According to OECD, the fundamental weaknesses of the SMEs in Mexico lie in two aspects: (1) Insufficient know-how and low level of technology and (2) limited access to financing.

(1) Insufficient know-how and low level of technology

Even though the micro enterprises representing more than 90% of the SMEs typically lag behind in the quality of human resources, facilities, technology, marketing and other areas, some innovative SMEs demonstrates international competitiveness. The OECD Report argues that the gap is attributable to the uneven diffusion of information and communication technologies (Figure 1-19) which is a weakness of SMEs in Mexico along with the lack of investment in research and

development and the funds to support it, as well as the very low innovation in products and process.

The 2003 data shows that Mexico's R&D expenditure is the lowest in the OECD countries, accounting only 0.4% out of the GDP compared to 2.3 % in OECD countries as a whole. The private investment in R&D is particularly weak, representing only 35 % of the total (OECD average is 65%).

Table 1-19 Diffusion of the information and communication technologies *

	Mexico	Poland	Turkey	USA	Japan	Korea	OECD
Standard access lines	15.9	29.6	26.7	59.5	40.4	57.7	43.6
Access channels	18.9	32.9	27.0	62.3	55.0	58.4	52.0
Mobile subscribers	29.3	45.5	39.4	54.5	67.9	70.1	64.2
Internet subscribers to fixed networks	2.7	4.3	1.6	33.0	25.6	24.8	22.4
Broadband access	0.4	0.8	0.1	9.7	10.7	24.2	7.2

Note: * Per 100 inhabitants (2003)

Source: OECD (2005). *Communication Outlook*.

(2) Limited access to funding.

OECD's Report stated that Mexico's SMEs are in a difficult position to obtain bank loans and equity finances and that the lack of financing at a reasonable cost is another problem for SMEs. Suppliers' credits on which SMEs mainly rely (Table 1-20) are a costly financial source.

Table 1-20 Funding for SMEs in Mexico (2005)

Source of funding	Size of enterprise		
	Small enterprise	Medium enterprise	Large enterprise
Suppliers' credits	66.7%	57.2%	52.3%
Commercial banks	13.7%	19.8%	21.1%
Foreign banks	0.9%	2.9%	3.1%
Development banks	1.7%	1.2%	3.1%
Other sources	17.0%	18.9%	20.4%
Total	100.0%	100.0%	100.0%

Source: CANACINTRA and *Banco de México* (2005).

In Mexico, the direct bank loans to SMEs just started in the second half of 2004. In this country, Bank loans to the private sector (including mortgages and consumer credits) as a percentage of the GDP is very small compared with other OECD countries. It has been analyzed that the bank loans to the private sector have been obstructed by the inadequacy or uncertainty of regulations regarding collateral, insolvency, credit appraisal and credit guarantee.

Confronted by the fierce competition with imports while having disadvantages in raising productivity due to the tininess as mentioned earlier, many SMEs in Mexico seem struggling in the business environment where they hardly find an opportunity to grow for themselves.

What can be the ways to improve the management level of the SMEs, given the structural difficulties in geographical and institutional sense for MSMEs to readily obtain quality human resources, information and economic resources? Mexico's SME policies will be described in Chapter 2.

ⁱ June 30, 2009 edition of the government gazette announced the revised definition of SME in Mexico as below. However, statistics and analyses in this Report are based on data conforming to the previous definition shown in the Box 1.1.

Size	Sector	Number of employees	Amount of annual sales (million pesos)	Combined maximum ceiling*
Micro	All	10 and below	\$4 and below	4.6
Small	Commercial	11 to 30	\$4.01 to \$100	93
	Manufacturing / Service	11 to 50		95
Medium	Commercial	31 to 100	\$100.01 to \$250	235
	Service	51 to 100		
	Manufacturing	51 to 250		250

* Note: The size of a company will be determined according to the score obtained through a formula, Score of the company = (Number of employees) × 10% + (Amount of annual sales) × 90%, which must be less or equal to the Combined maximum ceiling of its category.

Chapter 2

Policies for the SMEs in Mexico

Chapter 2 Policies for the SMEs in Mexico

2.1 Promotion of the SMEs in the national development

2.1.1 National Development Plan

The government of the President Calderon announced the “Vision Mexico 2030” and the “National Development Plan 2007-2012” in May 2007.

In “Vision Mexico 2030” the long term national objectives are defined. In domestic affairs it stated 1) Rule of law and security, 2) Economic and employment competitiveness, 3) Equal opportunities and poverty eradication, 4) Sustainable growth and environmental conservation, and 5) Comprehensive democracy. In foreign affairs it stated 6) Establishment of a mature and equitable relationship with North America as well as the deployment of leadership in Latin America (Box 2-1).

Box 2.1 “Vision Mexico 2030”

Toward the year 2030, the Mexican foresees Mexico as follows:

A country with law, where our families and our patrimony are safe; and we will be able to exercise our freedoms and unrestricted rights;

A country with a highly competitive and dynamically grows steadily, generating enough well-paying jobs;

A country with equal opportunities for all, where the Mexicans are able to use their social rights and the poverty will have been eradicated;

A country with a sustainable development where there is a culture of respect and conserve the environment;

A fully democratic nation where clear rulers are accountable to citizens, in which political actors will work to shape and build agreements jointly responsible for encouraging the continued development of the country;

A Nation that has built a mature and equal relationship with North America, and exercising leadership in Latin America.

Source: Gobierno de los Estados Unidos Mexicanos, Presidencia de la República (2007)

Considering this long term vision, the “National Development Plan 2007-2012” that defined ten national objectives and the strategies to fulfill them are based on the five pillars. The five pillars are: 1) Rule of law and security, 2) Competitive economy with job generation capability, 3) Equal

opportunities, 4) Sustainable environment and 5) Effective democracy and responsible diplomatic policy; and can perceive correspondence with “Vision Mexico 2030” (see Box 2-2 and Table 2-1).

Box 2-2 Ten national targets included in the “National Development Plan 2007 – 2012”

1. Ensure the National security to keep the peace, integrity and independence, and the sovereignty to assure the State and viability of democracy
2. Ensure full application of the rule of law, strengthening the institutional frameworks and strengthen a strong culture of legality for Mexicans to be truly protected their physical integrity, family and heritage within a framework of harmonious social coexistence
3. Reach a sustainable economic growth and generate formal jobs that allow Mexicans, especially those who live in poverty, get a decent income and improve the quality of life
4. Have a competitive economy that offers quality goods and services with attainable prices through the rise of productivity, economy competition, infrastructure investment, strength of domestic market and the creation of favorable conditions for the development of the enterprises, especially the SMEs
5. Reduce the extreme poverty, assure the equal opportunities and enhance the capabilities so that the Mexicans can improve significantly their quality of life and has guarantee food, health, education, housing and the right environment for their development as is stated in the Constitution
6. Significantly reduce the social, economic and cultural gap that is shown in the society, so that the Mexicans can be equally treated without any trace of discrimination
7. Ensure that the Mexicans have effective opportunities to exercise their citizen’s rights, and actively participate in the politics and cultural, economic and social life within their communities and the country
8. Assure the environmental sustainability through the responsibility of the Mexicans in the care, protection, preservation and rational use of the natural wealth of the country, consolidate the economic and development without jeopardize the natural patrimony and the quality of life of future generations
9. Consolidate a democratic regime, through dialogue and agreement among the Powers of the Union, the tiers of government, political parties and citizens, that translates into actual conditions so that Mexicans can prosper through their own efforts and be informed values such as liberty, legality, plurality, honesty, tolerance and ethical exercise of power
10. Make use of the globalization to promote the National development and project the Mexican’s interests in the foreign area, based on the strength of the National identity and culture, and accepting the responsibility as a progress and pacific relations promoter between nations

Source: Gobierno de los Estados Unidos Mexicanos, Presidencia de la República (2007).

Table 2-1 Strategic system of the “National Development Plan 2007 – 2012”

Pillar 1. Rule of law and security			
Rule of law	1.1 Legal certainty	Objective 1	Strategy 1.1
		Objective 2	Strategy 2.1-2.2
		Objective 3	Strategy 3.1-3.2
	1.2 Implementation of legal administration	Objective 4	Strategy 4.1-4.7
		Objective 5	Strategy 5.1-5.4
		Objective 6	Strategy 6.1-6.3
	1.3 Information and intelligence	Objective 7	Strategy 7.1-7.2
	1.4 Organized crime	Objective 8	Strategy 8.1-8.4
	1.5 Trust of the public institutions	Objective 9	Strategy 9.1-9.6
		Objective 10	Strategy 10.1-10.6
1.6 Legality culture	Objective 11	Strategy 11.1-11.2	
1.7 Human rights	Objective 12	Strategy 12.1-12.4	
National security	1.8 Sovereignty defense and protection of territory	Objective 13	Strategy 13.1-13.2
	1.9 Border security	Objective 14	Strategy 14.1-14.2
	1.10 International cooperation	Objective 15	Strategy 15.1-15.7
Public security	1.11 Prevention of crimes	Objective 16	Strategy 16.1-16.4
	1.12 Power of police	Objective 17	Strategy 17.1-17.5
	1.13 Citizen participation	Objective 18	Strategy 18.1-18.3
Pillar 2. Competitive economy with job generation capability			
Economy and public finance	2.1 Public treasure policy for the competitiveness	Objective 1	Strategy 1.1-1.5
	2.2 Efficient financial system	Objective 2	Strategy 2.1-2.4
	2.3 National system for pensions	Objective 3	Strategy 3.1-3.2
	2.4 Job promotion and peaceful relations	Objective 4	Strategy 4.1-4.5
Productivity and competitiveness	2.5 Enhancing productivity and competitiveness	Objective 5	Strategy 5.1-5.6
	2.6 SMEs	Objective 6	Strategy 6.1-6.4
	2.7 Rural sector	Objective 7	Strategy 7.1-7.7
		Objective 8	Strategy 8.1-8.2
		Objective 9	Strategy 9.1-9.11
		Objective 10	Strategy 10.1-10.3
		Objective 11	Strategy 11.1-11.3
2.8 Tourism	Objective 12	Strategy 12.1-12.6	
2.9 Comprehensive regional development	Objective 13	Strategy 13.1-13.7	
Infrastructure for the development	2.10 Telecommunications and transportation	Objective 14	Strategy 14.1-14.10
	2.11 Energy, electricity and oil/natural gas	Objective 15	Strategy 15.1-15.17
	2.12 Hydraulic sector	Objective 16	Strategy 16.1-16.4
	2.13 Construction and housing	Objective 17	Strategy 17.1-17.7

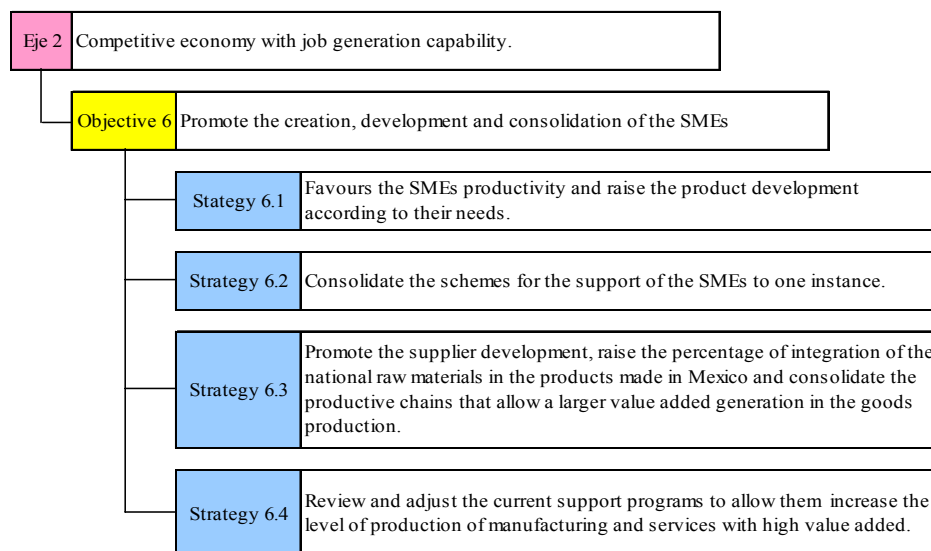
Pillar 3. Equal opportunities			
Poverty	3.1 Overcoming poverty	Objective 1	Strategy 1.1-1.6
		Objective 2	Strategy 2.1-2.5
		Objective 3	Strategy 3.1-3.4
Comprehensive development	3.2 Health	Objective 4	Strategy 4.1-4.3
		Objective 5	Strategy 5.1-5.3
		Objective 6	Strategy 6.1-6.3
		Objective 7	Strategy 7.1-7.4
		Objective 8	Strategy 8.1-8.3
	3.3 Transformation of education	Objective 9	Strategy 9.1-9.4
		Objective 10	Strategy 10.1-10.4
		Objective 11	Strategy 11.1-11.6
		Objective 12	Strategy 12.1-12.10
Objective 13		Strategy 13.1-13.5	
Priority groups	3.4 Indigenous peoples and communities	Objective 14	Strategy 14.1-14.5
		Objective 15	Strategy 15.1-15.7
	3.5 Equality between women and men	Objective 16	Strategy 16.1-16.9
	3.6 Vulnerable groups	Objective 17	Strategy 17.1-17.9
	3.7 Family, children and youth	Objective 18	Strategy 18.1-18.4
		Objective 19	Strategy 19.1-19.3
Culture and recreation	3.8 Culture, arts, sports and recreation	Objective 20	Strategy 20.1-20.4
		Objective 21	Strategy 21.1-21.3
		Objective 22	Strategy 22.1
		Objective 23	Strategy 23.1-23.2
Pillar 4. Sustainable environment			
Sustainable use of natural resources	4.1 Water	Objective 1	Strategy 1.1-1.3
		Objective 2	Strategy 2.1-2.4
	4.2 Forests and jungles	Objective 3	Strategy 3.1-3.6
	4.3 Biodiversity	Objective 4	Strategy 4.1-4.3
		Objective 5	Strategy 5.1-5.3
Environmental protection	4.4 Management and justice in environmental matters	Objective 6	Strategy 6.1-6.4
		Objective 7	Strategy 7.1
		Objective 8	Strategy 8.1-8.2
	4.5 Environmental regulations	Objective 9	Strategy 9.1-9.3
	4.6 Climate change	Objective 10	Strategy 10.1-10.4
		Objective 11	Strategy 11.1-11.4
4.7 Solid and hazardous wastes	Objective 12	Strategy 12.1-12.4	
Knowledge and culture for the environmental sustainability	4.8 Environmental scientific research with social commitment	Objective 13	Strategy 13.1-13.3
	4.9 Education and awareness of culture	Objective 14	Strategy 14.1-14.2

Pillar 5. Effective democracy and accountable diplomatic policy				
Effective democracy	5.1	Strengthening democracy	Objective 1	Strategy 1.1-1.6
	5.2	Modernizing the political system	Objective 2	Strategy 2.1-2.4
	5.3	Civic engagement	Objective 3	Strategy 3.1-3.3
	5.4	Governmental effectiveness and efficiency	Objective 4	Strategy 4.1-4.5
	5.5	Transparency and accountability	Objective 5	Strategy 5.1-5.9
Responsible foreign policy	5.6	Leverage between diplomatic policy and National development	Objective 6	Strategy 6.1-6.8
	5.7	Mexico in building the world order	Objective 7	Strategy 7.1-7.4
	5.8	Diversifying diplomatic policy agenda	Objective 8	Strategy 8.1-8.6
	5.9	Mexicans abroad and migration	Objective 9	Strategy 9.1-9.4
			Objective 10	Strategy 10.1-10.5

Source: Study Mission based on “Gobierno de los Estados Unidos Mexicanos, Presidencia de la República” (2007)

The incentive for the SMEs is closely related to the Objective 3 (Sustainable economic growth and formal job generation capability) of the “National Development Plan 2007 -2012”, as well as the Pillar 2 (Competitiveness economy and job creation) of the system strategy. Figure 2-1 shows the Objective 6 for Pillar 2 of the system strategy. It mentions the promotion of SMEs as well as the derived strategies.

Figure 2-1 System of strategies for SMEs promotion in the “National Development Plan 2007 – 2012”



Source: Study Mission based on “Gobierno de los Estados Unidos Mexicanos, Presidencia de la República” (2007)

The Strategy 6.1 shows the framework to provide appropriate incentive policies to support the needs of companies, according to a matrix of five stages of business development and support the five fields. This is the basis of SME promotion plan to stimulate the “Economy Sector Program” which will be discussed later.

The Strategy 6.2 has already started the basic installation in diverse regions of the national service centers named “Entrepreneur support center *México Emprende*” (See 2.2.2 in detail).

The Strategy 6.3 is to acknowledge the weakness of the industrial sector in Mexico that also was pointed out in Chapter 1. It reflects about the strategic contribution of the increase of the value added, the job generation and the regional development from the policies for integral sector development.

The Strategy 6.4 states that, coupled with the direct support on the financial side, the key is the support for increased business potential opportunities and administrative capacity and enterprise development and introduction of new streaming technology from consultancies.

2.1.2 Economic sector program

Upon receiving the National Development Plan, the Ministry of Economy announced the "Economic Sector Program 2007 - 2012" in May 2008.

The program firstly confirms that, in propulsion of the National Development Plan, the Ministry of Economy participates directly in the following three objectives out of the 17 objectives that are included under the Pillar 2 of the system of strategies:

- Objective 5 Enhance productivity and competitiveness of the Mexican economy to achieve sustainable economic growth and accelerate job creation
- Objective 6 Promote the creation, develop and consolidation of the MSMEs
- Objective 13 Overcome the regional unbalances promoting the competitive advantages of each region, in coordination with political, economic and social actors inside the regions, between regions and a national level

The mission of the Ministry of Economy, according to this role is “to be an institution that promotes and brings in public policies and oriented programs to create more and better jobs, more and better companies, and more and better entrepreneurs”. The strategies and action plans to fulfill the mission were developed. The program established performance indicators in each of the twelve main objectives that were deployed in the four Pillars. The strategic policies and actions for the implementation were also defined (Table 2-2).

Table 2-2 System of the “Economic Sector Program 2007-2012”

PILLAR 1	TRIGGER THE DEVELOPMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)
Guiding objective 1.1	Contribute to the creation of jobs through the impetus for the creation of new businesses and strengthening existing MSMEs
Guiding objective 1.2	Promote the generation of more and better jobs among the entrepreneurial population with low incomes, through the promotion and strengthening of productive projects
PILLAR 2	SIGNIFICANTLY ADVANCING THE COMPETITIVENESS OF THE MEXICAN ECONOMY FOR FOSTERING JOB CREATION
Guiding objective 2.1	Promote an efficient operation of the markets through the application of competition policy
Guiding objective 2.2	Contribute to improving the competitiveness of economic sectors through the promotion of a comprehensive regulatory improvement
Guiding objective 2.3	Promote equity in consumer relations by applying cutting-edge tools to protect consumers' rights
Guiding objective 2.4	Improve efficiency and competitiveness of logistics services in the country
Guiding objective 2.5	Raise the competitiveness of businesses by promoting the use of information technology, innovation and technological development in their products and services
Guiding objective 2.6	Give legal certainty to economic factors through the adequacy and implementation of legal framework and modernizing the process for business opening
PILLAR 3	PROMOTE FOREIGN TRADE AND FOREIGN DIRECT INVESTMENT (FDI)
Guiding objective 3.1	Strengthen the integration of Mexico into the global economy
Guiding objective 3.2	Increase the participation of Mexico in the flow of world trade and attract foreign direct investment (FDI)
PILLARS 4	IMPLEMENT A REGIONAL AND SECTOR BASED POLICY FOR STRENGTHENING THE INTERNAL MARKET
Guiding objective 4.1	Encourage conversions and growth of strategic industries and high value added
Guiding objective 4.2	Contribute to gender equity and balanced regional development in deprived areas

Source: Study Mission based on *Diario Oficial de la Federación* (18/5/2008)

The Economic Sector Program is not the "invisible hand" of the market but can be considered the "visible hand" of government, which is a selective and temporary intervention to correct "market failure" and set the priorities of government. Speaking specifically, it is the support to MSMEs, concentrated in the "*México Emprende*" program as the impetus for microfinance, strengthening the banking and social public interest, the establishment of the System for Rapid Opening Companies (SARE¹), strengthening the competitiveness agenda of the economic sectors,

¹ *Sistema de Apertura Rápida de Empresas*

the competitiveness of various economic sectors, as well as promoting exports and attracting investment.

Policies to encourage SMEs correspond to the Guiding objectives 1.1 (creation of new businesses and strengthening existing SME) of the Pillar 1 (promoting the growth of SMEs). The target values posed by the program are as stated in Table 2-3.

Table 2-3 Target values around the promotion of SMEs in the "Economy Sector Program 2007 - 2012"

Objective	Indicator	Unit of measure	Baseline	Target 2012
<u>Guiding objective 1.1</u> Contributes with the job creation through the promotion of new enterprises and the improvement of the existing SMEs	Jobs generated in the formal sector of SMEs	Number of jobs	1,016,755 (years 2006 and 2007)	3,300,000 (accumulated)
	Participation of SMEs in total enterprises that received credit from commercial banks at the national level	Percentage	17.8 (year 2006)	20.8
	Multiplication factor of the resources granted to SMEs through the FONDO PYME for investments from other sources	Multiplication factor	1.7 (year 2006)	3

Source: *Diario Oficial de la Federación* (18/5/2008).

Listed below are the strategic policies and actions that were planned in the "Economic Sector Program 2007 - 2012" "to achieve these goals (footnotes are given by the Study Mission).

<p>Strategy 1.1.1 Promote the creation of new businesses to generate more and better jobs, through the following actions:</p> <ul style="list-style-type: none"> a) Promote the entrepreneur spirit in the education centers b) Enhance the "National Incubation System" in order for incubators to convert into the generators of jobs, businesses and entrepreneurs that the country requires c) Design and support schemes of "seed capital" and "venture capital" to support the newly created MSMEs by providing advice to entrepreneurs
<p>Strategy 1.1.2 Implement a policy to address the specific needs of Micro Enterprises, which represents the highest number of establishments in the country, through the following actions:</p> <ul style="list-style-type: none"> a) Provide training and specialized consulting to enable them to consolidate as companies b) Design and support funding schemes to enable them the access to credits in competitive conditions

- c) Develop commercial modernization and technological innovation models, so the following National Programs will be launched: “*Mi Tienda*” (My Grocery and miscellaneous shop), “*Mi Taller*” (My workshop) and “*Mi Tortilla*” (My Tortilla Shop).
 - d) Develop new distribution and commercialization channels, as well as promote a larger number of productive associations in this segment
- With the above, it is implementing a comprehensive plan that will support both to consolidate and its growth to the next segment.

Strategy 1.1.3 Implement a strategy to focus on small and medium enterprises (SMEs) to foster their development, job creation and promote their competitiveness through the following actions:

- a) Provide specialized consulting to improve its processes of production, management and commercialization, and respect for the environment as well as social responsibility practices
- b) Strengthen the “National Guarantees System” through the design and implementation of funding schemes with better term conditions, interest rate and guarantees to offer the SMEs, as well as programs that detonate productive projects
- c) Develop mechanisms to facilitate the compliance of corporate formalities
- d) Detonate the growth of SMEs in the tourism sector according to the criteria of respect for the ecosystem and natural resources
- e) Apply the principles of regional development, promoting economic vocations with the participation of the local governments, education institutions, entrepreneurial organisms and the society
- f) Encourage the establishment of industrial parks, especially for SMEs to respond to productive careers in the different regions

Strategy 1.1.4 Increase the funding for SMES and capital for mining activities in Mexico

Actions:

- a) Generate and promote patterns of Venture Capital and sufficient opportunities for companies and / or mining projects, preferably at the stage of exploration and extraction
- b) Develop suppliers to achieve a production chain leading to enhanced competitiveness of the mining industry
- c) Advance the efficiency, administratively and financially in the Mining Industry Promotion Trust (FIFOMI²) in order to achieve sustainability with a focus on continuous improvement
- d) Provide quality and timely training and technical assistance for the mining sector and its production chain
- e) Offer adequate and timely financing for projects, preferably long-term, focused primarily on small and medium mining
- f) Revitalizing mining districts with a high concentration of mines, plants profit, operating and / or suspension of operations

² *Fideicomiso de Fomento Minero*

Strategy 1.1.5 Develop the “Gazelle” (“Gacela”) enterprises, namely those with higher speed and growth potential, as well as capacity to generate jobs to its full development by integrated support, systematization and bonding with the markets, through the following:

- a) Business Acceleration Program, consolidating the work the companies are currently deploying as well as increasing its numbers
- b) Creation of the National Program of Franchises (PNF)
- c) Programs and schemes to promote the development of exportable offers from SMEs in order to participate directly or indirectly in the international markets in coordination with ProMexico³ and the federal delegations of the Ministry of Economy
- d) Technological innovation through the promotion and constitution of technology parks

Strategy 1.1.6 Promote the “Tractor” companies (large companies) in order for them to develop their supply chain composed by MSMEs, providing an anchor for the regional and sector based growth through the following actions:

- a) “Supplier development programs and productive articulation”⁴ to properly link the MSMEs with “Tractor” companies such as retail chains, *maquiladora* industry, processing industry, tourism, government purchases and detonate the attraction of international SMEs investments as suppliers of large companies

In addition to the actions described above, by targeting support to each business segment, will be implemented plans and programs that are cross-cutting in their implementation, and engineering development of MSMEs. These schemes include:

- a) Establish a national network of windows: “*México Emprende*”
- b) Promote the development of high impact projects to create jobs in regions of higher unemployment and especially those that export manpower abroad, which will implement the “Employment in Your Community” (“*Empleo en Tu Comunidad*”)
- c) Promote the improvement of business process reengineering of MSMEs to increase their productivity and competitiveness
- d) Design the business information scheme that allows companies to have sufficient information for decision making
- e) Conduct an intensive advocacy and dissemination of the supports to enterprises and entrepreneurs in forums and events across the country

³ ProMexico is an organization of the Federal Government under the Ministry of Economy which was established in June 2007 and is in charge of strengthening the Mexico's participation in international economy. It has 52 offices in Mexico and 35 offices in 19 countries overseas.

⁴ *Programa de Desarrollo de Proveedores y Articulación Productiva*

2.2 SME supporting measures and programs

2.2.1 Summary of SME supporting measures in Mexico

(1) History of the Micro, Small and Medium-sized Enterprise Support Fund

The Micro, Small and Medium-sized Enterprise Support Fund (FONDO PYME⁵), which is the main source of funds for supporting SMEs at present, was established in 2004. The following is the background of its establishment:

The “Entrepreneurial Development Program” (PDE⁶), which was developed based on the "National Development Plan 2000 - 2006," had great impact on Mexico’s SMEs in two aspects:

First, it provided a comprehensive framework for promotional measures to SMEs. It was a step to carry out a streamlined strategic SME support measures.

Second, the emphasis on the approach has shifted from the selective intervention, as conducted in the past, to eliminating barriers for business activities. Along with this, the stakeholders including institutions for education and research, business associations, local governments, etc. are requested to extend joint strategies for SME sectoral promotion, resulting in decentralization of planning and implementation of SME supporting programs.

The six strategic supporting guidelines raised by the PDE for SME promotion are as follows:

- 1) Moderation of access to funds
- 2) Encouragement of innovation and technological development
- 3) Improving the skills of management and employees
- 4) Preparation of a favorable legal and legislative environment
- 5) Industrial development in certain areas and sectors
- 6) Strengthening the participation of SMEs in domestic and international markets

In accordance with these guidelines, the Undersecretariat for Small and Medium Enterprises, which was organized within the Ministry of Economy in 2001, designed new policy instruments including: the Micro, Small and Medium-sized Enterprise Supporting Fund (FAMPYME⁷), the

⁵ *Fondo de Apoyo para la Micro, Pequeña y Mediana Empresa*

⁶ *Programa de Desarrollo Empresarial*

⁷ *Fondo de Apoyo para la Micro, Pequeña y Mediana Empresa*

Development Fund for Integration of Production Networks (FIDECAP⁸), the Financial Access Supporting Fund (FOAFI⁹), the Supporting Fund for the Consolidation of Exportable Goods (FACOE¹⁰) and the Program “March to the South¹¹”.

These three supporting funds were integrated into the current FONDO PYME in 2004.

SME supporting programs before PDE are shown in Box 2-3. Among them, some continue at present.

Box. 2.3 Principal programs to support SMEs before the year 2000.

Prior to the year 2000, the following programs were available to increase the productivity of SMEs as well as the competitiveness of their production systems:

- **Comprehensive Quality and Modernization Program (CIMO¹²)**
Coordinated by the Ministry of Labor and Social Prevention in coordination with the Ministry of Education, the Program of Comprehensive Quality and Modernization starts operations in 1987 to support the development of human resources of the SMEs in order to increase their competitiveness and quality levels. Offered technical support as well as financial support. In 2001 changes its name to Training Support Program (PAC¹³).
- **Special Program to improve the technical capability of the SMEs**
Program was designed with the collaboration of the Ministry of Public Education (SEP¹⁴) and the National Council of Science and Technology (CONACYT¹⁵) so SMEs can have access to new technologies.
- **Industrial Policy and Foreign Trade Program (PROPICE¹⁶)**
A wide program for the Industrial Policy and External Trade under the responsibility and supervision of the Ministry of Economy (formerly the Ministry of Trade and Industrial Development, or SECOFI¹⁷). Its main objective is to improve the quality of Mexican products and contribute to the

⁸ *Fondo de Fomento a la Integración de Cadenas Productivas*

⁹ *Fondo de Apoyo para el Acceso al Financiamiento*

¹⁰ *Fondo de Apoyo para la Consolidación de la Oferta Exportable*

¹¹ *Marcha Hacia el Sur*

¹² *Programa de Calidad Integral y Modernización*

¹³ *Programa de Apoyo a la Capacitación*

¹⁴ *Secretaría de Educación Pública*

¹⁵ *Consejo Nacional de Ciencia y Tecnología*

¹⁶ *Programa de Política Industrial y Comercio Exterior*

¹⁷ *Secretaría de Comercio y Fomento Industrial*

development of business clusters with the participation of MSMEs (1996-2000). The objective of this program was the promotion of the competitiveness of Mexican products in the international market, through the diversification of these products using a diversity of technologies. Currently this program is not carried out.

- **Center for Enterprise Competitiveness Development – Regional Center for Enterprise Competitiveness (CETRO-CRECE¹⁸)**

Established in 1997 by President Zedillo to enhance the competitiveness of the SMEs through government funding and consulting services. The network and its activities increased till 2003, and then a stagnation period starting late 2004 made the system to be dissolved. Currently CETRO-CRECE is disintegrated, and the 6¹⁹ CRECE centers in the country, continue to operate as private organizations.

- **National Committee of Productivity and Technological Innovation (COMPITE²⁰)**

Created in 1997 with the goal of increasing the productivity of the SMEs, applying methods for a more efficient production, through training and consulting services.

- **Mexican Enterprise Information System (SIEM²¹)**

Provides information to SMEs through its website giving advice online. Specifically, its activities are to provide through the website portal information to form a company and / or information on the schemes of government support, in addition to providing the tools for self-diagnosis for the SMEs.

(2) Scale of FONDO PYME

Table 2-4 shows the SME development budget for the Fund from 2004 to 2008.

The FONDO PYME is the main resource for supporting SMEs, and its budget has increased significantly since 2004, the year of its inception until 2008. In 2007, the budget for the FONDO PYME exceeded 2.7 times larger than the amount in 2004. Also, the draft budget has also increased, from approximately 1.6 million Mexican pesos (Budget per Project) in 2004 to roughly five thousand seven hundred and forty million Mexican pesos. This is due to the large budget increase, despite the number of projects to support SMEs fell from 707 in 2004 to 557 in 2007.

¹⁸ *Centro para el Desarrollo de la Competitividad Empresarial – Centro Regional para la Competitividad Empresarial*

¹⁹ Campeche, Guanajuato, Hidalgo, Michoacán, Nuevo Leon and Zacatecas (As of November, 2009)

²⁰ *Comité Nacional de Productividad e Innovación Tecnológica, A.C.*

²¹ *Sistema de Información Empresarial Mexicano*

Table 2-4 Evolution of FONDO PYME (2004-2008)

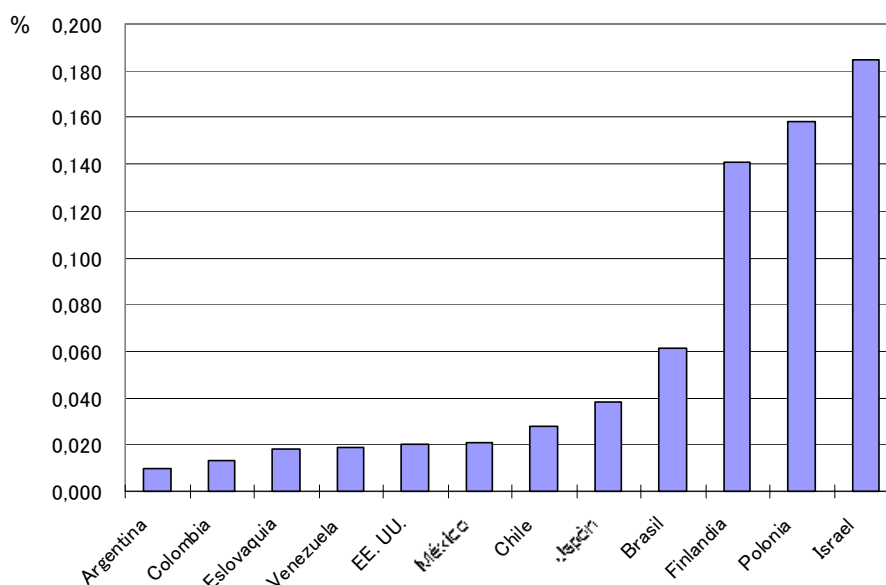
	2004	2005	2006	2007	2008*
Number of projects	707	757	993	557	152
FONDO PYME (in thousand Mexican pesos)	1,154,689	1,818,827,592	3,109,668,078	3,196,301,710	2,250,549,362

Note: * 2008 data as of October.

Source: Ministry of Economy

However, when making international comparisons of supporting budget to SMEs, Figure 2-2 shows that Mexico is still a small percentage earmarked for this purpose.

Figure 2-2 Central government spending on SMEs as a percent of GDP

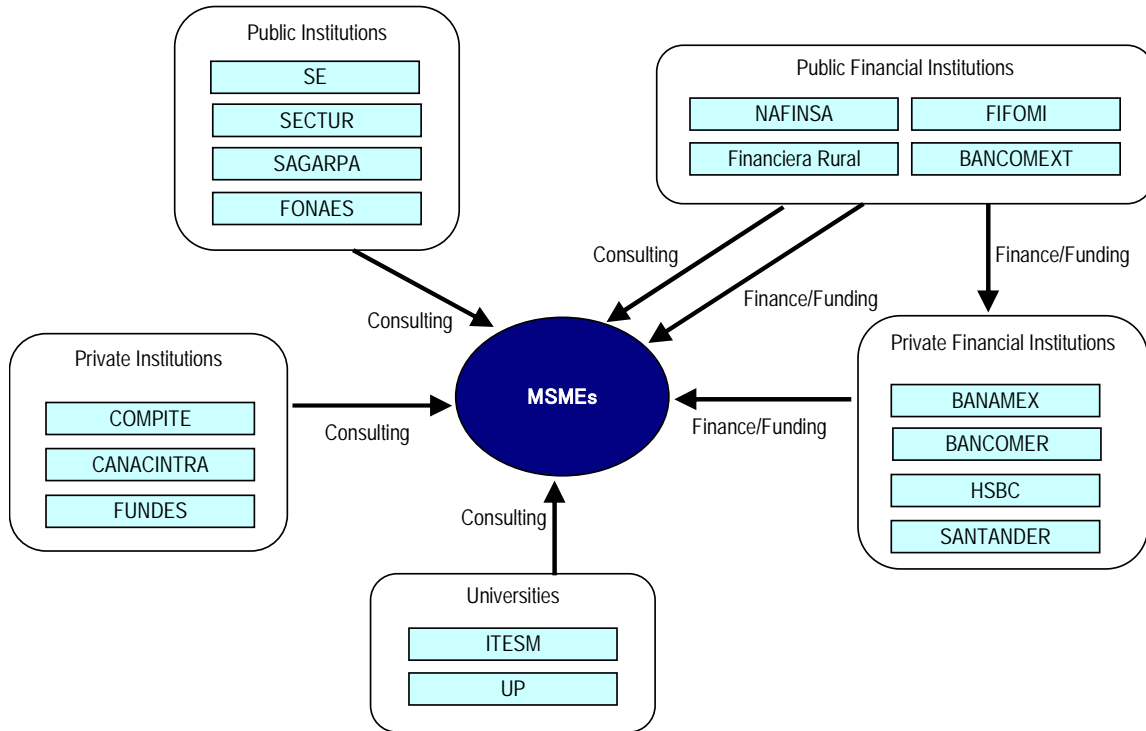


Source: OECD (2007). *SMEs in Mexico, Issues and policies*.

(3) Related institutions to support SMEs in Mexico

Figure 2-3 shows the relationships between actors to support SMEs in Mexico by type of major SME supporting services (consulting services and financing).

Figure 2-3 Actors to support SMEs



Source: Prepared by the Study Mission

In case of SME financing, there are few cases in which private financial institutions provide loans directly to MSMEs, because the laws on the mortgage guarantee system etc. are less developed in Mexico. In addition, since the interest rates in such cases are as high as 16% -24%, it is a rare case for MSMEs to get loans directly from the private financial institutions (details are described in 2.2.3 (5) Current status of SME financing). Public financial institutions such as the *Nacional Financiera* (NAFINSA²²) and *Banco Nacional de Comercio Exterior* (BANCOMEXT²³) has programs to provide loans to commercial banks at very low interest rates so that the commercial banks can lend money to MSMEs at low interest rates.

The *Financiera Rural* has carried out the program, similar to the micro-credit one that provides loans at a low interest rate for small amount of loan money to rural entrepreneurs.

²² *Nacional Financiera*

²³ *Banco Nacional de Comercio Exterior, S.N.C.*

As for the consultancy service, public and private institutions as well as higher educational institutions offer consulting services in various areas through various programs. Consulting services to MSMEs in manufacturing or commercial sectors are provided using the program of FONDO PYME of the Ministry of Economy in most cases. By giving subsidy from the budget of the Ministry of Tourism, the Ministry conducts consulting services to projects conducted by hotels, restaurants, etc. that are under control of the Ministry.

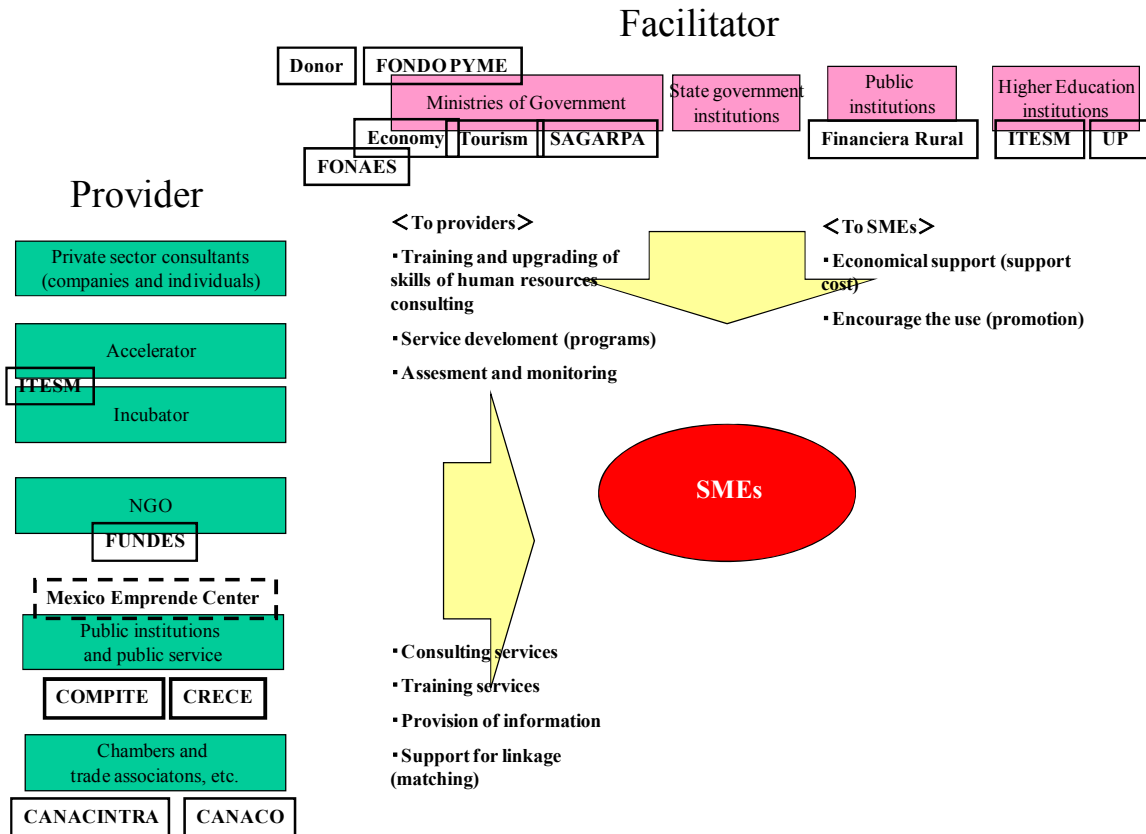
Private institutions as well as higher educational institutions provide consulting services utilizing the FONDO PYME or consulting fees paid by SMEs.

As for the training/fostering of consultants by private institutions, COMPITE and the National Chamber of Industry (CANACINTRA) are actively fostering consultants using the FONDO PYME.

In public institutions, the Ministry of Tourism has established certificates known as "H" and "M" and actively fosters consultants to provide consultation to businesses under the control of the Ministry of Tourism. *Financiera Rural* makes agreements with ten post-graduate programs of universities in the country and fosters consultants for its own projects through the master course with its own program.

Figure 2-4 shows the various supports that are provided to MSMEs from two perspectives: the institutions that offer various services to MSMEs and institutions that promote support for MSMEs. As for the support programs by the Ministry of Economy and the Ministry of Tourism, they do not provide direct services to MSMEs by themselves but provide subsidy to the cost of services that are given to MSMEs under control of the ministries.

Figure 2-4 Providers and developers to support SMEs



Source: Prepared by the Study Mission

2.2.2 Policies and programs to support SMEs based on FONDO PYME

The current *Calderón* administration, whereas the development of Small and Medium enterprises can help to strengthen Mexico's industrial and economic, is carrying out numerous activities to support these companies. Most of this support is provided by the Ministry of Economy.

(1) Flow of activities in the use of FONDO PYME

The FONDO PYME is the primary tool for designing and implementing central government policies on SMEs. The Ministry of Economy develops the flow of operations activities to support the SMEs in accordance with regulations implementing the SMEs Fund, and seeks the effective use of funds.

However, in practice, the FONDO PYME is often combined with other resources from the intermediary organizations, such as local governments headed by the state governments, academia and the private sector, etc. Therefore, to support SMEs are spent in excess of the amounts as shown in Table 2-4. For example, in the case of the “Implementation of a Strategy to Improve Competitiveness of MSMEs in *Sinaloa*,” was used a total of 1,676,040.00 Mexican pesos, broken down as follows: FONDO PYME 641,118.00 Mexican pesos from the Ministry of Economic Affairs (38.25%), 210,000.00 Mexican pesos in the budget of state government (12.53%), 796,894.00 Mexican pesos in resources from the private sector (47.55%) and 28,028.00 Mexican pesos others (NGOs, etc.) (1.67%).

Table 2-5 (details of the development of FONDO PYME presented in Table 2-4) shows the evolution of the FONDO PYME amounts from 2004 to 2008, and the amounts distributed to the projects of state and central governments. The data cover the years 2008 until October, so when comparing data from 2004 to 2007, we know that the total has increased almost 2.7 times, greatly increasing the amount by project as well.

Furthermore, we can notice a considerable scatter in the distribution of regional FONDO PYME. By observing both the sum of the number of projects such as the amount between 2004 and 2007, the *Jalisco* State ranks first in number of projects (112), followed by the State of *Sinaloa* (107) and the State of *Guanajuato* (99). In terms of amounts, the State of Mexico shows a marked superiority in the amount (1,037,422,132.00 Mexican pesos), followed by the State of *San Luis Potosí* (311,817,486.00) and the State of *Querétaro* (168,091,582.00).

By observing the evolution of the FONDO PYME amounts to state governments and the central government in 2006 for the state governments were considerably higher, although we realize that the amounts allocated to the central government still outweigh those on government state. However, regarding the number of projects, projects for state governments are over all the time to projects for the central government.

Table 2-5 FONDO PYME (2004-2008)

Federal entity	2004						2005						2006						2007						2008*					
	Number of projects		Amount FUND SMEs (pesos)		Number of projects		Amount FUND SMEs (pesos)		Number of projects		Amount FUND SMEs (pesos)		Number of projects		Amount FUND SMEs (pesos)		Number of projects		Amount FUND SMEs (pesos)		Number of projects		Amount FUND SMEs (pesos)							
Aguascalientes	22	\$ 5,135.00	27	\$ 6,292,431.00	24	\$ 22,767,674.00	8	\$ 1,135,135.00	1	\$ 1,135,135.00	8	\$ 19,130,377.00	0	\$ -	301,000.00															
Baja California	21	\$ 21,108.00	11	\$ 24,747,418.00	19	\$ 16,761,696.00	20	\$ 2,540,411.00	0	\$ -	19	\$ 19,130,377.00	0	\$ -	301,000.00															
Baja California Sur	0	\$ -	0	\$ -	6	\$ 3,626,352.00	4	\$ 2,940,411.00	1	\$ 650,000.00	4	\$ 3,626,352.00	1	\$ 1,891,852.00	650,000.00															
Campeche	13	\$ 3,310.00	6	\$ 2,124,401.00	16	\$ 9,477,930.00	3	\$ 5,064,643.00	4	\$ 4,408,852.00	3	\$ 9,477,930.00	4	\$ 2,099,419.00	4,408,852.00															
Coahuila	19	\$ 7,570.00	4	\$ 1,676,446.00	29	\$ 15,753,901.00	14	\$ 9,345,910.00	1	\$ 225,000.00	14	\$ 15,753,901.00	1	\$ 7,711,424.00	2,099,419.00															
Colima	11	\$ 2,520.00	12	\$ 2,437,930.00	27	\$ 4,639,720.00	1	\$ 9,345,910.00	5	\$ 2,099,419.00	1	\$ 2,437,930.00	5	\$ 7,711,424.00	2,099,419.00															
Chiapas	8	\$ 8,015.00	18	\$ 10,125,667.00	23	\$ 29,713,353.00	13	\$ 8,567,015.00	16	\$ 1,797,228.00	13	\$ 4,639,720.00	16	\$ 7,711,424.00	2,099,419.00															
Chihuahua	17	\$ 11,090.00	14	\$ 11,843,500.00	26	\$ 20,663,172.00	11	\$ 34,816,460.00	4	\$ 1,572,000.00	11	\$ 11,090.00	4	\$ 1,797,228.00	1,572,000.00															
Distrito Federal	8	\$ 678.00	19	\$ 8,311,608.00	22	\$ 9,310,113.00	8	\$ 11,143,267.00	2	\$ 251,200.00	8	\$ 678.00	2	\$ 1,572,000.00	251,200.00															
Durango	8	\$ 4,216.00	21	\$ 34,299,199.00	36	\$ 36,288,002.00	32	\$ 52,121,031.00	5	\$ 21,104,381.00	36	\$ 34,299,199.00	32	\$ 52,121,031.00	21,104,381.00															
Guanajuato	14	\$ 9,536.00	13	\$ 21,301,225.00	19	\$ 16,979,436.00	7	\$ 7,087,263.00	0	\$ -	19	\$ 9,536.00	7	\$ 7,087,263.00	-															
Guerrero	17	\$ 12,119.00	4	\$ 21,140,000.00	37	\$ 28,907,874.00	6	\$ 7,988,580.00	0	\$ -	4	\$ 12,119.00	6	\$ 7,988,580.00	-															
Hidalgo	47	\$ 16,691.00	30	\$ 69,369,094.00	16	\$ 33,866,854.00	19	\$ 10,069,119.00	6	\$ 1,949,647.00	30	\$ 16,691.00	19	\$ 10,069,119.00	1,949,647.00															
Jalisco	0	\$ -	1	\$ 420,000.00	22	\$ 1,026,435,772.00	27	\$ 10,566,360.00	0	\$ -	1	\$ -	27	\$ 10,566,360.00	-															
Estado de México	12	\$ 22,275.00	12	\$ 5,709,807.00	25	\$ 67,964,170.00	4	\$ 30,115,356.00	6	\$ 2,848,636.00	12	\$ 22,275.00	12	\$ 5,709,807.00	2,848,636.00															
Michoacán	12	\$ 10,326.00	20	\$ 9,816,567.00	19	\$ 13,859,271.00	4	\$ 24,344,404.00	0	\$ -	20	\$ 10,326.00	20	\$ 9,816,567.00	-															
Morelos	15	\$ 4,600.00	4	\$ 2,083,413.00	23	\$ 18,328,840.00	3	\$ 610,375.00	0	\$ -	4	\$ 4,600.00	3	\$ 610,375.00	-															
Nayarit	25	\$ 10,312.00	24	\$ 5,647,310.00	23	\$ 15,406,603.00	26	\$ 19,070,596.00	3	\$ 2,470,737.00	24	\$ 10,312.00	26	\$ 19,070,596.00	2,470,737.00															
Nuevo León	0	\$ -	13	\$ 2,029,650.00	35	\$ 24,093,233.00	10	\$ 32,977,019.00	1	\$ 798,000.00	13	\$ -	10	\$ 32,977,019.00	798,000.00															
Oaxaca	0	\$ -	14	\$ 7,465,905.00	17	\$ 36,782,527.00	17	\$ 9,271,218.00	5	\$ 4,713,978.00	14	\$ -	17	\$ 36,782,527.00	4,713,978.00															
Puebla	0	\$ -	4	\$ 1,388,313.00	12	\$ 108,657,314.00	10	\$ 58,041,623.00	0	\$ -	4	\$ -	10	\$ 108,657,314.00	-															
Queretaro	11	\$ 4,883.00	19	\$ 6,510,985.00	22	\$ 13,706,587.00	25	\$ 17,248,827.00	0	\$ -	11	\$ 4,883.00	19	\$ 6,510,985.00	-															
Quintana Roo	14	\$ 17,552.00	4	\$ 2,783,106.00	9	\$ 305,217,853.00	5	\$ 3,798,975.00	1	\$ 439,890,000.00	14	\$ 17,552.00	4	\$ 2,783,106.00	439,890,000.00															
San Luis Potosí	10	\$ 6,227.00	22	\$ 13,989,530.00	42	\$ 68,348,313.00	23	\$ 19,435,269.00	2	\$ 991,118.00	10	\$ 6,227.00	22	\$ 13,989,530.00	991,118.00															
Sinaloa	20	\$ 308,307.00	15	\$ 6,483,150.00	28	\$ 20,356,658.00	17	\$ 26,956,823.00	1	\$ 276,000.00	20	\$ 308,307.00	17	\$ 26,956,823.00	276,000.00															
Sonora	6	\$ 8,900.00	5	\$ 2,594,402.00	24	\$ 32,557,987.00	16	\$ 8,392,979.00	0	\$ -	6	\$ 8,900.00	16	\$ 8,392,979.00	-															
Tabasco	4	\$ 5,254.00	11	\$ 4,766,960.00	15	\$ 9,061,885.00	10	\$ 4,000,264.00	2	\$ 1,292,031.00	4	\$ 5,254.00	11	\$ 4,766,960.00	1,292,031.00															
Tamaulipas	5	\$ 2,561.00	6	\$ 7,273,750.00	15	\$ 11,568,226.00	4	\$ 2,066,646.00	0	\$ -	5	\$ 2,561.00	6	\$ 7,273,750.00	-															
Tlaxcala	1	\$ 999.00	9	\$ 10,276,300.00	29	\$ 30,533,076.00	14	\$ 19,605,554.00	13	\$ 1,870,594.00	1	\$ 999.00	9	\$ 10,276,300.00	1,870,594.00															
Veracruz	7	\$ 2,524.00	5	\$ 2,163,400.00	8	\$ 13,000,513.00	3	\$ 6,057,337.00	0	\$ -	7	\$ 2,524.00	5	\$ 2,163,400.00	-															
Yucatán	3	\$ 1,379.00	8	\$ 1,097,442.00	8	\$ 14,343,131.00	8	\$ 4,165,649.00	0	\$ -	3	\$ 1,379.00	8	\$ 1,097,442.00	-															
Zacatecas	3	\$ 1,379.00	8	\$ 1,097,442.00	8	\$ 14,343,131.00	8	\$ 4,165,649.00	0	\$ -	3	\$ 1,379.00	8	\$ 1,097,442.00	-															
Projects for state government**	376	\$ 515,574.00	379	\$ 310,808,629.00	681	\$ 2,091,364,711.00	378	\$ 459,502,280.00	81	\$ 494,920,097.00	376	\$ 515,574.00	379	\$ 310,808,629.00	494,920,097.00															
Projects for central government***	331	\$ 639,115.00	378	\$ 1,508,018,963.00	312	\$ 1,018,303,367.00	179	\$ 2,736,799,430.00	71	\$ 1,755,629,265.00	331	\$ 639,115.00	378	\$ 1,508,018,963.00	1,755,629,265.00															
TOTAL	707	\$ 1,154,689.00	757	\$ 1,818,827,592.00	993	\$ 3,109,668,078.00	557	\$ 3,196,301,710.00	152	\$ 2,250,549,362.00	707	\$ 1,154,689.00	757	\$ 1,818,827,592.00	2,250,549,362.00															

Note: * 2008 data as October. ** Central government projects. *** State government projects.

Source: Secretaría de Economía

1) Overall objectives of FONDO PYME

The FONDO PYME's seeks to promote economic development by providing temporary support to projects that promote the creation, development, strengthening, viability, productivity, competitiveness, sustainability and initiative of entrepreneurs, as well as projects promoting productive investments capable of generating more and better jobs and to train more and better entrepreneurs.

2) Specific targets of FONDO PYME

The following are the specific goals of the FONDO PYME:

- Contribute to job creation
- Contribute to the creation and strengthening of MSMEs
- Contribute to the formation of entrepreneurs
- Develop entrepreneurial culture
- Contribute to the maintenance of regular employment
- To promote greater participation of women in economic development
- Provide support to attract investments to create MSMEs, prioritizing areas that offer greater amount of labor
- Promote economic development in provinces and sectors
- Promote opportunities for productive development
- Promote MSME's innovation and technological
- Promote the training of consultants and trainers specializing in care for MSMEs
- Promote the standardization of the quality of training and consulting services to MSMEs, through the certification process
- Promote the integration and strengthening of the strategic supply chain
- Contribute to the development of industrial infrastructure, commerce and services
- Promote the productivity and competitiveness of MSMEs through the establishment and strengthening of industrial parks that provide opportunities for development and strengthening of MSMEs
- Foster job creation through the development of sectors and provinces, the strengthening of the production chain, innovation and technological development and investment promotion
- Promote the investment of financial resources to develop and commence operations of MSMEs

- Encourage the export of products and services of MSMEs
- Strengthen the presence of MSMEs in the market
- Promote the participation of MSMEs in fairs, exhibitions, missions, meetings, forums and events inside and outside the country to promote their products and services
- Promote the integration and partnership between companies
- Promote the access of MSMEs to financing in general, particularly to credits
- To expand and strengthen the channels and financing products to MSMEs
- Contribute to the deployment of the financial system at the national level focused on MSMEs
- Strengthen the administrative capacity of the owners taking advantage of the financial system through the promotion of culture and the “financial extension”
- Attempt to MSMEs to have access to hedge against exchange rate risks and hedge against the interests operating in the market for financial derivatives
- Develop and disseminate programs, media, products, tools and actions to raise the competitiveness of MSMEs
- Support the chain of large companies with competitiveness, efficiency and profitability, and be able to promote the integration of the productive chain of MSMEs
- To promote those projects that take place in our country relatives, ancestors or descendants of immigrants who are in Mexico, if MSMEs in question are in the process of foundation, or in case of an entrepreneur who already has a MSMEs. Be appropriate that the state or municipality concerned and the immigrants by themselves who have been made the contributions.
- Promote the creation of new MSMEs by promoting the development of new franchises, with a view to strengthening the country in jobs
- Promote the creation and raising the effectiveness of "*Centros México Empeñe*" to enable MSMEs have access to programs, implemented with the aim of developing both the entrepreneurs and MSMEs, as well as strengthen them in one place

3) Process and evaluation criteria of FONDO PYME

The FONDO PYME, through a process as shown in Figure 2-5, and determine the project budget for the intermediate body and support for SMEs. In the case of SMEs, entrepreneurs make a request to the FONDO PYME through an intermediate body; the percentage that is

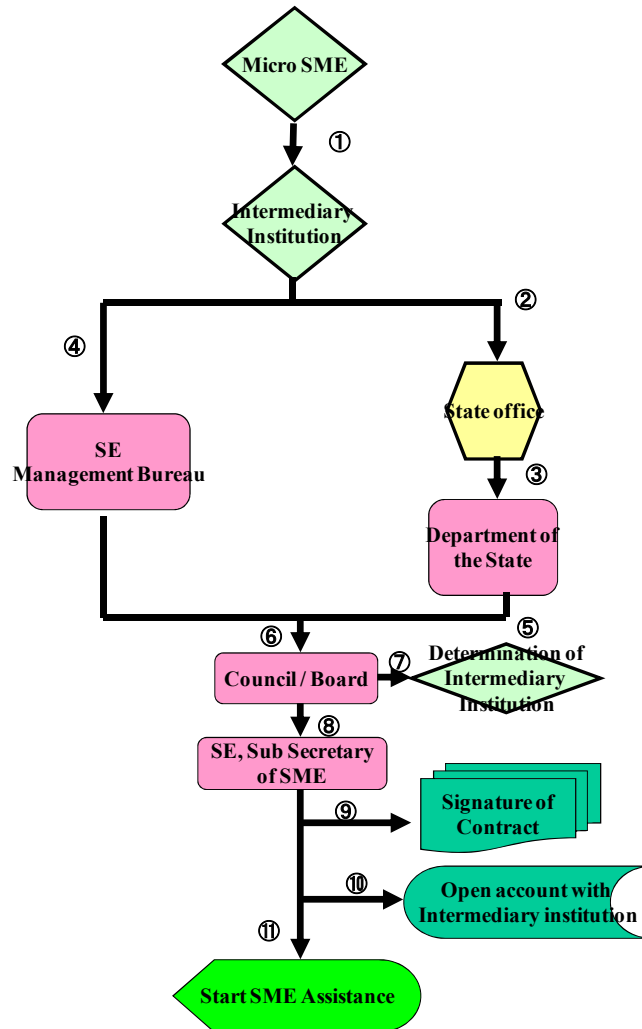
accepted varies greatly according to the fiscal year: in the years 2006 and 2007 were approximately 50%; however in 2008 reached 80%.

Now, who can register as an intermediate body is:

- The governments of the states through the units whose field of competence is related to the general and specific objectives of the FONDO PYME described in 1) and 2)
- Municipalities
- The Federal district's political delegations
- The decentralized state government agencies
- The trustees of a public, private or parastatal
- Legal nonprofit entities, considered civil society organizations
- Confederations and chambers
- Organizations and business associations
- Academic, research and technological institutions and research centers
- Associations of financial intermediaries
- Laboratories
- Financial intermediary institutions
- Financing funds
- Promotion entities

In addition to its purposes are compatible with at least one of the objectives of the FONDO PYME, and should be recognized by the board when it advises that the projects submitted for its consideration. (FONDO PYME 2007 / of the website of the Ministry of Economy)

Figure 2-5 Application process of the FONDO PYME



Source: Prepared by the Study Mission based on data provided by the Ministry of Economy

- i) First, the MSMEs ask an intermediate body to request support that is commensurate to the objective of the FONDO PYME. However, in practice, usually MSMEs go to the windows of the state government or the state delegations of the Ministry of Economy, and from there they are introduced an intermediate body.
- ii) The intermediate body selected by that MSMEs develops application documents for the FONDO PYME and delivers it to the state government in charge, or delivered directly to the administrative office of the Ministry of Economy (iv). In the event that they would also

be seeking funds from the state government for the project, it is necessary to make delivery by the intermediary organization to the state government. In cases when they do not require government funds to state, the requested documents are delivered directly to request the administrative office of the Ministry of Economy.

- iii) In the window of the state government, the application documents with evaluations and technical opinions are sent to the state delegation.
- iv) In the event that no funds are required from the state government for the project, documents are sent directly to the administrative office of the Ministry of Economy. The criterion for evaluating the application documents in the windows of state government as well as the administrative office of the Ministry of Economy is as shown below.

You can go to the next process if it is judged that more than two paragraphs from those shown below are feasible.

- a) Generation of jobs
- b) Preserve jobs
- c) Start of MSMEs
- d) Strengthening of MSMEs
- e) Contribute to the development of entrepreneurial culture
- f) Contribute to sustainable economic development in the region or sector
- g) Promote the development of the priority sector of production and the regional strategic sector
- h) The creation of MSMEs that contributes to the generation of goods and services with higher added value
- i) Encouraging the establishment of methods and bases for the creation of training and consultancies that have a wide application area
- j) Integrate MSMEs in the value chain
- k) To provide improvements in the organization, processes and productivity, with the aim of strengthening MSMEs
- l) Promote technological innovation and development of MSMEs
- m) Support for the products and to facilitate their access to market
- n) Contribute to the mid-term self management of MSMEs regarding the financial sector
- o) Ensure the programs, products and financing schemes with competitive terms to benefit SMEs
- p) Entry of MSMEs to the international market

- q) Participation of women, indigenous and / or people with disabilities directly in the practice of productive projects
 - r) Impact on the competitiveness of MSMEs
 - s) Encourage the development of SMEs run by women, indigenous and / or persons with disabilities, and development of such existing businesses
 - t) Invite for investment in the creation of MSMEs
 - u) Contribute to the development of infrastructure of manufacturing, trade and services
 - v) Promotion of development of suppliers
 - w) Promotion of new franchises
 - x) To participate in fairs, exhibitions, missions, exchanges, forums, national and international events for MSMEs positioning their products and services
-
- v) After the review of the application documents in the state delegation of the Ministry of Economy, the application documents are sent to the administrative office of the Ministry of Economy.
 - vi) Documents are sent from the administrative office of the Ministry of Economy to the internal Council of the Ministry of Economy who decides whether the project will be implemented or not. In the Council, while re-evaluation is met with more than two of the conditions set out in iv), it is judged from a technical point of view as well.
 - vii) With respect to projects already approved in the Council, it also determines the interim body that will carry out the project.
 - viii) They exchange a signed agreement with the intermediate body selected by the Under Secretariat for Small and Medium Enterprises of the Ministry of Economy.
 - ix) The contract is signed between the Ministry of Economy and the intermediate body to conduct the project.
 - x) After signing the contract, the intermediate body shall open a bank account for the project.
 - xi) The Ministry of Economy sends project funds to the account of the intermediate body, and the project (supporting SMEs) starts.

(2) Support Programs for SMEs based on FONDO PYME

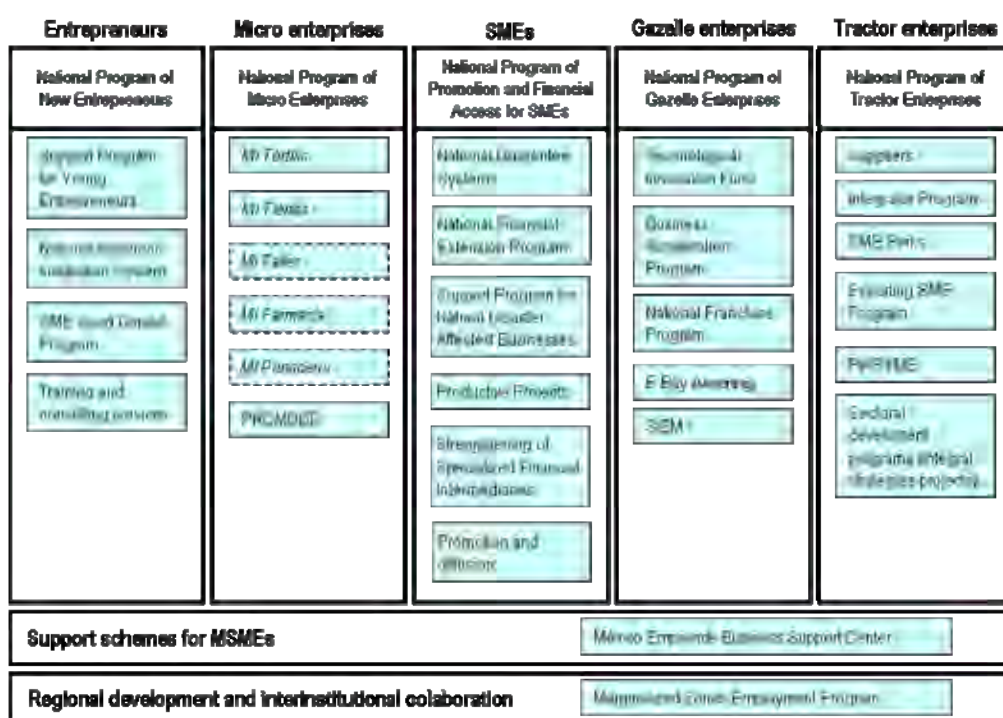
The Figure 2-6 shows the summary of the programs with the FONDO PYME 2008. Taking into account the National Development Plan 2007-2012, it was structured a scheme that provides assistance to companies based on the five business segments with integrated support: the first

segment is entrepreneurs, the second one is Micro enterprises, the third one contains the Small and Medium enterprises, the fourth one includes the gazelles enterprises, and the fifth one, tractor enterprises. These segments receive assistance through the five strategies: finance, commercialization, training and consulting, management, and innovation and technological development.

To address these segments, there are five programs, one for each segment, comprising 32 institutional programs that are offered to support MSMEs with the objective to provide MSMEs and entrepreneurs solutions to their specific needs.

This structure must be added the Jobs Program in deprived areas, focusing on regional development detonated by the creation of infrastructure in areas of lower economic development, as well as “*México Emprende* Business Support Centers” that offer solutions to MSMEs and entrepreneurs in one place.

Figure 2-6 MSMEs Fund Program (FONDO PYME) (Year 2008)



Source: Prepared by the Study Mission based on data provided by the Ministry of Economy

Looking at the distribution of resources of the FONDO PYME Program in 2008 (Table 2-6), we can see that there are a majority in what used to be programs for strategic projects for approximately 50% of the total, followed by productive projects (17.77%), and the National Incubator (7.30%). Looking at the amount of programs that have been carried out, there are 50 training programs and consulting services that represent a strong number and then followed by the 39 programs for tractor enterprises.

In the first seven months of 2008, through the various programs that emphasize business segments, 120,000 MSMEs were supported and 50,000 jobs were created, which together with the results obtained in 2007, it has served 421,795 MSMEs and 177,130 new jobs created.

Table 2-6 Amount of input from the FONDO PYME Program (2008)

PROGRAMNAME	#No. of Programs	Ministry of Economy (SE)	Funds						TOTAL	No. of business	Employment	
			State Government	Municipality Government	Academic Sector	Private Sector	Others	New			Conserved	Generated
Proyectos Estrategicos	3	\$ 1,186,732,448.00	\$ 30,690,000.00			\$ 470,580,000.00		\$ 1,688,002,448.00	20,070		1,758	
Proyectos Productivos	2	\$ 400,000,000.00				\$ 64,000,000.00		\$ 464,000,000.00	691		3,878	1,582
Incubadoras	4	\$ 164,388,828.00					\$ 134,316,154.00	\$ 298,704,982.00		4,066		8,340
TECHBA	4	\$ 83,825,000.00	\$ 7,910,000.00			\$ 74,452,000.00	\$ 5,348,559.00	\$ 171,535,559.00	1,454		16,457	2,618
Franquicias	5	\$ 81,997,257.00				\$ 82,523,039.00	\$ 1,270,574.00	\$ 165,790,870.00	535	220	568	1,540
Mi tortilla	2	\$ 51,567,725.00				\$ 2,221,800.00	\$ 1,010,852.00	\$ 54,800,377.00	3,500		5,250	
Exensionismo	3	\$ 45,085,509.00					\$ 5,000,000.00	\$ 50,085,509.00	21,300		8,400	
Tractoras	12	\$ 39,736,712.00	\$ 3,095,924.00	\$ 250,000.00	\$ 130,500.00	\$ 25,573,378.00		\$ 68,786,514.00	1,996		9,131	241
Consultoria y Capacitacion	17	\$ 37,296,885.00	\$ 16,968,510.00	\$ 136,000.00		\$ 21,328,198.00	\$ 7,880,263.00	\$ 83,609,856.00	2,171	10	5,496	1,262
Aceleradoras Nacionales	3	\$ 31,324,705.00	\$ 10,325,325.00			\$ 43,922,840.00		\$ 85,572,870.00	334		5,730	1,528
Mexico Emprende	3	\$ 25,884,829.00					\$ 375,000.00	\$ 26,259,829.00	671		2,071	
Integradoras	17	\$ 22,015,250.00	\$ 4,798,500.00			\$ 1,807,300.00	\$ 360,000.00	\$ 28,981,050.00	600	11	673	20
Moderniza	1	\$ 15,000,600.00				\$ 8,937,800.00	\$ 15,000,600.00	\$ 38,939,000.00	1,874		1,874	
Oferta Exportable	4	\$ 14,580,957.00	\$ 10,205,150.00			\$ 5,952,932.00		\$ 30,739,039.00	246		7,641	
Foros y Eventos	16	\$ 13,516,140.00	\$ 6,686,236.00	\$ 370,079.00		\$ 6,848,278.00	\$ 491,788.00	\$ 27,912,521.00	14,022			
Capital Semilla	1	\$ 10,000,000.00				\$ 1,500,000.00		\$ 11,500,000.00	30			60
Innovacion Tecnologica	2	\$ 9,564,985.00	\$ 2,103,500.00			\$ 5,175,000.00	\$ 7,854,117.00	\$ 19,574,352.00	1015		12,050	
Marginaladas	1	\$ 6,000,000.00	\$ 12,000,000.00			\$ 904,000.00		\$ 18,904,000.00	1	1		240
Fortalecimiento de IFNB	6	\$ 5,733,296.00	\$ 1,767,877.00			\$ 1,602,500.00	\$ 3,297,358.00	\$ 12,401,031.00	113		843	2
Emprendedores	3	\$ 2,149,406.00	\$ 1,204,656.00	\$ 50,000.00	\$ 745,000.00	\$ 149,150.00		\$ 4,298,212.00	16			
Proyecto Estatales	4	\$ 2,037,398.00	\$ 2,599,398.00			\$ 399,600.00		\$ 5,036,396.00	72		25	
SARE	3	\$ 1,911,432.00	\$ 1,467,978.00	\$ 1,309,843.00				\$ 4,689,253.00	4917	1,904	20	1,399
Parques Industriales	1	\$ 200,000.00				\$ 600,000.00		\$ 800,000.00	20			
Total	117	\$ 2,250,549,362.00	\$ 111,823,054.00	\$ 2,115,922.00	\$ 875,500.00	\$ 813,354,565.00	\$ 182,205,265.00	\$ 3,360,923,688.00	75,648	6,212	81,865	18,832

Source: Ministry of Economy

1) First Segment: Entrepreneurs (Table 2-7)

The **New Entrepreneurs National Program**²⁴ seeks to: 1) promote and encourage the culture and business development resulting in the creation of Micro and Small enterprises through the National Network of Incubators, and 2) encourage firms to become more established and profitable and productive through the identification of specialized business assistance programs.

Table 2-7 Purpose and scale of the Program of Support to SMEs (1)

Segment 1: Entrepreneurs	New Entrepreneurs National Program	
Support Program for Young Entrepreneurs	Discover potential youth entrepreneurs through promotion and camping, and recommending them to incubators.	1000 entrepreneurs (Result of period 1-7/2008)
National Business Incubation System.	Support the creation of enterprises through the 420 incubators across the country.	5,534 companies (Result of the period 1/2007 – 7/2008)
SMEs Seed Capital Program	Support SME enterprise development through investment and low interest financing.	530 companies (Expected 2008)
Training and consulting services	Provide training and consulting related to management, and to stimulate business creation and development.	6,185 companies 7,161 companies (COMPITE) (Result of the period 1-8/2008)

Source: Prepared by the Study Mission based on data provided by the Ministry of Economy

In terms of business creation from January to July 2008, the following were achieved:

The Support Program for Young Entrepreneurs²⁵ strengthened the corporate culture of about 1,000 entrepreneurs through a campaign of promotion, dissemination and awareness in Chiapas, as well as the transference of a model for developing entrepreneurs in 16 educational institutions with the support of two projects for Entrepreneurs funded by FONDO PYME with 974,400 Mexican pesos (in 2007 there were no projects of this type). This program intends to cover all the states and to promote and encourage the culture and business development of young people who are productive but do not have the means or knowledge for business initiatives with potential to be channeled to the incubator and later to be converted into formal enterprises. By the end of 2008 it is expected to serve 50,000 young entrepreneurs.

²⁴ Programa Nacional de Nuevos Emprendedores

²⁵ Programa de Apoyo a Jóvenes Emprendedores

The two projects were implemented in the framework of the National Business Incubation System²⁶. It supported the creation of 50 new incubators, the creation of 2,344 companies and 4,688 jobs with the completion of two projects to which the FONDO PYME allocated funds of 110.3 million Mexican pesos. As a result of these actions, compared to the same period in 2007, the impact on MSMEs was enhanced, resulting in increasing the number of companies 10 times more, the jobs 11 times more and the amount of input funds 12.9 times more. With this support, the National Business Incubation System now has 420 incubators and has enabled the creation of 5,534 business and 11,340 new jobs in the period from January 1st 2007 to July 2008.

Through the SMEs Seed Capital Program, the Ministry of Economy granted 10 million Mexican pesos for supporting initiating and strengthening new businesses in 30 projects of the National Business Incubation System. By the end of 2008 it is expected to generate at least 1,760 new jobs. It will allocate 120 million Mexican pesos to support 530 companies. These figures exceed those achieved in 2007 by 10 % and 2.3%, respectively.

Regarding the training and consulting, the following actions were took place:

From January to July 2008, the Ministry of Economy provided funds of 89.2 million Mexican pesos to support 10 projects covering 6,185 MSMEs for training and consulting services (in their production lines, business management or administration system) to improve their processes, leading to the creation of 1,220 jobs and the creation of ten new companies. Compared with the same period of 2007, the number of projects increased from three to ten projects, the number of beneficiaries increased by 197.9% and the capital increased by 305.8% in real terms. Regarding the situation relating to the training and consulting using the FONDO PYME, the details are described in 4.1 “Project for the training of SMEs consultants” and Table 4-2.

The National Committee on Productivity and Technological Innovation (COMPITE²⁷) is aiming at improvement of competitiveness, productivity, quality and social responsibilities. It expanded training and consultancy services to more MSMEs operation. In the period between January-August 2008, the Committee provided 10,310 services to 7,161 MSMEs, involving 48,401 employees and entrepreneurs with a total of 173,198 hours of consulting and training.

²⁶ *Sistema Nacional de Incubación de Empresas*

²⁷ *Comité Nacional de Productividad e Innovación Tecnológica, A.C.*

These results changed to 110% (services), 96% (number of companies), 118% (number of employees and employers) and 100% (consulting hours) in comparison with the same period of 2007.

Workshops on business process reengineering were implemented in 2,266 production units to improve their management and/or their production processes. The number of workshops showed an increase of 199% compared to the same period in 2007 due to the favorable response to an increased demand for services. The improvement of productivity, 64% on average in comparison with before-taking measures, is achieved as a result of application of the measures for improvement in production units.

Additionally, through COMPITE, there were 139 enterprises that were supported for adopting quality assurance system; 2,917 persons received training to improve their management skills, and 324 persons benefited from consultancy services to get certification for social responsibility.

2) Second Segment: Micro Enterprises (Table 2-8)

The **National Micro Enterprises Program**²⁸ promotes the productivity improvement and product development in traditional businesses with the greatest impact on job conservation and job generation.

Table 2-8 Purpose and scale of the Program of Support for SMEs (2)

Segment 2: Micro Enterprises	National Micro Enterprises Program	
<i>Mi Tortilla</i>	Support the modernization of the tortilla industry	3,988 companies (Result of the period 9/2007-8/2008)
<i>Mi Tienda</i>	Support the modernization of foods stores and groceries	2,500 companies (Result of the period 10/2007-8/2008)
Training Program and Business Modernization (PROMODE)	Support the improvement of efficiency providing Micro and Small entrepreneurs with training to improve their capabilities	—

Source: Prepared by the Study Mission based on data provided by the Ministry of Economy

²⁸ *Programa Nacional de Microempresas*

With the start of operations of the National Program for the Modernization of Industry of the Corn Flour and the Tortilla (*Mi Tortilla*)²⁹ in August 2007 by the consensus of all players linking the chain of corn-tortilla, firm steps were taken to modernize this industry.

Between September 2007 and August 2008, *Mi Tortilla* contributed to the modernization of 3,988 production units in the industry of the mass and the tortilla in the 32 states, and contributed to the preservation of 9,970 jobs.

In October 2007 the second pilot project of the program for traditional micro enterprises, the Integrated Program for Grocery and Miscellaneous Stores (*Mi Tienda*)³⁰, started. It focused on an entrepreneurial approach in order for business to consolidate and achieved national coverage in 2008.

Between October 2007 and August 2008, *Mi Tienda* gave coverage to 2,500 grocery and miscellaneous businesses and contributed to the preservation of 5,750 jobs.

The *Mi Tortilla* and *Mi Tienda* programs have contributed to the integration of suppliers, goods and services by the strategy of improving business conditions and business opportunities for Micro Enterprises through the application of technological innovations and alternative technologies.

Training Program and Business Modernization (PROMODE)³¹ is a program that has the objective to promote the competitiveness of MSMEs through training and remodeling of stores to support aspiring entrepreneurs to start a business. PROMODE is applied to the following areas:

Basic training for entrepreneurs: with the target of people who want to start a business

It provides training on how to make a business plan.

- General basic training course: accounting, purchasing, inventory control, marketing, corporate management and decision making.

²⁹ *Programa Nacional de Modernización de la Industria de la Masa y la Tortilla*

³⁰ *Programa Integral para Tiendas de Abarrotes y Misceláneas*. It is a program to modernize the grocery and miscellaneous (496,845 units) for their businesses, in many cases for survival, to become entrepreneurial business that can consolidate and grow.

³¹ *Programa de Capacitación y Modernización Empresarial*

- General practical training course: competitive analysis, market analysis, strategic management

3) Third Segment: Small and Medium Sized Enterprises (Table 2-9)

The **National Program on the Promotion and Access to Finance for SMEs**³² has the following objectives: 1) To ensure that businesses and entrepreneurs with a production project, have access in a competitive way to funding from the financial system, and 2) to promote and disseminate among businessmen and entrepreneurs support schemes, through forums and events which offer solutions to their specific needs.

Table 2-9 Purpose and scale of the Support Program for SMEs (3)

Segment 3: SMEs	National Program on the Promotion and Access to Finance for SMEs	
National Guarantee System (SNG)	The fund guarantees partially the financial risk that the financial entities assume to relax the financial environment for SMEs.	255,476 companies (Result of the period 7/2002-6/2008)
National Financial Extension Program	Support arrangements funding of SMEs through diagnosis and counseling conducted by consultants for funding (Extensionists)	12,300 companies (Estimated period 1-7/2008)
Support Program for Natural Disaster-Affected Enterprises	Providing direct and indirect monetary support (guarantees) to businesses affected by natural disasters, as an emergency support	Direct support : 25,178 companies Indirect support: 3,368 companies (Result of the period 9/2007-7/2008)
Productive Projects	Provide funding for projects that contribute to strengthening competitiveness such as building a productive chain of modernization	580 cases (Result of the period 1-6/2008)
Strengthening of Specialized Financial Intermediaries	Provide technical support to non-bank financial intermediaries to improve the judgment relating to financing for MSMEs	106 companies (Result of the period 1-6/2008)
Promotion Program to the private sector of <i>Nacional Financiera</i> (NAFINSA)	Provide financing or guarantees to MSMEs that have difficulties in securing funding through the finance system	111,394 companies (Estimated 1-6/2008)

Source: Prepared by the Study Mission based on data provided by the Ministry of Economy.

³² *Programa Nacional de Promoción y Acceso al Financiamiento para las PYMES*. It is specifically established through guarantees, strengthening of intermediary institutions specialized financing, extension, seed capital, productive projects, franchises, and strengthening programs to provide access to financing.

To facilitate access to financing for MSMEs with a production project, the Ministry of Economy provided 1,665.1 million of Mexican pesos in the first seven months of 2008 which is 496.2% in real terms over the same period of 2007, benefiting 65,733 small and medium sized enterprises and a new generation of 38,398 jobs. The results by program are as shown in Table 2-10.

Table 2-10 National Program for Promotion and Access to Finance for SMEs, 2007-2008

Program	January-July 2007			January-July 2008 *3			Growth rate (%)		
	Ministry of Economy contribution (Millions of pesos)	Number of MSMBs	New jobs	Ministry of Economy contribution (Millions of pesos)	Number of MSMBs	New jobs	Contribution of the Ministry of Economy *1	Number of MSMBs	New jobs
Guarantees	246.2	18,140	10,884	700 *4	51,598	25,458	176.8 *5	184.4	133.9
Strengthening to Specialized Financial Intermediaries	0.7	54	n.a	2.1	106	n.a	187.4 *5	96.3	-
Extension	20.6	8,826	n.a	40.0	12,300	n.a	85.7 *6	39.4	-
Capital Seed	-	-	-	10.0	30	60	-	-	-
Productive Projects	-	-	-	400.0	691	2,900	-	-	-
Franchises	-	-	-	80.0	142	1,320	-	-	-
Strengthening to programs for financial access	-	-	-	433.0	866	8,660	-	-	-
Total	267.5	27,020	10,884	16651	65,733	38,398	496.2 *2	143.3	252.8

Note:

*1 The variation was calculated based on the change in the national index of average consumer prices from January to July of each year.

*2 The variation corresponding to the actual change was calculated based on the 2008 actual amounts for each program.

*3 Data as of June 2008

*4 Out of 700 million dollars, 300 million Mexican pesos were used to stimulate massive funding schemes to MSMEs in preferential terms. With the remainder, sector based guarantee programs will be implemented in the third quarter of 2008.

*5 The variation corresponding to the actual change were calculated based on the change in the national index of average consumer prices between January-June of each year.

*6 The variation corresponding to the actual change was calculated based on the change in the national index of average consumer prices between January-June of each year

Source: Ministry of Economy

In compliance with the ten Presidential measures to boost the productive activities, the investment and employment, made known through the Program of Support for the Economy, the Ministry of Economy provided 700 million Mexican pesos through the National Guarantees

System (SNG³³) between January-June 2008. These funds are designed, implemented and supported programs that provide MSMEs with a viable productive project in terms of access to competitive financing from the National Financial System.

These funds are aimed at boosting the provision of massive nation-wide credit, with better conditions and greater access, opportunity and competitiveness, so that 51,598 Micro, Small and Medium size businesses can access to the credit in the first half of 2008 from 8,899.4 million Mexican pesos, representing an increases of 184.4% in number of MSMEs to access credit and 21.2% in the credit in real terms to the same period of 2007, as well as progress of 92.1% and 63.6%, respectively, in relation to the goals planned for 2008.

At the end of June 2008, 42.9% of the funds was provided through the Ministry of Economy to SNG, accounted for 300 million dollars, and went into operation under the guarantee scheme to commercial banks.

The remaining 57.1%, equivalent to 400 million Mexican pesos, will be provided to programs that detonated credit for MSMEs in the third quarter of 2008 and are expected to benefit at least 16,000 companies. The bidding mechanism is that, after designing of the scheme by the Under Secretary for Small and Medium Enterprises, all the proposals submitted by commercial banks that offer higher growth of funds in support of MSMEs and better credit terms are selected.

Since the beginning of SNG in July 2002 and up to June 2008, there were loans by the financial system: 403,409 loans to 255,467 MSME for a total of 85,640 million Mexican pesos (see Table 2-11).

³³ Sistema Nacional de Garantías

Table 2-11 National Guarantees System (2007-2008)

Concept	Annual data		January-June		
	2007 Observed	Goal 2008	2007	2008	Annual change %
Ministry of Economy *2	856.0	700	246.2	700	172.3
Other intermediary agencies	65.5	-	30.7	-	Not applicable
Spilled credit	14522.6	14,000.0	7,033.3	8,899.4	212
Supported projects	7.0	-	4	0	Not applicable
MSMEs benefited	70,114	56,000	18,140	51,598	1,844
Total resources committed *1	921.5	700	276.9	700	142.1

Note:

Unit: Millions of Mexican pesos

*1 The percentage change is the actual change and was calculated based on the change in the national index of average consumer prices between January-June 2008 over the same period of 2007.

*2 The resources were channeled to 2008 in the period of January to June, of which 300 million Mexican pesos went into operation under the guarantee scheme to commercial banks and the remaining 400 million Mexican pesos were channeled in the third quarter.

Source: Ministry of Economy

National Financial Extension Program³⁴

The coordination of actions between the Ministry of Economy and State Governments as well as corporate bodies under the financial scheme of extension permitted to use, as of July 2008, funds for 40 million Mexican pesos to deal with diagnosis and counseling services in the credit management for 12,300 entrepreneurs and MSMEs. Those services did not cost to entrepreneurs in 29 states (the states not included are Nuevo Leon, San Luis Potosi and Yucatan).

Support Program for Companies Damaged by Natural Disasters³⁵ was a contingency program established in 2007 by the Ministry of Economy to provide timely assistance to MSMEs damaged by natural disasters and promote the economic revitalization of the regions damaged by natural disasters. Its budget was 100 million Mexican pesos in 2008 for preventive actions and the actual spending depends on the occurrence of emergency cases. Between

³⁴ Programa Nacional de Extensionismo Financiero

³⁵ Programa de Apoyo a Empresas Afectadas por Desastres Naturales

September 2007 and July 2008, the Ministry of Economy provided 631 million Mexican pesos through the two schemes:

- 226 million Mexican pesos were spent as direct support, benefiting 25,178 MSMEs.
- Also, 405 million Mexican pesos were allocated through the guarantee scheme for benefiting 3,368 MSMEs.

The supported states were: *Coahuila, Quintana Roo, Veracruz, Tabasco* and *Zacatecas*. Greater support was given to more than 24 thousand MSMEs in Tabasco with 550 million Mexican pesos in total through the two schemes.

- To support damaged companies with 10 thousand Mexican pesos each, 205 million Mexican pesos were allocated to benefit more than 20,500 MSMEs.
- In order to facilitate the access to credit for damaged MSMEs and to improve the credit conditions, 345 millions Mexican pesos were allocated through the credit guarantee programs.

Program to Support Productive Projects³⁶ facilitated access to financing for MSMEs with productive projects and infrastructure, so that it can impact on the promotion and integration of productive chains, increase their competitiveness, strengthen and promote their businesses to generate high value-added from the application of knowledge and technological advances.

During January and June 2008, the Ministry of Economy provided the fund of this program with 400 million Mexican pesos which were 100% of the target for this year, and the fund of 64 million Mexican pesos was supplemented by the investment by the private sector. As of June, 580 projects supported MSMEs, contributing to the preservation of 5,800 jobs and generating 2,900 new jobs. The number of employment will increase in accordance with the progress of the projects as well as the repayment of the loan which has been provided for the project. The percentage of these results over the achievements in 2007 is approximately 130% for projects and employment.

In the area of Strengthening Specialized Financial Intermediaries, during the first half of 2008, FOND PYME provided 2.1 million Mexican pesos for the consultancy services and technical assistance that were conducted by educational institutions, civil associations and private consultants. They trained managers for 106 promoting projects with the objective to

³⁶ *Programa de Apoyo a Proyactos Productivos*

achieve better decision-making for using credit for MSMEs. The total amount was 187.4% larger than the amount provided during the same period in 2007 (0.7 million Mexican pesos).

Nacional Financiera (NAFINSA)'s Promotion Program for the Private Sector is based on the planning of the direction of credit to MSMEs to which the financing system can not support. It designs supporting systems throughout the whole stage of company development. For this, NAFINSA provided funds of 111,394 million Mexican pesos from January to June 2008, equivalent to 48.4% of the annual target and 14% larger than the funds allocated in the same period of the previous year (see Table 2-12).

Table 2-12 Enterprise Development Funding Awarded by NAFINSA, 2007-2008^{*1}

Concept	Annual data		January-June		
	Observed 2007	Target 2008	2007	2008 ^{*3}	Change % Real annual ^{*2}
Micro	83,103	90,893	36,013	43,453	15.6
Small	47,141	51,560	21,426	23,190	3.7
Medium size	45,478	49,741	21,140	23,929	8.4
Large	34,566	37,806	14,981	20,822	33.1
Total por estrato de empresas	210,288	230,000	93,560	111,394	14.0
Industry	98,227	107,434	42,929	49,123	9.6
Retail	74,048	80,989	34,181	40,306	12.9
Services	38,013	41,577	16,450	21,965	27.9
Total by sector of activity	210,288	230,000	93,560	111,394	14.0

Note:

*1 Includes companies sizes and credit sectors as well as guarantees and induced credit

*2 The percentage change corresponds to the real variation. It was calculated based on the change in the national index of consumer price average January-June of each year.

*3 Preliminary figures

Source: Secretaría de Hacienda y Crédito Público

397,100 recipients were benefited by credit and guarantees through this supporting funds, which represents 46% of the annual target and were 65% larger than the same period of the previous year.

By type of activities, 44.1% was used in the manufacturing sector, 36.2% in the commercial sector and 19.7% in the service sector. These results exceeded the amount given to these sectors in the same period of 2007 by 9.6%, 12.9% and 27.9%, respectively.

By benefited company size, 96% was micro enterprises, 3% small ones and the remaining 1% medium and large enterprises.

In terms of Promotion and Entrepreneur Promotion, the following results were given:

From 5 to 9 November 2007 the National SMEs Week was held in Mexico City, where a thousand companies and public and private institutions participated, in order to offer programs and schemes to encourage and boost the creation and strengthening of business to the 70,905 entrepreneurs and businessmen in attendance. Weekly attendees knew that the programs have been developed to meet their specific needs. In November 2008, the National SMEs Week for the year 2008 was organized.

In the period January to July 2008, 14 other events for the promotion of entrepreneurial education involving 940 entrepreneurs, and 3,760 MSMEs were organized. During 2008, there were 40 training forums conducted to promote business.

4) Fourth Segment: Gazelle Enterprises

The **National Program for Gazelle Enterprises**³⁷ aims to identify and support small and medium sized enterprises with greater capacity and growth potential for its development and consolidation to become generators of high value added jobs (see Table 2-13).

³⁷ *Programa Nacional de Empresas Gacela*

Table 2-13 Purpose and scale of the Program of Support to SMEs (4)

Segment 4: Gazelle Enterprises	National Program for Gazelle Enterprises	
Technological Innovation Fund (FIT ³⁸)	To provide funding for innovation projects and development of technology	112 projects (2007 results)
Business Acceleration Program	Accelerating business growth, providing consulting services through 29 accelerators in and outside the country	2,004 companies (Estimate for the period 1-7/2008)
National Franchise Program (PNF ³⁹)	To support successful companies offering franchises and develop new business opportunities for entrepreneurs	93 companies (Result of the period 1-6/2008)
Mexican Business Information System (SIEM ⁴⁰)	Prepare a list of companies on the Internet through the chambers of commerce and industry to promote the linkage between the companies	676,116 companies registered (Results from 7/2008)
E-Bay Program (MXPORING)	To provide an online platform for export sales of Mexican products	37 companies listed (Results from 7/208)

Source: Prepared by the Study Mission based on data provided by the Ministry of Economy.

In 2007 and as a result of the First Call 2007 of the Technology Innovation Fund (FIT⁴¹), 34 projects of technological innovation and development were supported. The applied resources were 118.4 million Mexican pesos in benefit of 34 people, mainly in the power and electric, electronics, chemical and petrochemical businesses as well as agro businesses.

In December 2007, the Second Call 2007 was published, closing on 15 February 2008. As a result of its evaluation of the submitted projects the implementation of 78 projects were approved by grant resources of 207.2 million Mexican pesos, that will contribute to innovation and technological development of enterprises from the branches of industry: information technology, food and agro business, electrical and electronics, metallurgy, food and health, chemicals and petrochemicals, automotive and aerospace.

³⁸ *Fondo de Innovación Tecnológica*

³⁹ *Programa Nacional de Franquicias*

⁴⁰ *Sistema de Información Empresarial Mexicano*

⁴¹ *Fondo de Innovacion Tecnologica*

The Call 2008 closed on 30 July this year, receiving 183 projects that required support for a total of 516.8 million Mexican pesos.

Through the Business Acceleration Program⁴², from January to July 2008, five projects for a total of 42.9 million Mexican pesos (which together with funds granted in 2007 represented a total of 200 million Mexican pesos) to support the creation of eight new accelerator (six domestic: *Aguascalientes*, *Guanajuato*, *Jalisco* and *Michoacán*, two in the United States of America) and the strengthening of two existing ones. The accelerators take care of 299 companies and generates 1,998 jobs, which mean 50% increase in the number of projects and the amount of resources, 24.2% and 68.9% in enterprises and employment generation, respectively, over the same period of 2007.

The network of 29 accelerators (23 national and six international level, they operate as specialized technology-based consultants organization) attended to 2,004 companies to increase their sales and support the generation of more jobs, with advice on incorporating process improvements products, image and business models, as well as the promotion of contacts to facilitate their access to international markets for technology and venture capital funds, nationally and internationally. In this framework, the accelerators influenced the generation of 7,500 jobs and the preservation of 32,130 jobs.

National Franchise Program (PNF)⁴³, which put within reach of most Mexicans the possibility of launching a business with the support and expertise of a successful venture, was launched in October 2007. During the first half of 2008, 80 million Mexican pesos were used for the program: 42.5% of the target for the year. With these resources are handled 142 companies seeking to become a franchise and is expected to generate 220 sales outlets, once the transfer of the existing franchise model finished. As of June the formation of 93 companies generated as franchisees completed with 1,320 new jobs, and were established 122 outlets that created 1,080 new jobs.

⁴² *Programa de Aceleración de Empresas*

⁴³ *Programa Nacional de Franquicias*

The Mexican Business Information System (SIEM⁴⁴)'s objective is to integrate and keep updated the largest and completes country business registry, in compliance with the terms of the Act of Entrepreneurs Chambers and Confederations. SIEM operation is performed through the Internet, and the business pattern is captured through 226 chambers of commerce and industry of the country. It is an essential element for promoting the development of MSMEs, and to generate business contacts between enterprises, integrating supply chains, as well as knowledge of the distribution and location of economic activity. As of July 2008, the directory of SIEM has 676,116 registered companies and received 11,875,484 requests. This meant 106.4% and 89.1% registered companies and queries, respectively, over the figures in 2007.

E-Bay (MEXPORTING Program) is a program that has an objective to sell Mexican products through online from SMEs to other countries. Currently it is in a pilot phase. Although the online is only for exports to the United States, it is planned to export to Europe, South America and Asia in the future. Of the funds for its operation, seven million Mexican pesos out of the FONDO PYME, and seven million Mexican pesos out of Hemisphere Net (private company). To date there are 37 companies listed in the platform of E-Bay, and 148 companies that plan to publish.

5) Fifth Segment: Tractor Enterprises (Table 2-14)

Through the National Tractor Enterprises Program⁴⁵, value chains are reinforced for integrating the MSMEs with growth potential as suppliers to large tractor companies.

⁴⁴ *Sistema de Información Empresarial Mexicano*

⁴⁵ *Programa Nacional de Empresas Tractoras*

Table 2-14 Scale and purpose of the Support Program for SMEs (5)

Segment 5: Tractor Enterprises	National Tractor Enterprises Program	
Supplier Development	Strengthening value chains and increases the added value through connections between business and tractor MSMEs	19 tractor enterprises 965 support and distribution companies (Results 1-7/2008)
Program for Integrators Companies	Using schema integration, promoting the formation of business groups and encourage regional revitalization	35 companies (Result of the period 1-7/2008)
SMEs Parks	Promote the strengthening of the productive network by integrating geographical advantages in infrastructure and services	187 locations 3,882 companies (Result as 6/2008)
Exporting SME Program	Supporting export activities of SMEs, through training, consulting and advocacy among others, which are awarded through the centers of export for SMEs and institutions to promote the exportable offer	62 support points 3,928 companies (Results 1-7/2008)
Program for Support to Small and Medium size Enterprises, Business Center Mexico-European Union (PIAPYME)	Provide technical assistance, training and information to SMEs to strengthen their competitiveness in export	122 companies (Result of the period 1-6/2008)
Sector based Development Program	Promoting a sector development that will contribute in a strategic manner to increase in value added, job creation and regional development	4,486 companies (Result of the period 9-12/2007)

Source: Prepared by the Study Mission based on data provided by the Ministry of Economy.

From January to July 2008 the program covered 19 tractor companies and 965 MSME suppliers or distributors (15 tractors and over 919 MSMEs or more in both concepts as in the same period of 2007, respectively), which, in turn, benefited from incorporating plans for improvements in the processes of marketing and distribution.

The Program for Integrated Companies⁴⁶ undertakings continued promotion schemes for clusters that influence regional development through actions in the purchasing, production and sales in order to allow the offer of products differentiated in quality, price and timely delivery. From January to July 2008, 35 integrated companies were formed benefiting 324 MSMEs with an initial capital of 4.4 million Mexican pesos, which have helped to generate 3,213 direct and indirect jobs in 17 states of the republic.

⁴⁶ *Programa de Empresas Integradoras*

The Ministry of Economy supported the integration of MSMEs in geographical spaces strategically designed as SMEs Parks⁴⁷, with a range of infrastructure and services so that installed companies can operate in terms of competitiveness and strengthen their productive networks.

With the support of the Engineering Institute of the *Universidad Nacional Autónoma de México* (UNAM), the Guide of Industrial Parks was published, and in coordination with the National Standardization Technical Committee of Industrial Parks⁴⁸, the Mexican Standard⁴⁹ NMX-R-046 -SCFI-2005 concerning the establishment of parameters to determine if an industrial development can be classified as an industrial park, was updated. In addition with the support of FONDO PYME, 20 industrial parks were verified. The National count of SMEs Parks reached a number of 187 and provided coverage to 3,882 MSMEs.

The Program for Exporting Offering from SMEs⁵⁰, through the *Pymexporta* Centers and Drivers for Exportable Offering⁵¹ support the involvement and participation of MSMEs in the export activities. Support consists of technical assistance, training, specialized consulting, promotion of markets, marketing, and international distribution, to strengthen their competitive capacity and promote their access to international markets. In the period January to July 2008 it has brought attention to 3,928 for MSMEs which have the elements needed to export their products. Of this total, 1,417 companies have already started to export. If we compare the number of companies started exporting in the same period in 2007, it shows that the number grows by more than seven times. As of July 2008, the network has 62 sites of care business for exporting SMEs and /or with export potential.

In Mexico there are 38 *Pymexporta* Centers and a point of international sale of handicrafts. At the international level, there are 15 Promoters (“Boosters”) of the Export Offering Abroad (five in U.S., one in Canada, three in Central America, three in the EU and three in China). In addition, there are eight outlets placed strategically in these countries / regions, and provide support for marketing and distribution for the momentum of export.

⁴⁷ *Parques PYME*

⁴⁸ *Comite Tecnico Nacional de Normalizacion de Parques Industriales*

⁴⁹ *Norma Mexicana*

⁵⁰ *Programa de Oferta Exportable PYME*

⁵¹ *Ipulsora de Oferta Exportable*

Integral Support Program for SMEs in EU-Mexico (PIAPYME⁵²) helped to strengthen and establish the process of administration, production, sale and distribution to 122 international companies. This figure is 57% above the same period in 2007.

The implementation of Sector based Development Programs considers the promotion of strategic projects with a high sense of social responsibility of large enterprises, chambers and business organizations. The strategic planning schemes provided direct support to enable a multiplier effect on investments and the conservation and employment generation. In the period September to December 2007, approved 39 projects with an impact on 23,282 jobs created and 257 retained, benefiting 4,486 companies that received resources accounted for 791.1 million Mexican pesos. The goal for 2008 is to support at least 40 projects and rule 35 in the third quarter.

From January to July 2008 three strategic integral projects were supported by an amount of 1,186.7 million Mexican pesos addressing 15,800 MSMEs to the integration of value chains of its sector.

Table 2-15 Scale and Purpose of the Program of Support to SMEs (6)

Business Service Centers - <i>México Emprende</i>	Establish points of one-stop services across the country and coordinate among the many programs whose support is optimal for each company or entrepreneur	10 sites 400 consultants (Result of the period 1-6/2008)
Employment Program in Deprived Areas	Encourage companies established in deprived areas with the aim of creating jobs	16 locations 4,000 jobs (Estimate for the period 1-6/2008)

Source: Prepared by the Study Mission based on data provided by the Ministry of Economy.

6) Strengthen the schemes to support MSMEs in one instance.

Business Service Center *México Emprende*⁵³

Since 2007 is working to build a National Network of Care Business, which in the first stage was named a National Network of Points of Care, to bring the entire range of programs to support MSMEs and entrepreneurs to solve specific problems each Micro, Small and Medium size enterprises in an integrated manner and in one single place, without having to seek support in different places depending on the type of support they require. For this, it worked on the

⁵² Programa Integral de Apoyo a las Pequeñas y Medianas Empresas, Centro Empresarial México - Unión Europea

⁵³ Centro de Atención Empresarial México Emprende

analysis of best practices from worldwide and domestic for business services and managed the design of functional and operational model of *México Emprende* Business Support Center.

In the first half of 2008, the preparation of the prototype architecture and progress in optimal design methodologies for consultants, extension staff and operational centers continued. As of July, 400 consultants were trained with the Methodology of Integral Care⁵⁴, who provides advisory services through the *México Emprende* Centers.

Of the 40 centers scheduled to be installed in 2008, 25% of the progress is achieved. The centers are located in the states of *Aguascalientes, Baja California, Colima, Chihuahua, Jalisco, Nuevo Leon, Puebla, San Luis Potosi, Sinaloa, Tabasco* and Federal District, all in collaboration with private sector agencies such as CANACINTRA, the National Chamber of Commerce (CANACO⁵⁵), the Mexican Chamber of Construction Industry⁵⁶, the Employers Confederation of the Mexican Republic (COPARMEX⁵⁷) and the Confederation of Industrial Chambers⁵⁸.

7) Development and regional collaboration between institutions

Through the Job Creation Program in Marginalized Zones⁵⁹ support is given to strengthen 16 production facilities, which will create 4,000 formal jobs.

2.2.3 Financing SMEs

In response to the importance of access to financial resources for growth and development of SMEs, on which emphasis was given in the Entrepreneurial Development Program (PDE⁶⁰), the Ministry of Economy gave progress in their collaborative work with their bodies as well as commercial banks, with the aim of structuring a system of credit insurance with low costs. Therefore, the programs were born as "National System of Warranties (SNG)" for SMEs, "National Financial Extension⁶¹" and different types of schemes for capital development (see Figure 2-7).

⁵⁴ *Metodología de Atención Integral*

⁵⁵ *Cámara Nacional de Comercio*

⁵⁶ *Cámara Mexicana de la Industria de la Construcción*

⁵⁷ *Confederación Patronal de la República Mexicana, S.P.*

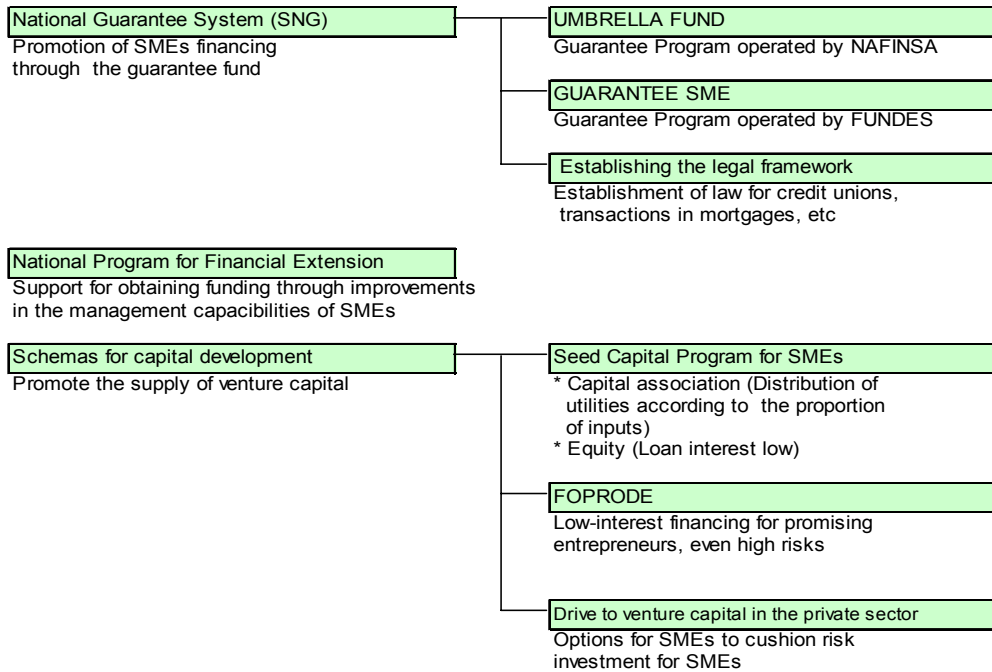
⁵⁸ *Confederación de Cámaras Industriales*

⁵⁹ *Programa de Empleo en Zonas Marginadas*

⁶⁰ *Programa de Desarrollo Empresarial*

⁶¹ *Red Nacional de Extensionismo Financiero*

Figure 2-7 Program Financing SMEs



Source: Prepared by the Study Mission based on *SMEs in Mexico, Issues and Policies* de la OCDE (2007)

With the aim of providing a resource accessible to all SMEs, the measures were taken for both the supply side as the demand for financing. For the supply side, the National Guarantee System (SNG) is intended to extend the scope of financial instruments for SMEs, from reducing the risks of funding of the SMEs through the creation of a guarantee fund. For the demand side, the National Financial Extension Program supports the SMEs to improve their management capabilities and control so that they can receive funding. At the same time, many have developed financial instruments to strengthen coordination between the Ministry of Economy, its bodies and financial institutions, which have expanded the scope of financing tools for SMEs.

Different schemes types of capital for development have also been set up with the aim of enhancing the supply of venture capital from public and private sectors, focusing on all the resources to business start ups.

(1) National Guarantee System (SNG)

SNG is: The "*FONDO PARAGUAS*" operated by NAFINSA and the "*GARANTIA SME*"

operated by the Foundation for Sustainable Development (FUNDES⁶²).

The 90% of the demands of financial resources by SMEs is intended for working capital and most of the funding is secured in the short term.

NAFINSA, along with commercial banks, consolidated financial intermediary function and simplified procedures for payment for surrogacy, so that more SMEs could get bank funding. As a result, the cost for notary and registration procedures decreased, in addition to the reduction of the operating cost of credit to build a parametric model and the improved access to credit bureau.

After the passage of the Savings and Loan Associations in 2001, the Credit Unions also became part of the guarantee program. Above all, *UNICRECE*, the Credit Union founded in 2003, played an important role in integrating the financial intermediary and to strengthen the low-cost financing for SMEs.

The law on bank guarantees was also revised in 2003, which improved the recovery mechanism of mortgages by institutions that grant credit. However, the legal power to perform the contract has not been enough because the legal formalities still requires costs and needs time. With the aim to support the loans receivable from conditions of non fulfillments of obligations, further amended legal framework for mortgage was done in 2005.

(2) National Program for Financial Extension

The National Program for Financial Extension has expanded rapidly since it's founding in 2004 and achieved national coverage in all 32 states in 2006. Approximately 1,000 financial advisers accredited by the Ministry of Economy provide free advice on finance to more than 8,000 SMEs (2006).

During the pre-funding, the National Program for Financial Extension has the effect of diminishing the perception of risks by banks, to fix the funding requests so that they can be approved.

First, the financial adviser to assess the resource demands of SMEs will select the funding product most appropriate and supports the business owner in negotiations for funding. Then the bank will consider the funding request from the SMEs, through its branch network nationwide to support an improvement request. As a result, the cost of approval of funding has been reduced.

⁶² *Fundación para el Desarrollo Sustentable en América Latina*

During the implementation phase of funding, the state of funding is monitored in the first year of funding and gives advice to use the resources effectively.

(3) Different types of schemes for capital development

With the aim of increasing the supply of venture capital, promotion of means is made such as the Seed Capital Program SME⁶³ and Productive Projects Fund for Economic Development (FOPRODE⁶⁴) as well as contributions to creation of SME Investment clubs for inducing venture capital from the private sector to SMEs.

The Seed Capital Program was initiated in late 2005 with a resource for the FONDO PYME, accounting for ten million USD. Through the financial intermediaries or incubators, they provide the fund for start up business to those promising entrepreneurs who lack of experience in starting a new business or to get some funding. The amount of support varies from 10,000 USD to 20,000 USD, according to the characteristics of the business to be created.

There are two ways to provide the fund: The Capital partnership and the Share capital. In the case of capital partnership, the incubator provides the capital as a partner and after the support period of four years, the profit and losses will be split, according to the proportion of the initial inputs. Aiming to achieve the strategic partnership based on the contract with the entrepreneur, the resource will be paid to the center of incubation. For success of a capital partnership, it is important that sufficient monitoring will be doing by the incubator itself after providing the resources.

The loan is a low-interest financing, which is operated by incubators or non-bank financial intermediaries at an annual interest rate of 6%, and is granted a grace period of 6 to 18 months in accordance with the characteristics of the business that will be started. The condition is that the entrepreneur will have 15 to 20% of own funds.

The FOPRODE is a support to future innovative entrepreneurs, which is to provide low-interest financing for those who do not have experience in business creation, or credit history or collateral or mortgage financing. They provide loans of 25,000 USD to 100,000 USD of funding for which the deadline is three to four years, an annual interest rate of 6% with one-year grace period. In 2005, 200 companies were supported with over 10 billion dollars of resources from FOPRODE. In 2006, the contributions of SMEs to FUND FOPRODE doubled, reaching a total of 20 million USD.

⁶³ *Programa Capital Semilla PYME*

⁶⁴ *Fondo de Proyectos Productivos para el Desarrollo Económico*

It is managed and operated by intermediary at National level and have participation of regional governments. The regional financial institutions find regional projects, evaluate them, give official approval to the contract to perform funding, management and collection of accounts receivable. Applications for investment are received via the Internet through an electronic point of contact and are subject to evaluation

Furthermore, in order to stimulate the flow of venture capital from private sector to SMEs, it encourages the creation of "investment clubs for SMEs". For investors who seek high returns by investing in innovative SMEs, the club is an investment that reduces the cost of operation and its risks and increases their capacity for investment. For entrepreneurs, the investment club offers risk capital in the private sector that would otherwise not have access to the use of such funds.

The recent creation in 2006 of the "SME Option"⁶⁵ promotes the creation of investment clubs, and is a unique guarantee for investment designed to make the resources of venture capital that will be invested in SMEs in its founding stages.

Goes to SMEs engaged in innovation activities, with high added value or export orientation, or, obviously those SMEs that will be part of the industrial chain. To invest in such SMEs, investors are to cover losses up to 70% of the amount contributed with 500,000 USD maximum, using the "SME option". The period subject to this compensation is three to five years.

(4) Other loans to SMEs

1) Microfinance Fund for women in rural areas:

This fund provided 58,000 micro credits to 57,000 women in rural areas which provide support for their Micro Enterprises.

2) Sector based Funds⁶⁶:

Currently 17 sector based funds are in operation and the same number of units and institutions of the Federal Government have signed for these funds. Through this, several Ministries and CONACYT will invest 1,452 million Mexican pesos. It includes the Fund for International Cooperation in Science and Technology (FONCICYT⁶⁷), which was established with the

⁶⁵ *Opción PyME*

⁶⁶ *Fondes Sectoriales*

⁶⁷ *Fondo de Cooperación Internacional en Ciencia y Tecnología*

European Union in December 2007. With this framework, as of July 2008, CONACYT provides an initial capital of 60 million Mexican pesos and the European Union provides 2.5 million Euros as an initial capital from the European Union.

Furthermore, the Technological Innovation Fund⁶⁸ was signed between the Ministry of Economy and CONACYT aims to foster innovation and technological development in the MSMEs. During the second half of 2007, it opened the second round of this fund and 112 projects were accepted during the same year. The above actions account for 400 million Mexican pesos.

3) The Financing Program for Tourism Sector⁶⁹:

The Ministry of Tourism, in coordination with BANCOMEXT, performed a funding program for the tourism sector in July 2007. The results obtained from September 2007 until June 2008 is the allocation of 1,838 credits for tourism MSMEs, which amounted to a total of 317.6 million Mexican pesos.

4) National Support Fund for Social Enterprises (FONAES⁷⁰):

Since 2007, the Ministry of Economy has been implementing strategies aimed at supporting the entrepreneurial spirit of people in deprived areas and limited resources with economic potential. According to the criterion for the selection of the program, identified priority areas, which account for most of the support provided by FONAES: Municipalities that comprise the micro regions, municipalities which are areas of focus as the General Law on Social Development; municipalities, where over 40% of inhabitants live, are of indigenous and marginalized urban areas. Also, all the resources channeled through the programs for social banking consolidation focus on the micro regions. The result of these strategies is mentioned below.

- Strategy for the micro regions: During the first quarter of 2008, authorized 144 supports for 144 businesses and social groups located in 40 micro regions, for a total of 26.3 million Mexican pesos, for productive investment in trade and services. Through this support, it benefits 822 social enterprises, creates 392 jobs and retains 207 jobs.

⁶⁸ *Fondo de Innovación Tecnológica*

⁶⁹ *Programa de Financiamiento para el Sector Turismo*

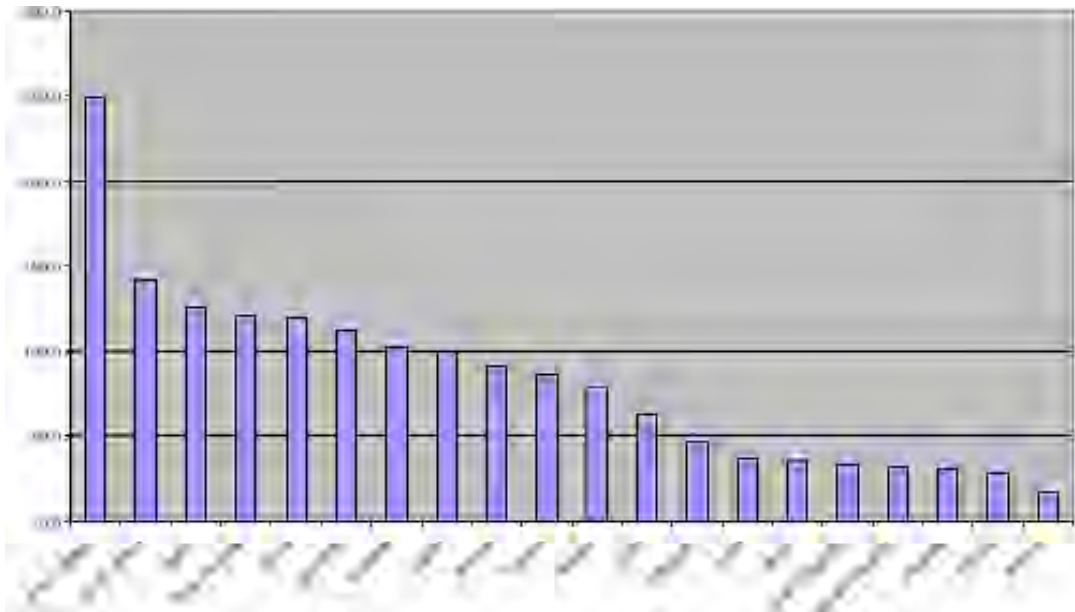
⁷⁰ *Fondo Nacional de Apoyo a las Empresas Sociales*

- Rural Municipalities: From January to June 2008 were authorized 180 supports for a total of 33.7 million Mexican pesos to 180 companies and organizations located in rural areas, for productive investment in trade and services. Through this support, have benefited 1,065 social enterprises, creating 509 jobs in addition to retaining 292 jobs. Also, with the aim of strengthening entrepreneurship, support for 170,000 Mexican pesos was given to five social enterprises.

(5) Current status of funding for SMEs

As explained in 2.2.3 (1) ~ (4) the status of funding for MSMEs in Mexico has improved compared with the past; however, the situation remains that MSMEs in Mexico continue to suffer the high costs required to finance related issues due to the underdeveloped bank funding market. Figure 2-8 is the data from 2005 and shows that the percentage of funding to the private sector in GDP, which indicates a situation where some improvements are not sufficient due to the difficult circumstances of financing compared to the other countries. Also, the interest rate on short-term activities for SMEs oscillates at a high level, compared with the other countries (Table 2-16).

Figure 2-8 Funding domestic private sectors (% of GDP)



Source World Bank (2005). *World Development Indicators*.

Table 2-16 Comparison of international bank lending rates in the short-term to business

	2000	2001	2002	2003	2004	2005	2006
Mexico	16.15	12.24	7.46	6.51	7.10	9.33	7.52
New Zealand	6.52	5.74	5.67	5.42	6.13	7.11	7.37
Australia	6.18	4.90	4.75	4.90	5.48	5.64	5.77
USA	6.48	3.73	1.76	1.17	1.58	3.53	5.06
Canada	5.70	4.00	2.62	2.97	2.31	2.81	4.09
Norway	6.75	7.23	6.91	4.10	2.01	2.21	3.13
Denmark	4.90	4.62	3.48	2.36	2.14	2.17	2.68
Region EU	4.39	4.26	3.32	2.34	2.11	2.19	2.68
Switzerland	3.17	2.86	1.13	0.33	0.48	0.81	1.60
Japan	0.25	0.12	0.06	0.04	0.03	0.03	0.05

Source: OECD (2007). *SMEs in Mexico, Issues and Policies*.

1) Status of financing MSMEs by private financial institutions

Table 2-17 shows the main financial products for SMEs in Mexico from private financial institutions. There are various financial products, from products to working capital allocated to fixed assets, such as facilities and/or equipment. However, interest rates are 16% - 24% which are extremely high, and the real situation is that almost no companies use these products as MSMEs. This situation is also reflected in Figure 2-8, which shows the low percentage of GDP occupied by internal funding to the private sector, compared with the other countries.

Table 2-17 SMEs financing products of the major private financial institutions

Institution	Name of Credit	Credit Destination	Interest Rate	Term	Amount of Credit	Guarantees
BANAMEX	Revolving credit	Working capital for MSMEs sectors of industry, trade and services	TIEE + 12 %	There are not restrictions on the term	\$ 550,000	Without mortgage and severally liable for
BBVA BANCOMER	Business card BBVA	Raw materials, inventory, equipments, etc. for MSMEs sectors of industry, trade and service	TIEE + 8.32%	Until 24 months	From \$75,000 to \$1 million	Liable for
HSBC	Business credit	Working capital for MSMEs sectors of industry, trade and services	24%	Until 12 months	From \$10 thousand to \$400 thousand	No mortgage and no endorsement
	Business credit facilities	Credit for machinery and equipment for MSMEs sectors of industry, trade and services	18%	12, 24, 30, 36, 48 months	From \$100 thousand to \$1 million	Collateral of the property financed
SANTANDER SERFIN	SMEs Credit	Working capital for MSMEs sectors of industry, trade and services	TIEE + 11.5%	Until 18 months	From \$50,000 to \$750,000	Liable for
		Fixed assets for MSMEs sectors of industry, trade and services	TIEE + 11.5%	Until 36 months	From \$50 thousand to \$750 thousand	Liable for
BANREGIO (Banco Regional de Monterrey S.A.)	Regio MIPYME	Working capital to MSMEs sectors of industry, trade and services	19%	Until 24 months	From \$30 thousand to 400 thousand	Liable for
		Fixed assets for MSMEs sectors of industry, trade and services	Between 16.5% y 19%	Until 36 months	From \$30 thousand to \$1 million	Leasehold and severally liable for
AFIRME	Crédito PyME	Working capital to MSMEs	TIEE + 8%	Maximum 36 months	From \$100	Guarantee, pledge

Institution	Name of Credit	Credit Destination	Interest Rate	Term	Amount of Credit	Guarantees
	AFIRME	sectors of industry, trade and services			thousand to \$3 millions 400 thousand	and / or mortgage
		Fixed assets for MSMEs sectors of industry, trade and services	TIEE+8%	Maximum 60 months	From \$100 thousand to \$3 millions 400 thousand	Guarantee, pledge and / or mortgage
BANCO DEL BAJIO	PYME BAJIO	Fixed assets for MSMEs sectors of industry, trade and services	TIEE+6.5%	From 12 months to 48 months	From \$1 million to \$5 millions	Mortgage worth 15 times the amount financed. NAFINSA guarantee up to 50% of amount.

Note: Interbank Interest Rate Balance (TIEE) at December 2008 is 7.2% at 90 days

Source: Prepared by the Mission Study based on data that was released by the *Comisión Nacional para la Protección y Defensa de los usuarios de Servicios Financieros (CONDUSEF)*

2) Status of financing MSMEs by public financial institutions

In Table 2-18 shows the products to support MSMEs except those that appear in Tables 2-10 and 2-11, the "National Program on the Promotion and Access to Financing for SMEs" and "National Guarantee Program". Among the financial products of public financial institutions are also a variety of products, from those for working capital to those for fixed assets such as facilities and / or equipment. Interest rates are just 13% -16% of which are lower compared to 16% -24% of the public financial institutions. However, when compared with the interest rates on credit from the other countries or which are managed for big companies, they are still quite high.

Table 2-18 SME financing products of major public financial institutions

Insitution	Name of credit	Credit Destination	Interest rate	Term	Guarantees
BANCOMEXT	Productive chains exporters	Credit with the objective of improving the competitiveness of enterprises. To help strengthen the control of collection to ensure the liquidity necessary to realize business opportunities.	In Mexican pesos or US dollars, the rate is fixed during the term of the loan. In cases of credit in U.S. dollars, LIBOR + 4%, in cases of credit in Mexican pesos TIEE +4% ⁿ	Maximum 24 months	Do not need a warranty material
	SME Export Credit Working Capital	Financial support for working capital and expenses related to export	Fixed interest rates that are competitive during the term of financing.	Up to 3 years including revolving	Should be consulted as the specific case of support required.
Mining Industry Promotion Trust (FIFOMI)	Working Capital Enabling or "Avio" (loan commonly for mining, livestock & peasants)	Purchase of raw materials, spare parts, consumables and materials, and operating expenses (Funding up to 1 million USD or equivalent in Mexican pesos)	CETES +5% (up to 1 year term) CETES + 6% (period from 1 year to 5 years)	Up to 3 years including revolving	Should be consulted as the specific case of support required.
	"Avio" (loan commonly for mining, livestock & peasants) revolving capital	Line of credit that provides immediate liquidity while they are charging the accounts receivable (Up to 500,000 USD or equivalent in Mexican pesos)	CETES + 5% (up to 1 year term) CETES + 4.5% (Period from 1 year to 3 years)	Up to 3 years including revolving	Should be consulted as the specific case of support required.
	Revolving capital of "Avio" (loan commonly for mining, livestock & peasants) to support suppliers	Credit line for SMEs that are suppliers of medium and large enterprises. As an accounts receivable financing for client funds to be 2.5 million USD or equivalent in Mexican pesos.	CETES + 5% (up to 1 year term) CETES + 4.5% (Period from 1 year to 3 years)	Up to 3 years including revolving	Should be consulted as the specific case of support required.
	Credit for fixed assets.	Credit for purchase of machinery, equipment, transport equipment, goods, packaging, purchase or construction of industrial	CETES +5% (up to 3 years term) CETES +6% (from 3 years)	Up to 10 years	

Insitution	Name of credit	Credit Destination	Interest rate	Term	Guarantees
FIFOMI (continues)		buildings, relocation of plant operation and investments in other fixed assets.	to 10 years)		
	SMEs Program, Credit capital assets	Credit for investment in fixed assets such as purchase of machinery, equipment, transport equipment, manufacturing automation, and expenses related to civil engineering and management of production plants and mines, and so on	CETES + 3% (from Term 2 years until 5 years) CETES +3.5% (time from 10 years to 5 years)	Up to 10 years	
	SME Program, fund for ongoing working capital	Credit for purchase of inventory, raw materials, spare parts, as well as expenses directly related to the business (the credit line of up to an amount equivalent to 3 months of operating cost)	CETES+3%	Up to 5 years	
NAFINSA	Development Credit FIFOMI	Enabling prevention through working capital liquidity to facilitate MSMEs that are supplying large firms, conducting timely payments and deductions with respect to invoices, receipts, etc.	CETES +0.75% (up to 1 year term) CETES +1.5% (Period from 1 year to 5 years)	Up to 5 years	
	Machinery and equipment	Credit for investment in business (the credit is in USD or Mexican pesos, and is up 85% of the price of the goods) (Credit for purchase of machinery in the U.S.)	If M.N. TIEE + 3% if USD LIBOR +2.25%	The period depends on the amount (from 2 years to 5 years)	Endorsement is required. Being engaged in related businesses for more than 3 years. At least 50% of the machinery must be in U.S. manufacturing.
	SMEs Credit	Working capital or acquisition of fixed assets.	Preferential rates		Mortgage guarantees are not required or compelled solidarity.

Note: LIBOR (3 months) 2.20% (As December 2008)

CETES (Certified Treasury bills - 3 months) 7.64% - 8.4% (As December 2008))

TIEE (the (month) in December 2008) 90 days 7.2%

Source: Prepared by the Mission Study based on data that was released by the *Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros (CONDUSEF)*

Chapter 3

Current situation of the registration and training of SME consultants

Chapter 3 Current situation of the registration and training of SME consultants

In Mexico, government ministries often contract outside consultants to undertake the ministries' services. For example, consultants help the Ministry of Tourism (SECTUR¹) provide tourism-related consulting services, the Ministry of Economy provide SMEs with consulting services and the Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA²) provide consulting services in related fields. Some of the consultants have obtained a master's degree in business administration from a business school in Europe or the United States and built up their experience before starting on the job. However, large majority have completed a program of a consultant-training institute in Mexico and become independent after receiving instructions from experienced consultants. The quality of consultants attending SMEs in Mexico varies widely from those with knowledge and experience required to contract a government agency to those who are merely nominal.

This chapter will describe the current situation of training and registration of consultants who provide consultancy services for SMEs in Mexico from three viewpoints: public institutions, higher education institutions and private institutions³.

3.1 Current situation of the registration and training of SME consultants in public institutions

As mentioned above, consultants in Mexico often engage in the actual operation of the government ministries' services. Here we mention the current situation in SECTUR, *Financiera Rural*, National Development Bank (NAFINSA⁴), National Support Fund for Social Enterprises

¹ *Secretaría de Turismo*

² *Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación*

³ There is no single term agreed to refer to the act of recognizing that a consultant has a certain level of ability. In this chapter, respecting the expression used in each institution, the Study Mission allows terms such as "accreditation", "certification" and "registration" used in different meanings from the definitions of the Mission.

⁴ *Nacional Financiera*

(FONAES⁵) and SAGARPA. In addition, Chapter 4 will describe the case of the Ministry of Economy in detail.

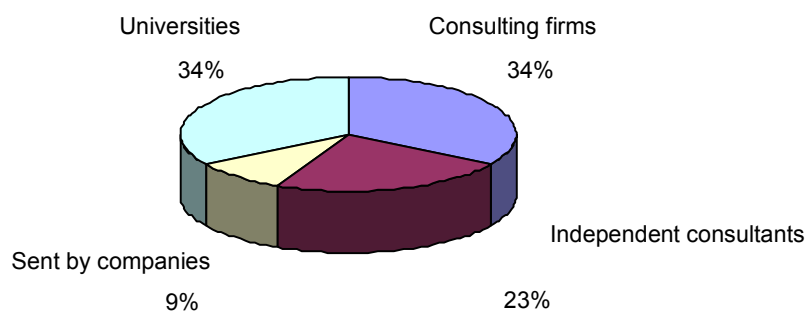
3.1.1 Ministry of Tourism (SECTUR)

There are a large number of tourism-related SMEs in Mexico, reaching more than 40,000 companies, geographically scattered. Given that, SECTUR has launched the implementation of the Programs "M" and "H" through consultants trained and registered by the Ministry. These consultants are obliged to respect the guidelines and methods previously determined by SECTUR.

(1) Program "M"⁶ and Consultant "M"

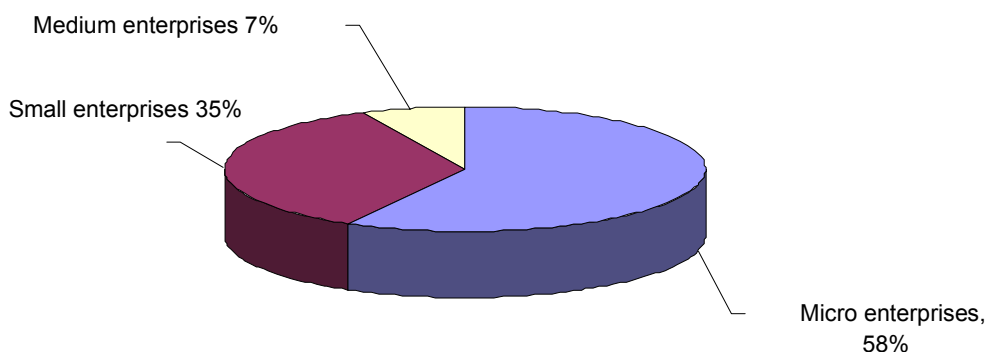
The program started in 2002 and aims to help tourism businesses improve the level of customer satisfaction and increase profits. Companies participating in the program will receive "M" distinction. During the period 2002-2008, 4,820 companies participated in the program and 4,018 received "M" distinction. Figure 3-1 shows the breakdown by size class of the companies that received the "M" distinction.

Figure 3-1 Number of companies that received the "M" distinction, by size class



⁵ Fondo Nacional de Apoyo a las Empresas Sociales

⁶ Programa Moderniza



Source: Ministry of Tourism

Participating companies form groups of maximum 25 persons. The time required for the implementation of the model is approximately 80 hours (40 hours each for theory and practice), noting some variations depending on the size of companies. The operating system consists of activities performed for a maximum of 12 weeks: 6 training sessions (approximately eight hours per session) and four visits of consulting intervention by a Consultant "M". After completion of these activities, another Consultant "M" different from who conducted the training and advice will conduct cross-evaluation based on a pre-determined checklist. When the company is approved, it will be awarded the "M" distinction. The distinction is valid for 2 years.

The training and registration procedure of Consultants "M" who conduct the training and evaluation in the Program "M" is as follows:

1) Prerequisites for participation in the training course

To register at SECUR as a Consultant "M", one should participate in the training course and the prerequisites for participation are as follows:

- To be certified for General Consulting⁷ by CONOCER (required in the fiscal year 2007 and after)
- To have experience as a consultant

⁷ CCON0147.03 *Consultoría general*

2) Requirements for registration

- To attend 90% or more at the training course (theory and practice)
- To achieve at least 90 points (out of 100) in the qualification examination
- To have the company designated by SECTUR and attended by the candidate consultant awarded the “M” distinction during the training period

Applicants who meet all the requirements above will obtain registration as Consultants "M".

3) Renewal of registration

It is mandatory to renew the registration every two years as Consultant "M". Below are the requirements for renewal.

- To provide diagnosis and counseling to at least 4 companies per year.
- To devote 40 hours per year to unpaid work assigned by SECTUR (For example, cross-evaluation mentioned above).

As of 2008, there are 249 Consultants "M" registered nationwide.

Table 3-1 Overview of the registration and training of the Consultant "M"

Designation	Consultant “M”	
Administering institution	Ministry of Tourism (SECTUR)	Public institution
Activities	Consultants “M” are to work in the Program “M” which started in 2002 with the aim of helping tourism businesses raise the level of customer satisfaction and increase profits. They visit participating companies and give guidance on site as well as assess the level of achievement by the companies advised by other Consultants "M”.	
Number of registrant	249 (2008)	
Registration requirements	Prerequisites for participation in the training course: 1) To have labor competency certification for General Consulting 2) To have experience as a consultant Requirements for registration: 3) To give 90% or higher attendance at the training course 4) To obtain 90 points or higher out of 100 in the qualification examination 5) To advise a company and have it awarded the "M" distinction during the training period.	
Training	A 70-hour training course is available on 12 consulting tools.	

program	T1: Basic terms and organizational structures T2: The 5Ss T3: Leadership and human resource development T4: Market appreciation T5: Training of customer service personnel T6: Marketing T7: Work processes and eliminating wastes T8: Work process standardization T9: Visual management T10: Information systems and financial analysis T11: Management by policies T12: PDCA and accountability
Validity period of registration	2 years
Requirements for renewal registration	1) To provide counseling to at least four companies participating in the Program "M" in a year. 2) To engage in unpaid work for 40 hours per year, as assigned by SECTUR
Remarks	<ul style="list-style-type: none"> The cumulative total number of companies participating in the Program "M" is 4,820, of which the cumulative total number of the awarded is 4,018.

Source: Prepared by the Study Mission according to information provided by the administering institution.

(2) Program "H"⁸ and Consultant "H"

The Program "H" is a training and practice program on food sanitation targeting non-ambulant food and beverage services except such mobile shops as food stalls.

The procedure for the training and registration of the Consultant "H" who implement the Program "H" is as follows:.

1) Prerequisites for participation in the training course

To be a Consultant "H" registered by SECTUR, one should take a training course. The Prerequisites to participate in the training course are:

- To have completed a bachelor's degree in the medical, biological or chemical area, for example:
 - Food engineering
 - Dietetics / Nutrition

⁸ Programa Manejo Higienico de los Alimentos Distintivo "H" (Management Program of the Food Hygiene Distinctive "H")

- Pharmaceutical sciences
- Food chemistry
- Biology
- Veterinary
- Agricultural engineering
- Chemical engineering
- To have labor competency certification by CONOCER based on the latest Labor Competency Technical Standard (NTCL⁹) for Implementation of Classroom Training Courses¹⁰.
- To have experience in food and beverages
- If the candidate does not fulfill the professional profile, he will have to demonstrate at least one year of extracurricular experience. In that case, he is required to have performance in the processes of food safety. For example, participation in technical committees on GMP¹¹, GHP¹², HACCP¹³, SSOP¹⁴, among others, applies to this. Similarly, they need to take at least 64 hours of courses each in microbiology and health and hygiene.

To demonstrate the satisfaction of the above requirements, candidates must submit the following documents:

- a) Curriculum vitae
- b) Interim letter (which certifies the completion of credits needed for graduation), diploma or graduate registration card
- c) Letter issued by a company that certifies the candidate's experience in food and beverages

Candidates without satisfying the professional profile will submit the following documents referred to in subparagraphs d), e), f) together.

- d) Letters of participation in technical committees (GMP, GHP, HACCP, SSOP)

⁹ *Norma Técnica de Competencia Laboral*

¹⁰ NUGCH001.01 *Impartición de cursos de capacitación presenciales*

¹¹ Good Manufacturing Practice

¹² Good Hygiene Practice

¹³ Hazard Analyses and Critical Control Point

¹⁴ Sanitation Standard Operating Procedures

- e) Written evidence of 64-hour participation in microbiology courses registered by a public or private institution
- f) Written evidence of 64-hour participation in health and hygiene courses registered by a public or private institution

2) Requirements for registration

The participants who meet the above requirements shall obtain registration as Consultant "H", after satisfying the following conditions at the training course.

- Attending at the 24-hour training course for Program "H" instructors given by SECTUR, to pass the written examination with 90% accuracy at least

SECTUR offers an annual training program for the training of Consultants "H" at no cost to participants.

For registration, candidates need to pass the evaluation with at least 90 points out of 100 at the end of the training course. If the score is between 85 to 89 points, the candidate will undergo a second evaluation. If he does not pass the second evaluation (does not get 90 or higher points), he will have to wait a year to start the registration process again. If a candidate disagrees to the evaluation, he may request a review to the Tourism Training Division of SECTUR.

Once the candidate has met the requirements mentioned above, he shall obtain the registration number as a Consultant "H" and a credential issued by the Tourism Training Division valid for two years.

3) Renewal of registration

The registration as a Consultant "H" remains valid with successful implementation of the Program "H" in at least four companies in a period of 12 months. Without any evidence of activity in the field after one year from the date of registration, the registration will be void. Besides, SECTUR quarterly updates the list of registered consultants via the internet and the tourist offices of state governments. The list of consultants registered at SECTUR is available to the public through the website of the Ministry.

Table 3-2 Overview of the registration and training of the Consultant "H"

Designation	Consultant "H"	
Administering institution	Ministry of Tourism (SECTUR)	Public institution
Activities	To train and advise participating companies in the Program "H" which aims to improve food hygiene in non-ambulant food and beverage services.	
Number of registrant	298	
Registration requirements	Prerequisites for participation in the training course: 1) Being an university graduate who majored in chemistry, medicine or biology (However, one-year extracurricular experience in food safety and 64-hour credits of microbiology and health and hygiene courses respectively may substitute the academic degree.) 2) Having labor competency certification for Implementation of Classroom Training Courses 3) Having experience in food and beverages Requirements for registration: 4) To attend at the training course 5) To obtain 90 or higher points out of 100 in the qualification examination (Those with 85 to 89 points are allowed to take the exam only once again)	
Training program	Training course of 24 hours	
Validity period of registration	2 years	
Requirements for renewal registration	To successfully advise at least four companies participating in the Program "H" in a year	
Remarks		

Source: Prepared by the Study Mission according to information provided by the administering institution.

3.1.2 Financiera Rural

Financiera Rural is an agency that carries out activities from 2003 to support rural producers under the administration of the Ministry of Finance and Public Credit. The mission of the *Financiera Rural* is the development of farming, forestry, fishing and all other economic activities, through a financial model that allows for autonomy in rural Mexico. *Financiera Rural* aims at improving the living standards of rural people through increasing their productivity and

profitability. To this end, the *Financiera Rural* uses 2 basic methods. One is the supply of credit and the other is to offer training and consulting services.

The results of their activities during the past 5 years (2003-2008) are:

- *Financiera Rural* has awarded more than 457 thousand credits to rural areas in terms of value reached more than 5,300 million U.S. dollars.
- The portfolio of the *Financiera Rural* grew an annual average of 23% between 2004 and 2007.
- The credit portfolio grew by 2007 only 25% over the previous year.
- The *Financiera Rural* has a past-due loans of 2.2% at the end of 2007, maintaining the international index.
- Currently it is conducting approximately 1,400 projects across the Mexican territory.

(1) Training

Currently, *Financiera Rural* has arranged agreements with the graduate programs in 10 universities around the country and carried out from June 2006 the training of future consultants who joined in for the implementation of the institution's programs. This course is a 2 years Masters degree and awards the title of Master of Technology in Professional Services¹⁵ to those who finished. Participants of this course will receive a scholarship from the *Financiera Rural*.

The requirements for participation in this course are as follows.

- Have completed undergraduate studies (This is not mandatory if the applicant meets the following requirement.)
- Be registered in the list of consultants from the *Financiera Rural* and have experience working in programs of that institution. (Experience working in rural areas.)

The latter is the absolute requirement for the course.

In this course, the focus is "how to teach" classes and taught on the following 6 topics:

- Anthropology
- Psychology
- Neuropsychology
- Epistemology

¹⁵ *Maestría Tecnológica en Prestación de Servicios Profesionales*

- Semiology
- Pedagogy

(2) Process of registration, training, accreditation and certification

1) Registration

Currently, the *Financiera Rural* has 4,500 people registered. However, of the consultants in this list, only about 1,200 people work effectively.

2) Training

Establishing the training course targeted to individuals who meet the requirements specified in subsection 1). Currently 800 people are participating in this training course.

3) Accreditation

The accreditation is for those participants who complete the training course. Not according to credit rating of the examination, but are granted accreditation if they can "demonstrate how they can contribute to rural development." For now, the number of accredited consultants is 357.

4) Certification

After conducting an effective job in programs of *Financiera Rural*, the consultant receives certification based on the results obtained. Now the number of certified consultants is 40.

It is worth mentioning that not all the consultants who actually provide consultancy services in the programs of the *Financiera Rural* consultants are accredited or certified.

Table 3-3 Overview of the registration and training of the *Financiera Rural* consultant

Designation	Consultant	
Administering institution	<i>Financiera Rural</i>	Public institution
Activities	To provide training and consulting services aimed at raising the living standard of rural people and improving their productivity and profitability.	
Number of registrants	4,500 (1,200 of which are active)	
Registration requirements	<ul style="list-style-type: none"> • On the call scheduled twice a year, submitting the application form with the area of interest specified will complete the registration. • As consulting needs matching the area of interest arise, the registrant's qualification is determined based on the evaluation of experience and skills through interviews, curriculum vitae and examination. 	
Training program	<ul style="list-style-type: none"> • A 2-year Master's program (related to six fields, i.e., anthropology, psychology, neuropsychology, epistemology, semiotics and pedagogy) is available under the agreement with 10 universities around the country. • Prerequisites to enroll in the program: <ol style="list-style-type: none"> 1) Registered at the <i>Financiera Rural</i> 2) Having engaged in a program of the <i>Financiera Rural</i> or having working experience in rural areas 3) Having graduated a bachelor's program with a grade of 7.5 or higher out of ten • The Master's students will have a scholarship. 	
Validity period of registration	Unlimited (Determined qualification is valid for two years.)	
Requirements for renewal registration	The evaluation by the committee at the end of the consulting project will determine whether the performance was eligible for compensation or not. If the evaluation finds the performance poor, the consultant will be withdrawn from the list of qualified registrants.	
Remarks	<ul style="list-style-type: none"> • The <i>Financiera Rural</i> will accredit consultants who completed the Master's program. There are 357 accredited consultants. • <i>Financiera Rural</i> certifies the accredited consultants according to the results of their work in the programs. There are 40 certified consultants. 	

Source: Prepared by the Study Mission according to information provided by the administering institution.

3.1.3 Nacional Financiera (NAFINS)

NAFINS supports SMEs by providing new financial products. In FY 2007 the number of SMEs receiving financial assistance, technical assistance or training reached 1,120,926. During fiscal year 2007 through various programs, NAFINS awarded subsidies for approximately 212 thousand and 100 million pesos and most of them went to private SMEs.

Following is the mechanism that assigns to the instructors who conducted the business training.

(1) Requirements for registration

As the instructors of the NAFINS are required different skills according to the subject in charge, so they receive training organized by subject. Also vary according to each subject, both the requirements for entering the application as the requirements for registration.

Regardless of the subject to undertake, the requirements for enrollment include experiences in giving advice to smaller-sized enterprises or teaching in universities, which appears on the curriculum vitae. In addition, depending on the subject, they impose different conditions on the experience and the specialty, according to the subject in question. For example, if the issue is to export, to the experiences in the field and in charge in case of legal problems, a degree in law, etc.

- Experience in consulting to smaller-sized enterprises or have experience in teaching in any university.
- Fulfill with the conditions of experience and expertise, as required according to the subject in charge.

Those candidates who meet the requirements participate in the training course and take the final review. When a candidate gets a rating higher than 8.5 points out of 10 in this review, he shall become an approved instructor of NAFINS registered in the database.

- Take the training course and get a score higher than the 8.5 points out of 10 during the final exam.

The registration process proceeds by subject. The instructor will select the subject taking into account their background and curriculum knowledge. It is also possible that a person obtain approval on various subjects.

(2) Renewal of registration

Comply individually with the instructor on the NAFINSA's annual training program. The instructor is responsible for the entire process from opening the call, getting a place to train and send credentials to take the course to participants.

The registration is valid for two years; however, if the performance of the instructor registered in the database reaches the objective level agreed with NAFINSA, he can renew the registration. Not achieving this objective, means the record will terminate.

In addition, if the content of the business training updates itself, the existing instructor who is responsible for providing this course must retake the training course and pass the final exam.

Table 3-4 Overview of the registration and training of the NAFINSA-certified instructor

Designation	NAFINSA-Certified Instructor ¹⁶	
Administering institution	<i>Nacional Financiera, S.N.C.</i> (NAFINSA)	Public Institution
Activities	To provide training for SME entrepreneurs	
Number of registrants	100	
Registration requirements	<ol style="list-style-type: none"> 1) Having experience in advising smaller-sized businesses or having teaching experience in a university 2) To fulfill the conditions of experience and expertise in the field, as required according to the subjects entrusted 3) To take the training course and obtain 8.5 or higher points out of 10 in the final examination 	
Training program	Training courses are available for each subject. Duration and content of training courses differ by subject.	
Validity period of registration	2 years	
Requirements for renewal registration	<ul style="list-style-type: none"> • Registration is renewed if the Instructor have achieved the performance target of the implementation plan for the training program contracted with NAFINSA 	
Remarks	<ul style="list-style-type: none"> • When the training updates the contents, the registered instructors who teach the revised subjects must also retake the training course and pass the examination. 	

Source: Prepared by the Study Mission according to information provided by the administering institution.

¹⁶ *Instructor Homologado por Nacional Financiera*

3.1.4 National Support Fund for Social Enterprises (FONAES)

The FONAES started operations from November 1991 and currently has 900 employees around the country, of which 400 work in Mexico City and the remaining 500 in other States. Since FY 2006, FONAES integrated under the control of the Ministry of Economy and has an annual budget of between 1,000 and 1,200 million pesos.

FONAES programs aimed at supporting the entrepreneurial spirit of the low-income population and with economic potential that lives in marginalized areas. The FONAES runs these programs not through intermediary organizations, but by direct contract with consultants.

The FONAES not did any training to be consultants. For a consultant to participate in FONAES programs, he needs to register in the database of FONAES. Requirements for registration are:

- Must have certification of General Advisory issued by CONOCER.
- Be a consultant in any of the following government institutions:
 - Ministry of Social Development (SEDESOL¹⁷)
 - SAGARPA
 - Ministry of Agrarian Reform (SRA¹⁸)
 - Financiera Rural*
- These institutions have their own database of consultants, and the majority of consultants in these databases have the training and evaluation of the National Institute for Capacity Development in the Rural Sector (INCA Rural¹⁹).
- Have experience have been devoted to the specialized activities in rural development or poverty reduction.

It is worth mentioning that by the time the FONAES has 853 consultants in its database.

¹⁷ *Secretaría de Desarrollo Social*

¹⁸ *Secretaría de la Reforma Agraria*

¹⁹ *Instituto Nacional para el Desarrollo de Capacidades del Sector Rural*

Table 3-5 Overview of the registration and training of the FONAES consultant

Designation	Consultant	
Administering institution	National Support Fund for Social Enterprises (FONAES)	Public institution
Activities	To provide consulting services to low-income micro entrepreneurs with economic potential living in marginalized areas.	
Number of registrants	853	
Registration requirements	<ol style="list-style-type: none"> 1) Having labor competency certification for General Consulting 2) Being a consultant registered at any of the following government institutions <ul style="list-style-type: none"> • Ministry of Social Development (SEDESOL) • Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) • Ministry of Agrarian Reform (SRA) • <i>Financiera Rural</i> 3) Having experience in specialist activities in the field of rural development or poverty reduction 	
Training program	None	
Validity period of registration	Registration is valid as long as the consultant satisfies the registration requirements.	
Requirements for renewal registration	—	
Remarks	—	

Source: Prepared by the Study Mission according to information provided by the administering institution.

3.1.5 Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA)

SAGARPA through consultants conducted in 32 States of the republic, consulting services and/or training among others, in agriculture, livestock, fisheries and rural development. The annual budget is about 150 million of USD for about 500 thousand producers a year.

The services offered by SAGARPA fall into two main categories: basic services and strategic services. Basic services consist of: 1) Design of development projects, 2) Implementation of development projects, 3) Technical assistance and consultancy, and 4) Training courses to rural entrepreneurs. The staff provides a service in these four areas is the Professional Service Providers

(PSP²⁰) that is registered with the SAGARPA having passed the examination and interview. The INCA Rural is responsible for the training of personnel.

In strategic services, each project individually focuses on a priority sector, such as cattle, corn or beans, among others. Each project assigns an institution as the Specialized Technical Unit (UTE²¹), which is responsible for training and evaluating staff that provides strategic services.

Process for the formation, registration and evaluation for the PSP is as follows:

(1) Training and registration

The consultants who wish to participate in the program of SAGARPA may request the participation in the training course at any time of year.

Like the basic types of services, the training course consists of four modules: 1) Design of development projects, 2) Implementation of development projects, 3) Technical assistance and consultancy, and 4) Training for rural entrepreneurs; and is available online. The consultant will take one or more modules as needed.

The form of online training course is one in which the participant is studying on his own at his convenience, with a teaching a course with reciprocity, which is taught by the instructor via the Internet on the date and time (period) of the training course previously established. In the request to take the course, the training course schedules the date and instructor according to the number of people who want to take it. Each class has around 25 students and the course duration is two to four weeks.

The participant must have defined a group of producers (people engaged in agriculture, livestock and fisheries) to be submitted to the consulting service, where the consultant will perform as part of the course. This group of producers will apply the techniques and methods learned in the course and the final report will contain all the results.

After completing the training course, you go through the examination and interview. Subsequently, those who approve will register at the SAGARPA as PSP. The training focuses on people who lack of experience, so the course itself is not part of the requirements for the

²⁰ *Prestador de Servicios Profesionales*

²¹ *Unidad Técnica Especializada*

registration. The consultants who previously have sufficient experience may apply directly to the review and interview, bypassing the stage of the training course.

Similarly, if engaged in the service of "Consulting and Technical Assistance", where the first time that the service is provided on SAGARPA will be accepted without prior registration of the PSP, provided you meet the requirements established in each project. If approved at the next evaluation of services, he will register as PSP.

(2) Evaluation of performed services

All services performed by the PSP will be subject to evaluation of results.

The evaluation will be conducted by two assessment centers (the *Universidad de Chapingo*, covering 17 States and the *Colegio de Posgraduados* covering 15 States), through which are the three classifications.

- Approved → It is recognized that there is a satisfactory performance and keeps the registration.
- Conditioned → Must undergo the online training course and pass the exam, as well as deliver all the products. The registration will be effective.
- Failed → Now on, you cannot participate in the programs of SAGARPA.

In case of "Conditioned", the candidate can take the course twice. In case of failing it 2 times, the candidate may not participate in the programs of SAGARPA.

Currently, nationwide there are about 14,000 PSPs registered in SAGARPA. However, there is no certificate in written form but registration in the database of the website. The database is open to public and the applicant's support (producer) may elect the PSP, but in practice, in many cases the State delegations of SAGARPA act as mediators to receive queries.

On the other hand, SAGARPA also conducts a training course for consultants, which targets primarily for students of agricultural universities. This training course aims to train people who have expertise in agriculture, but no training as a service provider to train as consultants.

The training course is available through an online platform. Per year, around 500 thousand students are taking this course, and the decision on final approval depends on the online exam and interview, whose approval rate is approximately 40%.

(3) National Institute for Capacity Development in the Rural Sector (INCA Rural)

INCA Rural is a dependent SAGARPA established 37 years ago. In addition to conducting training sessions for training and examinations and interviews to the PSPs, instead of SAGARPA as a specializing institution in education and training, it has partnerships and joint ventures with various institutions other than SAGARPA.

It has 250 people registered as instructors of online training.

Instructors are hired as needed but not carried out a public call for them. In a training for trainers, which lasts 5 days, they learn the teaching method suitable for online training. When hiring a university professor, for example, he will be recommend to understand the online PSP training material provided by INCA Rural prior to participate in instructor training.

INCA Rural is the Chairman of the Committee for the Standardization of Labor Competencies in Agricultural Training and Consulting²² in the National Labor Competency Standardization and Certification System. INCA Rural has advanced an effort to unify all educational training in the rural sector and strengthened the coordination with related institutions such as *Financiera Rural*, FONAES etc.

They are also centers for evaluation and accreditation for certification of employment such as "Implementation of Classroom Training Courses" and "Design of classroom training courses, its evaluation tools and educational materials"²³. Instructors are required to obtain these certifications.

²² *Comité de Normalización de Competencia Laboral de Capacitación y Consultoría Agropecuaria*

²³ NUGCH002.01 *Diseño de cursos de capacitación presenciales, sus instrumentos de evaluación y material didáctico*

Table 3-6 Overview of the registration and training of PSP

Designation	Professional Service Provider (PSP)	
Administering institution	Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA)	Public institution
Activities	To perform basic services provided to farmers, stock farmers and fishers (designing of development projects, implementation of development projects, technical assistance and consulting services, and training of rural entrepreneurs).	
Number of registrants	14,000 (5,200 of which are estimated active)	
Registration requirements	To pass the written and interview examinations, or to perform services in the category of "technical assistance and consulting services" and be approved by the assessment	
Training program	<ul style="list-style-type: none"> • Online training is available in four modules corresponding to the categories of services. • Candidates voluntarily take the training modules according to their needs. Scheduling the dates (periods) and instructors depends on the application. • The training facilitates candidates to apply the learned techniques and methods for the specific concern of the producer group organized by the candidate himself. • Consultants approved conditionally in the evaluation of the implemented service will take the online training to elevate their skills. 	
Validity period of registration	Registration is valid unless the consultant fails the evaluation of performed services.	
Requirements for renewal registration	—	
Remarks	<ul style="list-style-type: none"> • Those who failed the evaluation of performed services or who received a conditional approval and failed the final evaluation in the online training twice cannot participate in the programs of SAGARPA thereafter. 	

Source: Prepared by the Study Mission according to information provided by the administering institution.

3.2 Registration and training of SME consultants in higher education institutions

Various institutions of higher education offered courses and/or consultancy services to SMEs. Here must be mentioned on the current status of the consultants engaged for consulting services performed by institutions of higher education, taking as examples 2 institutions actively engaged in consultancy services

3.2.1 Monterrey Institute of Technology and Higher Education (ITESM)

ITESM²⁴ does not have a program whose objective is the training of consultants, however, offers various materials, which are necessary for consultants (accounting, production management, business planning, etc.). For example, ITESM students requiring all departments to take the subject Entrepreneurship Spirit

ITESM performed in various consulting services, of which we will focus in particular on 2 programs specifically targeted at SMEs (business accelerators and high-tech incubators), and then turned to the current status of the consultants who involved in these programs

(1) Registration

The consultants are register for each program in accordance with the following procedures.

1) The committee issues the call for consultants

Usually the members of this committee are: the directors of the Business Accelerator and the High-Tech Incubator programs in ITESM and other institutions, the former undersecretary of the Ministry of Economy, and people involved with the sectors that require collaboration with communities.

2) Applicants send their curriculum vitae

In the curriculum vitae, must specify the experience as a consultant, professional and academic backgrounds, among others.

3) The committee evaluates each of the candidates and determines if they are accepted

The evaluation gives more importance to the experience as a consultant to determine whether to approve the applicant. This assessment does not require a specific certification.

ITESM classifies the consultants in junior and senior according to their experience. For junior consultants required experience of 5 to 10 years as a consultant, while for an experienced senior consultants from 15 to 20 years of experience and overall coordination of a team, among others.

Currently, approximately 70% of consultants are professionals (which include most of whom people are related to the ITESM.). In addition, about 30% are ITESM professors.

²⁴ Instituto Tecnológico y de Estudios Superiores Monterrey

(2) Training

There is not a special training course approved for evaluation in the above paragraph 3). However, according to the projects, an orientation program that seeks the unification of methodologies takes place. Besides, there is a plan to carry out training for junior consultants on the following three areas, but to date has not been in operation yet.

- Skills Consultant (Diagnostic methods, writing a proposal, control of a project budget, how to make a quotation, communication skills)
- Technical areas (Finance, marketing, etc.)
- Career development (stress management, etc.)

(3) Renewal of registration

For now, ITESM has about 50 registered consultants from the Business Accelerator and Incubator of High Tech Companies programs.

To update the record there is no regulation, but the committee procedures with update noting the results of each consultant. Furthermore, the committee determines the promotion of a junior consultant to senior in an appropriate manner according to their results.

Table 3-7 Overview of the registration and training of the ITESM consultant

Designation	Consultant	
Administering institution	Institute of technology and Higher Education (ITESM)	Higher Education Institution
Activities	To engage in consulting services for SMEs in the programs of business accelerators and high-tech incubators	
Number of registrants	50	
Registration requirements	To be approved by the committee/s evaluation based on the curriculum vitae which mentions the experience as a consultant, professional experience, academic history, etc.	
Training program	<ul style="list-style-type: none"> • Institutionalized training courses do not exist. • Depending on the project, consultants go through an orientation to share the unified methodology. 	
Validity period of registration	There is no regulation.	
Requirements for renewal registration	There is no regulation. The committee judges the renewal on the performance of each consultant.	
Remarks	<ul style="list-style-type: none"> • According to the consultants' experience, ITESM classifies them into junior consultants (5 to 10 years) and senior consultants (15 to 20 years, in addition to experience of overall coordination of a team). • The committee determines the promotion of the junior consultant to senior consultant based on his performance. 	

Source: Prepared by the Study Mission according to information provided by the administering institution.

3.2.2 Pan-American University (UP)

In 2004, the UP²⁵ established the Pan-American Center for Research and Innovation (CEPii²⁶), which performs consulting services. It currently has offices in Mexico City, Guadalajara and Morelia. CEPii has strength in consulting services in 2 sectors (manufacturing and hotel) in the areas of structuring of value chains, supply of strategic partnership, among others. CEPii is now offering consulting in 2 places: the area of Mexico City (including the State of Tlaxcala and the State of Mexico) and the State of Jalisco.

²⁵ Universidad Panamericana

²⁶ Centro Panamericano de Investigación e Innovación

(1) Registration

Usually a project leader (Senior Consultant) makes up a team of consultants and 5 members, 3 of them are specialized consultants and 2 trainees.

Now the CEPii has 25 internal consultants. Eight of whom are senior consultants who can be the leader of a project. The Senior Consultant is at least 10 years of experience in the area of business practice and in many cases corresponds to the rank of director general of a business. Most of the senior consultants have received no special training for a consultant.

The selection of an internal consultant reviews his resume, research results, aptitude tests and 2 interviews.

Besides the internal consultants, there are 25 hired consultants. Most of them are professors of the UP and are engaged in consulting after signing a contract as a consultant for each project

CEPii does not require his senior consultants have any distinctive or certification. If hiring an outside consultant, the decision depends not on certificates or diplomas, but on an internal evaluation.

(2) Training

The CEPii has its own course for training consultants. This is primarily a technical training of consulting services and skills training in each specialized area

Similarly, the outstanding consultants will attend at the course of the Pan-American Institute of Executive Business Administration (IPADE²⁷).

²⁷ *Instituto Panamericano de Alta Direccion de Empresas*

Table 3-8 Overview of the registration and training of the CEPii consultant

Designation	Consultant	
Administering institution	Pan-American Center for Research and Innovation (CEPii)	Higher education institution
Activities	To engage in the management consulting services of CEPii. .	
Number of registrants	Internal consultants: 25 External consultants: 25	
Registration requirements	1) For hiring internal consultants, the selection reviews the curriculum vitae, research results, aptitude tests and interviews, giving priority to experience. 2) External consultants take an examination to contract CEPii.	
Training program	1) Newly joined consultants should take the training course (12 sessions) on consulting methodologies and skills in the areas of specialization. Consultants then join in consulting teams to demonstrate his practical skills for evaluation. 2) Internal training sessions take place each year to update the skills of consultants. <ul style="list-style-type: none"> • The outstanding consultants will attend to the MBA course of the UP (IPADE). 	
Validity period of registration	Undefined	
Requirements for renewal registration	None. The contract will remain effective if the operational status and performance is satisfactory.	
Remarks	CEPii always employ team-consulting approach, which helps cover the weaknesses of novice consultants and train them on the job.	

Source: Prepared by the Study Mission according to information provided by the administering institution

3.3 Registration and training of SME consultants in private institutions

In Mexico, some private institutions conducting training programs for consultants to SMEs and the registration of participants who completed this training program. In paragraph 3.3, refers to the current situation of training and registration in these private institutions, particularly in the National Committee of Productivity and Technological Innovation (COMPITE²⁸), the National Chamber of Industry (CANACINTRA²⁹) and the Foundation for Sustainable Development (FUNDES³⁰).

²⁸ *Comité Nacional de Productividad e Innovación Tecnológica, A.C.*

²⁹ *Cámara Nacional de la Industria de Transformación*

³⁰ *Fundación para el Desarrollo Sustentable en América Latina*

3.3.1 National Committee of Productivity and Technological Innovation (COMPITE)

Currently the COMPITE trains and registers consultants involved in its training or consulting services. In addition, COMPITE is responsible for training and certifying consultants as APEC-International Network of Institutes for Small Business Counsellors (APEC-IBIZ) Certified Small Business Counselors (CBC) of the Asia Pacific Economic Cooperation (APEC), under accreditation from the Ministry of Economy.

(1) Consultants of the quality control in SMEs

The COMPITE is a private association founded in 1997. His foundation aims to raise productivity and quality of SMEs products and introduce new technologies to improve their competitiveness and quality. In accordance with this objective, is active specifically in the training and consulting services. Between 1997 and 2007, the cumulative number of companies that have received training or consulting services of COMPITE reached 130,913. COMPITE programs are classified roughly into 4 types:

- Those related to the improvement of productivity (the programs aims at achieving improved efficiency in enterprises with the use of their resources, utilizing models from General Motors and Toyota.)
- Those related to the quality management system (support for companies to obtain ISO9000 certification, etc.)
- Related to the system of internal management of companies (the programs are direct to entrepreneurs and provide support for defining goals and the establishment of corporate ethics.)
- Related training programs (training programs targets entrepreneurs and business managers and provide the tools to make decisions.)

Out of the COMPITE activities, 50% targets at micro, 35% at small and 10% to 5% at medium to large enterprises. Of the total represents a 30% work related to the Secretary of Economy and 70% work related to private companies. As for the work related to the Secretary of Economy supported by that entity. In the activities for Micro enterprises Ministry of Economy covers up to 70% of the total cost of services, for Small businesses, up 50% and services for SMEs, up to 30%.

Of the consultants involved in the program, those selected will be subject to having any of the following experiences as his curriculum vitae:

- 5 years of experience in production or related field
- 3 years experience in services for small businesses
- 2 years experience as an instructor of business development
- Professor of a university associated with the production management

Below is the selection process:

1) Interview

A committee composed of 5 members from 5 organizations performs the interview.

2) Written exam

Test on productivity

3) Practice (40-hour training)

Visit the companies with the consultants responsible for training. First, he worked as an assistant and then, if the consultant in charge of training determines approval, he will be a candidate to be a consultant.

4) Perform 3 visits to the company by himself.

Evaluation on productivity

5) Approval as a COMPITE junior consultant

6) Approval as a COMPITE consultant

After his consulting experience in 10 companies, COMPITE confirm that each entrepreneur qualify him with 9 points or more out of 10 to be credited as a consultant. (Typically requires 1 to 2 years.)

Currently about 300 consultants have the registration in COMPITE. The breakdown of these is as follows:

Associate Consultant:	8 persons
Senior Consultant:	60-70 persons
Consultant:	200 persons
Junior Consultant:	50 persons

Table 3-9 Overview of the registration and training of the COMPITE Consultant

Designation	Accreditation of COMPITE Consultant ³¹	
Administering institution	National Committee of Productivity and Technological Innovation (COMPITE)	Private institution
Activities	To engage in consulting services and training programs by COMPITE related to productivity improvement, quality improvement and management systems	
Number of registrants	300	
Registration requirements	<p>Prerequisites for a candidate for COMPITE consultant:</p> <p>1) Having experience satisfying any of the following criteria:</p> <ul style="list-style-type: none"> • 5 years in manufacturing or related areas • 3 years of counseling to smaller sized enterprises • 2 years as an instructor helping companies grow • Teaching at a university on subjects related to production management <p>2) To pass the evaluation through an interview by the committee, written examination on productivity and practical assessment</p> <p>Requirements to be a junior consultant:</p> <p>3) To accomplish on-site consulting to 3 companies by himself as a candidate for COMPITE consultant</p> <p>Requirements to be a consultant:</p> <p>4) To provide consulting services to 10 companies as a COMPITE junior consultant and obtain 9 or higher points out of 10 in the evaluation by the entrepreneurs.</p>	
Training program	After passing the written examination, candidates go through the practical training of 40 hours in which they engage in consulting work as assistant consultants, under the supervision of consultants responsible for training.	
Validity period of registration	2 years	
Requirements for renewal of registration	<ul style="list-style-type: none"> • To provide more than 10 consulting services during a year with grades of 9 or higher out of 10 in the evaluation by the clients and the internal system • Renewal of consultants' accreditation depends on the judgment at the time of program review held every 2 years. 	
Comments	<ul style="list-style-type: none"> • For promotion from junior consultant to consultant generally requires 1 to 2 years. • For the consultants who have poor evaluation at the time of renewal, measures will be taken on an individual basis to counter the causes so that they can recover the registration in reevaluation. 	

Source: Prepared by the Study Mission according to information provided by the administering institution.

³¹ *Accreditación de Consultor COMPITE*

(2) APEC Certified Small Business Counsellor (APEC-IBIZ CBC)

Since 1997, APEC conducted a draft agreement with the objective of training and certifying consultants able to support the competitiveness of SMEs in the region, and encourage the formation of a network for information and support to Micro, Small and Medium size enterprises in each economy. Based on this idea, APEC in 2001 created the "International Network of Institutes for Small Business Consultants". The training course for Small Business Counsellor is adapted to the economic situation of each member country, and includes best practices from around the world poured into the subjects in the diploma course for APEC Small Business Counsellors. In 2004, the Ministry of Economy designated COMPITE as the "Economy Institute" in the APEC-IBIZ network, which made COMPITE the institution responsible for implementing this program in Mexico.

The training course for APEC-IBIZ CBC intends to give participants the knowledge and skills to enable them to advise SMEs on how to improve their productivity and competitiveness and how to enter the markets of South Korea, Japan, China, Australia and Canada, among others.

To enter must fulfill the following requirements:

- Have Degree in related areas.
- To have knowledge or experience as a consultant in training and business development
- Understand the Code of Ethics of APEC-IBIZ and commit to conduct them according to it.

The training course takes a total of 270 hours for the 11 modules listed below.

- i. Code of ethics of APEC-IBIZ CBC — 10 hours
- ii. Problem solving in SMEs - 20 hours
- iii. SME Customers' Profile - 20 hours
- iv. Marketing for SMEs - 30 hours
- v. Financial analysis for SMEs - 40 hours
- vi. Human resources in SMEs - 20 hours
- vii. Business Planning for SMEs - 20 hours
- viii. Consulting and skills of the consultant - 50 hours
- ix. Linking SMEs with the support programs of public and private sector - 10 hours
- x. Exporting to the APEC countries: Japan, China, South Korea and others - 40 hours

- xi. Role of APEC-IBIZ CBC on the International Network of APEC-IBIZ CBC and the network of exchange of information and support to SMEs - 10 hour

The process from training up to the APEC-IBIZ CBC certification is as below.

1) Participate in the training course for APEC-IBIZ CBC.

Get at least 800 qualifying points.

2) Practice

Deliver documents to prove that he performed 400 hours of consulting in at least 5 SMEs.

3) Test

Get at least 800 points in the review of theoretical and practical courses, as well as 550 points or more in TOEFL

Are certified as APEC-IBIZ CBC those who can verify that cover all the above

Accredited CBCs must update the accreditation every 3 years.

This course began in 2005 and currently in the fourth years has involved 120 people, of whom 4 received certification and 30 people are awaiting certification

Table 3-10 Overview of the registration and training of APEC-IBIZ CBC

Designation	APEC-IBIZ CBC	
Administering institution	National Committee of Productivity and Technological Innovation (COMPITE)	Private institution
Activities	Consultants who have knowledge and skills to advise SMEs on increasing productivity and competitiveness as well as exporting to the APEC countries	
Number of registrants	4 (30 pending certification)	
Registration requirements	Prerequisites for enrollment to the training course: 1) Having graduated from Bachelor’s program in a related area 2) Having experience as a consultant or having knowledge about development and growth of enterprises 3) To understand the ethical standards of the APEC-IBIZ and commit to act in compliance with them Requirements for certification: 4) To take the training course and obtain 8 or higher points out of 10 in each module 5) To engage in paid consulting services for 400 hours in 5 SMEs and over 6) To get 800 or higher points out of 1,000 in the final examination 7) To get 550 or higher score of TOEFL	

Training program	Candidates participate for 10 months in a 270-hour course consisted of the following 11 modules. <ul style="list-style-type: none"> i. Code of ethics of APEC-IBIZ CBC (10 hours) ii. Problem solving in SMEs (20 hours) iii. SME customers' profile (20 hours) iv. Marketing for SMEs (30 hours) v. Financial analysis for SMEs (40 hours) vi. Human resources for SMEs (20 hours) vii. Business planning for SMEs (20 hours) viii. Consulting and skills of the consultant (50 hours) ix. Linking SMEs with the support programs of public and private sectors (10 hours) x. Export to the APEC countries (40 hours) xi. Role of APEC-IBIZ CBC in the international network of SME support (10 hours)
Validity period of registration	3 years
Requirements for renewal registration	To provide 400 or more hours of consulting in 3 years and receive satisfactory evaluation
Remarks	3) Each country adjusts and applies the learning modules standardized for mutual recognition in the APEC region. As of 2008, 15 countries participate in the program. 4) APEC-IBIZ makes the final decision on certification and renewal, based on the evidence presented by COMPITE.

Source: Prepared by the Study Mission according to information provided by the administering institution.

3.3.2 National Chamber of Industry (CANACINTRA)

It is a camera of manufacturing industries founded in 1945. Following an organizational reform in 1989, it established the current system of organization. There are now approximately 65,000 affiliated companies to CANACINTRA and 80 branches in cities throughout the country. The organization consists of 12 industry sectors and has a Board of Directors to which belong a President and 10 Vice-Presidents. In addition, below this, there are committees of courtesy representatives from each sector.

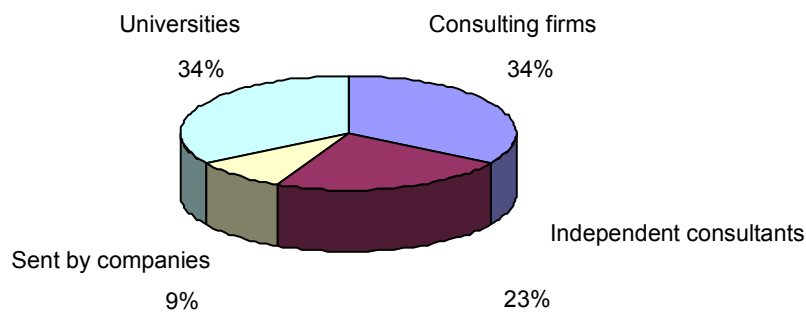
The Business Development Center is currently in charge of training as an independent organization of CANACINTRA adopting a separate accounting system. Its costs are covered by grants from the Micro, Small and Medium-sized Enterprise Support Fund (FONDO PYME³²), the consultancy fees and contributions from the CANACINTRA. Three instructors and two assistants

³² *Fondo de Apoyo para la Micro, Pequeña y Mediana Empresa*

make up the resident staff, and external trainers are invited. The current training courses has evolved from the pilot course started in 2002 in connection with the Plan for Development of Support Industries prepared in 1997 by the Ministry of Trade and Industrial Development (SECOFI³³) and JICA. Encouraged by the pilot course, CANACINTRA designed a training course for management consultants to improve their services, which has continued to date.

Currently in CANACINTRA, there is training for consultants for 8 modules. From 2004 to February 2008, CANACINTRA has trained 205 consultants through 10 times of the training course. The training taught theory and practice on management in 26 States across the country. Figure 3-2 shows the origin of the participants. Participants coming from consulting firms and Universities represent the largest share with 34% each, followed by independent consultants with 23% and the participants send from companies with 9%.

Figure 3-2 Origin of the participants in the CANACINTRA training course (%)



Note: Based on the cumulative number during 2004-2008

Source: CANACINTRA

Eight out of the 10 times, the training course received the support of the FONDO PYME of the Ministry of Economy. The process from training to recognition is described below.

- 1) Sent educational materials to people who wish to participate in training, to study at home by previously recorded videos and texts
- 2) Subsequently, the CANACINTRA participants submitted an online exam with 500

³³ *Secretaría de Comercio y Fomento Industrial*. Subsequently changed its name to the Ministry of Economy.

questions. Participants answered questions from the exam and returned to the CANACINTRA.

- 3) Those participants who obtain 80% or more correct answers in the test referred to in paragraph 2) will be approved to participate in training.
- 4) Only those persons approved by the previous phase 3), will receive theoretical and practical classes for 1 week. On the last day of training, there will be a presentation of the results of the practices.
- 5) The participants referred to in paragraph 4), unless there is any specific problem with the results of their practice, are recorded in the database as SMEs consultants recognized by CANACINTRA.

Moreover, even after completing the training, they do return regularly to the companies where they did their practice to review the results of the counseling and recurrence, and consultants are trying to be able to achieve improvement of business management.

Table 3-11 Overview of the registration and training of the CANACINTRA SME Consultant

Designation	Recognition as CANACINTRA SME Consultant ³⁴	
Administering institution	National Chamber of Industry (CANACINTRA)	Private institution
Activities	To provide consulting services to manufacturing SMEs (member companies)	
Number of registrants	230 (as of July 2008)	
Registration requirements	1) To answer correctly over 80% of 500 questions of the exam via the internet, as a result of self-learning with video lectures and textbooks 2) Take a 1-week training course on theory and practice and pass the assessment.	
Training program	Candidates take the consultant training course consisting of 8 modules.	
Validity period of registration	Undefined	
Requirements for renewal registration	—	
Remarks		

Source: Prepared by the Study Mission according to information provided by the administering institution.

³⁴ *Reconocimiento CANACINTRA como Consultore PyME*

3.3.3 Foundation for Sustainable Development (FUNDES)

FUNDES is a nonprofit organization founded in Switzerland in 1984 and approaches to sustainable development through strengthening SMEs in Latin America. Currently, its network in 10 countries: Argentina, Bolivia, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Mexico, Panama and Venezuela.

In the beginning, with the idea that the problem of MSMEs is in finance, began to provide support for loan guarantees, but later realized that the problem does not derive from finance, rather the important thing is in consulting and training. That is why today most of his work consists of consulting and training.

In Mexico, 2 thousand retail sales business received support, generating a 32% increase in income and 3 thousand more jobs. The resources of its funds come from international aid organizations, State Governments, large enterprises and the Ministry of Economy (FONDO PYME). Usually combine these funds for their activities.

FUNDES conducts training and educational courses as well as individual consulting to increase the administrative efficiency of each company and improve its market share. Particularly, consulting is characterized by its orientation to results, which was developed especially for SMEs, and is implementing a comprehensive assessment in which measurable indicators are used. FUNDES has engaged in consultancies set by the sectoral development programs, as is the Program *Mi Tienda*, as well as programs for production chains, such as the Program for Development of Suppliers and Distributors, among others.

(1) Selection process

Generally, they are referred to consultants by the Employers Confederation of Mexico (COPARMEX³⁵), chambers and institutions of human resources, provide educational material that describes the FUNDES methodology to studied it and then apply a test on this methodology. Additionally, for referral to the FUNDES, even if they are a junior consultant, requires 5 years minimum experience.

Those who have passed the written exam should take a practical test at least in one company,

³⁵ Confederación Patronal de la República Mexicana, S.P.

in the presence of the FUNDES evaluator. Once the candidate passes this test, he will be registered as a FUNDES consultant. However, it is necessary to renew the registration every 2 years. The requirement for the renewal of the consultancy is to conduct at least one company consultancy during a year, in addition to taking an exam on the new methodologies. (If the consultant is actively working as a FUNDES consultant, usually he can renew the registration. Otherwise, renewal is difficult.)

In the case of the facilitator training, also decided to follow a similar procedure.

(2) Registration

Currently, there are registered a total of approximately 145 persons, accounting consultants and facilitators. FUNDES classifies the consultants into junior consultants and senior consultants. The classification takes into account the level of specialty area and years of experience.

Table 3-12 Overview of the registration and training of the FUNDES consultant

Designation	Consultant	
Administering institution	Foundation for Sustainable Development (FUNDES)	Private institution
Activities	To provide consulting services with objectives to raise the administrative efficiency of SMEs and improve their competitiveness in the market	
Number of registrants	89	
Registration requirements	1) Having 5 years or longer experience of consulting 2) To pass the written examination regarding the consulting methods of FUNDES 3) To pass the practical examination of consulting practice in at least one company	
Training program	Educational materials about the consulting methods of FUNDES are available for independent study.	
Validity period of registration	2 years	
Requirements for renewal registration	1) To engage in consulting for specified hours during the given time period 2) To have good results in the performance evaluation based on the designated format of evaluation 3) To pass the written examination in new methods of consulting	
Remarks	Consultants are classified as senior consultants or junior consultants according to the expertise and experience.	

Source: Prepared by the Study Mission according to information provided by the administering institution.

3.4 Tasks in the training and registration of SME consultants

Most of the registration and training of SME consultants that have appeared in this chapter are independent practices by each institution involved in SME support, to have consultants in its own programs. Sourcing and training of human resources for programs is the responsibility of each support institution, but on the other hand, duplicated efforts as a whole may cause inefficiency. Regardless of the specific activities of individual program, there should be knowledge and skills universally employed in the job of SME consultants. The current situation is that each institution applies assessment and training with different approaches to even this type of common ground.

Consultants have to go through several processes of registration and training, which are similar in essence, to work for various support institutions. It is a burden in terms of both time and economics. In addition, each support institution or SME support as a whole may be generating duplication and waste in the utilization of resources for the registration and training of consultants.

It appears that in the field of support for rural areas and marginalized areas, the training and evaluation of PSPs by INCA Rural is becoming a de facto standard as a gateway for consultants who aspire to engage in this field. Besides the number of 14,000 registered PSPs, many of the consultants registered to an institution that employs participatory methods for rural development or poverty alleviation also have registration as PSPs.

FONAES does not provide its own training for consultants, but instead requires labor competency certification for General Consulting and registration at other institutions undertaking similar activities. In the background of this policy welcomed from the standpoint of eliminating duplication, supposedly there is a basis to judge the possibility to transplant experience in other institutions, as common methods are established to some extent.

However, in the area of business consulting which differs from the participatory methods, no institution administers registration and training that you can regard as a reference for the ability of the SME consultant, considering either universality or the number of registrants. SECTUR COMPITE and CANACINTRA specialize in specific sectors or areas of concern; ITESM, UP and FUNDES remain within a scale of private recruiting; and APEC-IBIZ emphasizes globalization. It is difficult to expect any of these to become a general gateway to the consulting industry.

Although SME support programs are diverse in type and form, with a single certification to verify the ability to apply standard methods of business consulting, each program can take the certification as a prerequisite for work and make the sourcing and training of consultant more efficient. Moreover, resources now wasted redundantly for evaluation and training in basic skills of the consultant can be redirected to the support itself, which is expected to raise efficiency.

Certification for SME consulting in the National Labor Competency Certification System that Chapter 5 will detail, should have responded to such needs. However, it is not in operation practically but is at a stage far to become a prerequisite by the various SME support programs.

As a result, the situation continues without a clear and shared definition of core skills for SME consulting, and training goes with each program's own curriculum. How the individuality and redundancy can be streamlined is a challenge for the whole of the SME consultant registration and training in Mexico.

Chapter 4

Current Situation of the registration and training of SME
consultants in the Ministry of Economy

Chapter 4 Current Situation of the registration and training of SME consultants in the Ministry of Economy

4.1 Overview of SME consultant training projects

The intention of the Ministry of Economy for training SME consultants is to “train consultants to give adequate consulting services to strengthen the competitiveness of SMEs”.

The Ministry of Economy has been conducting various projects for consultant training through the Micro, Small and Medium-sized Enterprise Support Fund (FONDO PYME¹) since the Fund was founded in 2004.

The total amount spent for these training projects during the period from 2004 to 2007 reached 16 million 600 thousand pesos (See details in Table 4-2.). Below is the amount invested in each year and the number of projects.

Table 4-1 Evolution of the budget for consultant training projects

Year	Aproved amount (FONDO PYME) (Mexican pesos)	Number of projects
2004	2,366,120	11 projects
2005	5,141,300	10 projects
2006	3,288,807	5 projects
2007	5,802,805	3 projects
Total	16,599,032	29 projects

Source: Ministry of Economy

In the beginning, the year 2004 had 11 projects, which are more than twice the number of training projects in 2007. In 2004, the invested amount was the lowest of all, being 2 million 370 thousand Mexican pesos and the average amount per project was as low as 215,102 Mexican pesos. In contrast, in 2007 the number of projects was 3, the smallest number, but the invested amount was the highest, reaching 5 million 800 thousand Mexican pesos. The average amount per project was 1,934,268 Mexican pesos, about 9 times higher than that of 2004.

¹ *Fondo de Apoyo para la Micro, Pequeña y Mediana Empresa*

The administration and operation of the training projects relied on various public and private organizations called "intermediary organization", for example, higher education institutions as the National Autonomous University of Mexico (UNAM²), the National Committee of Productivity and Technological Innovation (COMPITE³), local development committees of the municipalities, etc. Therefore, the subjects covered in the training projects were also varied, ranging from regional development to craft design to foreign trade among others.

In 2008, the "SME Consultant with JICA Methodology," Project that the section 4.2 will describe is the only project that the Ministry of Economy implements with the purpose of training SME consultants. Although the programs mentioned in the section 2.2.2 of Chapter 2, such as the National System for Business Incubation, the National Program for Financial Extension and *México Emprénde* Business Support Centers, register the personnel following a simple training as well, they are not training projects for SME consultants.

² *Universidad Nacional Autónoma de México*

³ *Comité Nacional de Productividad e Innovación Tecnológica, A.C.*

Table 4-2 Consultant training projects

	PROJECT NAME	SUBJECT	AMOUNT OF FONDO PYME (PESOS)	INTERMEDIARY ORGANIZATION	STATE	TRAINED CONSULTANTS
2004	<i>DIPLOMADO-TALLER PARA LA FORMACION DE CONSULTORES Y PROMOTORES EN DESARROLLO REGIONAL</i>	REGIONAL DEVELOPMENT	105,000.00	<i>COMITÉ DE PLANEACIÓN PARA EL DESARROLLO MUNICIPAL (COPLADEM)</i>	<i>DURANGO</i>	20
2004	<i>UNAM EMPRESARIAL: FORMACIÓN E INTEGRACIÓN DE EXTENSIONISTAS EMPRESARIALES UNIVERSITARIOS</i>	MSME JUNIOR CONSULTANTS	70,000.00	<i>FACULTAD DE ECONOMIA DE LA UNIVERSIDAD NACIONAL AUTONOMA DE MEXICO</i>	<i>DISTRITO FEDERAL</i>	80
2004	<i>FORMACION DE 15 CONSULTORES CERTIFICADOS CON LA METODOLOGIA DE APEC, ESPECIALIZADOS EN EL MERCADO ASIATICO.</i>	APEC CONSULTANTS	300,000.00	<i>COMPITE A.C.</i>	NATIONAL	45
2004	<i>PROGRAMA DE FORMACIÓN DE CONSULTORES 2004 DECAM CARMEN</i>	QUALITY MANAGEMENT	32,200.00	<i>DESARROLLO EMPRESARIAL DE CAMPECHE (SEDE CARMEN)</i>	<i>CAMPECHE</i>	20
2004	<i>FORMACIÓN DE CONSULTORES PYME</i>	SME CONSULTING WITH JAPANESE TOOLS	358,000.00	<i>CANACINTRA</i>	NATIONAL	30
2004	<i>SEMINARIOS DE FORMACIÓN DE FORMADORES EN DISEÑO ARTESANAL</i>	CRAFT DESIGN	136,420.00	<i>ENCUENTRO PARA EL CAMINO, A.C.</i>	<i>DISTRITO FEDERAL</i>	25
2004	<i>PROGRAMA DE DESARROLLO Y CERTIFICACIÓN DE CONSULTORES</i>	GENERAL CONSULTING	232,500.00	<i>CAMARA NACIONAL DE COMERCIO DE ZACATECAS</i>	<i>ZACATECAS</i>	30
2004	<i>SISTEMA NACIONAL DE MENTORES</i>	MENTORS IN NEW BUSINESS	400,000.00	<i>JÓVENES FUTUROS EMPRESARIOS POR MÉXICO, A.C.</i>	REGIONAL	20
2004	<i>CAPACITACIÓN Y CERTIFICACIÓN DE LA RED NACIONAL DE EXTENSIONISTAS FINANCIEROS</i>	FINANCIAL EXTENSION	169,000.00	<i>CENTRO PARA EL DESARROLLO DE LA COMPETITIVIDAD EMPRESARIAL (CETRO)</i>	NATIONAL	272
2004	<i>FORMACIÓN DE ESPECIALISTAS EN DISEÑO PARA CREAR VENTAJAS EN LA INDUSTRIA DEL VESTIDO EN MÉXICO</i>	SPECIALISTS IN THE CLOTHING INDUSTRY	63,000.00	<i>CONSEJO ESTATAL DE PROMOCIÓN ECONÓMICA DEL GOBIERNO DE JALISCO</i>	<i>JALISCO</i>	4
2004	<i>SEMINARIOS - TALLER DE FORMACIÓN Y ACTUALIZACIÓN DE CONSULTORES DE MIPYMES</i>	MSME CONSULTANTS FOR RICE SECTOR	500,000.00	<i>FEDERACIÓN NACIONAL DE PRODUCTORES DE ARROZ</i>	REGIONAL	100
2005	<i>CAPACITACIÓN, CONSULTORIA EMPRESARIAL, Y FORMACIÓN DE INSTRUCTORES Y CONSULTORES</i>	MSME CONSULTANTS FOR RICE SECTOR	200,000.00	<i>CENTRO PYME SAN LUIS POTOSI, A.C.</i>	<i>SAN LUIS POTOSI</i>	200
2005	<i>PROGRAMA DE FORMACIÓN DE CONSULTORES CON ENFOQUE EN EL MERCADO DE LAS EMPRESAS, SUS NECESIDADES Y DINAMISMOS DENTRO DEL CONTEXTO DE LA GLOBALIZACIÓN PARA QUE SEAN CAPACES DE PROPONER E IMPLEMENTAR ESTRATEGIAS PARA DESARROLLAR LOS METODOS DE TRABAJO Y EL PERSONAL DE LAS MICRO EMPRESAS</i>	FOREIGN TRADE	175,000.00	<i>INSTITUTO AGUASCALENTENSE PARA LA COMPETITIVIDAD EMPRESARIAL, A.C.</i>	<i>AGUASCALIENTES</i>	86
2005	<i>FORMACIÓN DE CONSULTORES</i>	FOREIGN TRADE	10,000.00	<i>CENTRO MPYMEXPORTA OAXACA, A.C.</i>	<i>OAXACA</i>	92
2005	<i>SISTEMA NACIONAL DE MENTORES</i>	MENTORS IN NEW BUSINESS	1,800,000.00	<i>JOVENES FUTUROS EMPRESARIOS POR MEXICO, A.C.</i>	REGIONAL	165
2005	<i>FORMACION DE 20 CONSULTORES CON LA METODOLOGIA INNOVADORA DE APEC, ESPECIALIZADOS EN EL MERCADO ASIATICO</i>	APEC CONSULTANTS	400,000.00	<i>COMPITE, A.C.</i>	NATIONAL	20

	PROJECT NAME	SUBJECT	AMOUNT OF FONDO PYME (PESOS)	INTERMEDIARY ORGANIZATION	STATE	TRAINED CONSULTANTS
2005	SEMINARIOS - TALLER DE FORMACIÓN Y ACTUALIZACIÓN DE CONSULTORES DE MIPYMES	MSME CONSULTANTS FOR RICE SECTOR	500,000.00	FEDERACIÓN NACIONAL DE PRODUCTORES DE ARROZ	REGIONAL	100
2005	FORMACIÓN DE CONSULTORES PYME 2005	SME CONSULTING WITH JAPANESE TOOLS	200,000.00	CANACINTRA	REGIONAL	36
2005	FORMACIÓN DE CONSULTORIOS PROMOTORES EMPRESARIALES	GENERAL CONSULTING	981,000.00	CONFEDERACIÓN DE CAMARAS NACIONALES DE COMERCIO, SERVICIOS Y TURISMO	NATIONAL	720
2005	FORMACIÓN DE CONSULTORES PROMOTORES EMPRESARIALES	GENERAL CONSULTING	384,000.00	CONFEDERACIÓN DE CAMARAS NACIONALES DE COMERCIO, SERVICIOS Y TURISMO	NATIONAL	480
2005	DESARROLLO INTEGRAL DE LA RED DE CONSULTORES "MÉXICO CALIDAD SUPREMA", COMO APOYO A MICRO Y PEQUEÑAS EMPRESAS DEL SECTOR AGROALIMENTARIO Y PESQUERO MEXICANO.	RURAL CONSULTANTS IN AGROBUSINESS	491,300.00	MÉXICO CALIDAD SELECTA, A.C.	REGIONAL	100
2006	PROGRAMA DE FORMACIÓN DE CONSULTORES NIVEL AVANZADO	SKILLS IN BUSINESS STRATEGIES	200,000.00	INSTITUTO AGUASCALIENTENSE PARA LA COMPETITIVIDAD EMPRESARIAL, A.C.	AGUASCALIENTES	60
2006	FORMACIÓN DE CONSULTORES PYME 2006	SME CONSULTING WITH JAPANESE TOOLS	144,000.00	CAMARA NACIONAL DE LA INDUSTRIA DE TRANSFORMACIÓN	REGIONAL	36
2006	FORMACIÓN DE CONSULTORES PARA EL PROGRAMA DE DESARROLLO DE PROVEEDORES	SUPPLIER DEVELOPMENT	625,000.00	CAMARA NACIONAL DE LA INDUSTRIA DE TRANSFORMACIÓN	NATIONAL	50
2006	SISTEMA NACIONAL DE MENTORES, FORMACIÓN DE 120 MENTORES DE NEGOCIOS	MESSAGES FOR INNOVATION TRENDS	1,879,807.00	JÓVENES FUTUROS EMPRESARIOS POR MÉXICO, A.C.	REGIONAL	120
2006	FORMACIÓN DE 20 CONSULTORES CON LA METODOLOGÍA E APEC (ASIAN PACIFIC ECONOMIC COOPERATION), ESPECIALIZADOS EN EL MERCADO ASIÁTICO.	APEC CONSULTANTS	440,000.00	COMITÉ NACIONAL DE PRODUCTIVIDAD E INNOVACIÓN TECNOLÓGICA, A.C.	NATIONAL	20
2007	DIPLOMADO EN AGRONEGOCIOS PARA LA FORMACIÓN DE CONSULTORES DEL CENTRO DE INCUBACIÓN DE LA REGIÓN SIERRA	AGROBUSINESS	50,000.00	INSTITUTO TECNOLÓGICO SUPERIOR DE LA REGIÓN SIERRA, (ITSS)	TABASCO	10
2007	CURSO DE FORMACIÓN DE CONSULTORES PYME 2007-2	SME CONSULTING WITH JAPANESE TOOLS	700,000.00	CAMARA NACIONAL DE LA INDUSTRIA DE TRANSFORMACIÓN (CANACINTRA)	REGIONAL	100
2007	FORTALECIMIENTO DEL SISTEMA NACIONAL DE MENTORES	MENTORING YOUTH BUSINESS	5,052,805.00	JÓVENES FUTUROS EMPRESARIOS POR MÉXICO, A.C. (JFE010528NV5)	REGIONAL	250

Source: Ministry of Economy

4.2 "SME Consultants with JICA Methodology" Project

4.2.1 Overview of the Project

The "SME Consultants with JICA Methodology"⁴ Project is to select SME consultants who will become an immediate power, train them on a common method of consulting and register them

⁴ Consultores PyME con Metodología JICA

at the Ministry of Economy. The initial plan was to register 500 consultants through training tour around the 32 states in the country during the term of the project, i.e. from July 2008 to February 2009. It is expected that these consultants will have an important participation in SME support programs that the Ministry of Economy manages.

The Training and Consulting Division, Undersecretariat for Small and Medium Enterprises⁵ of the Ministry of Economy, which oversees this project, has a future plan for the “National Registration System of SME Consultants by the Ministry of Economy⁶” in which registered consultants participate transversally in different programs, and considers this project as a starting point for building the system.

Moreover, there is an awareness of the need to integrate in the future the "National Registration System of SME Consultants by the Ministry of Economy" with the certification for SME Consulting under the National Labor Competency Certification System, so the Training and Consulting Division has the desire to revise the existing Labor Competency Technical Standard (NTCL⁷) for SME Consulting in accordance with current needs. With the aim of gathering the information necessary for the revision, it even plans to conduct workshops where the selected SME consultants have the opportunity to know the National Labor Competency Certification System and the current technical standard and then develop a proposal to revise it.

(1) Framework for implementation

The project is authorized and approved for a fund of about 5 million Mexican pesos under the following category of FONDO PYME (FP2008-113).

Class	D)	Entrepreneur training and job creation
Sub-class	6)	Training of instructors and consultants
Concept	a)	Training of instructors and consultants based on NTCL

The approved amount covers the half of the project cost and participating consultants will bear the other half. In addition, some companies and organizations have offered contribution for places for group training and promotional goods.

Furthermore, regarding the continuity of the project after 2009, resources from FONDO PYME will be used at least during the current government administration.

⁵ *Dirección de Capacitación y Consultoría, Subsecretaría para la Pequeña y Mediana Empresa*

⁶ *Sistema Nacional de Consultores PyME*

⁷ *Norma Técnica de Competencia Laboral*

Figure 4-1 shows the organization of this project.

To ensure transparency, the projects which use FONDO PYME resources should appoint an intermediary organization to conduct a neutral control of economic resources and project implementation. Normally the project implementation is entrusted to an intermediary organization, and the responsible department of the Ministry of Economy is not involved either proactively or directly.

However, this project has another picture. The Training and Consulting Division, directs the Project in general and the planning and coordination of project operation is agreed at committee meetings. The Division organized the project in this manner out of the interest to know the specific details and practical issues which arise in the time of the project execution to achieve the creation of the National System, and also the consciousness of own weaknesses in the technical aspects of the SME consultants.

The Consultant Selection Committee⁸ is formed by the Ministry of Economy, the Employers' Confederation of the Mexican Republic (COPARMEX⁹) that is the intermediary organization, the National Chamber of Industry (CANACINTRA¹⁰) and 3 private consulting firms. The Committee has the characteristic of being a group of representatives of organizations involved in the operation of the project. The regular meeting on Tuesdays handles not only the selection of consultants applying to participate in the project but also the coordination of overall project management.

Crece Hidalgo, one of the 3 private consulting firms mentioned above, is one of the centers that survived in some regions, even after the Center for Enterprise Competitiveness Development - Regional Center for Enterprise Competitiveness (CETRO-CRECE¹¹) was dissolved. On the other hand, *Espacio Empresarial* is accredited as an evaluation center for the labor competency certification of General Consulting and SME Consulting.

The local headquarters responsible for the operational work of conducting collective training based on policies determined by the Consultant Selection Committee will be established in each

⁸ *Comité de Selección de Consultores*

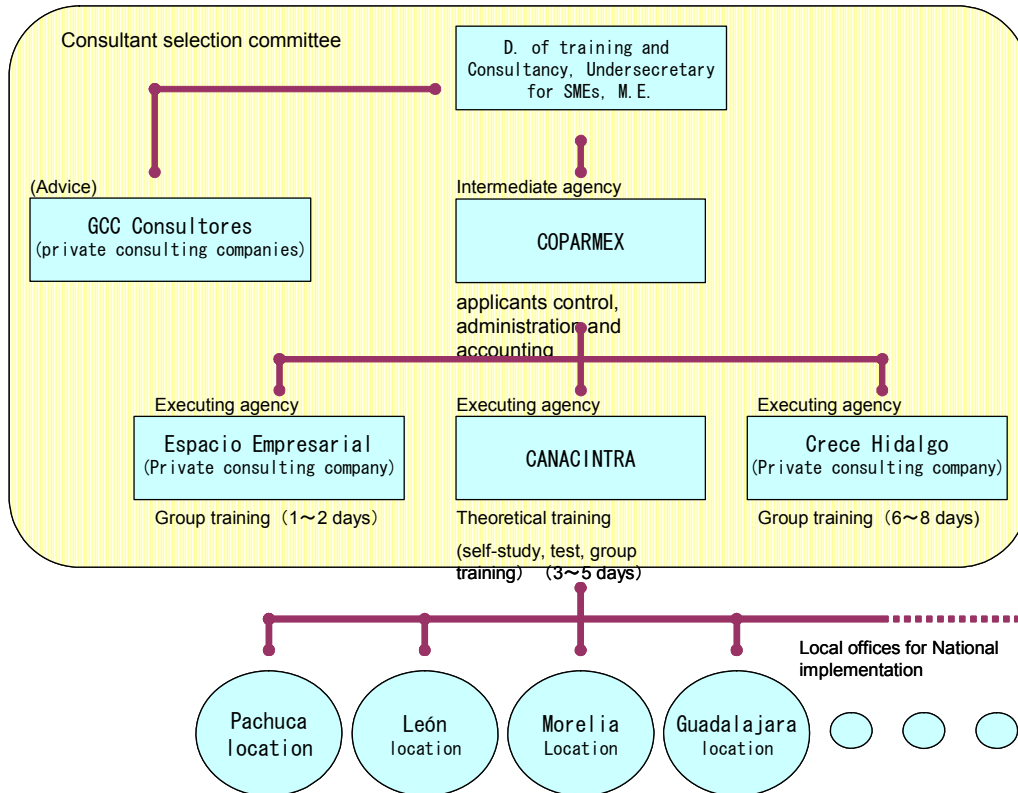
⁹ *Confederación Patronal de la República Mexicana, S.P.*

¹⁰ *Cámara Nacional de la Industria de Transformación*

¹¹ *Centro para el Desarrollo de la Competitividad Empresarial – Centro Regional para la Competitividad Empresarial*

site of implementation. Branch offices of CANACINTRA and COPARMEX and CRECEs are assigned as local headquarters.

Figure 4-1 Organization of the "SME Consultants with JICA Methodology" Project



Source: Prepared by the Study Mission

This project is intended for all of the following 3 sectors: manufacturing, commercial and service. However, organizations representing the commercial and service sectors have no involvement unlike CANACINTRA, which is disturbing the balance in the system of execution. In fact, the training process depends mostly on CANACINTRA and consequently the content of educational materials is biased, which induced a revision work as recommended by the Study Mission. This Chapter will later discuss on this point.

There is no denial that the Project was launched without a detail plan, and the detail was decided as the Project developed. The Project proceeded gradually, solving the problems arising

one after another. It is worth to mention that a clear implementation plan was achieved only after a complete process was finished in Mexico City that was the first site of the training.

The Training and Consulting Division has the ambition to take immediate actions and achieve real and concrete results in order to establish as soon as possible a national system of registration and use of SME consultants that is robust and resistant to changes in the government administration. The way of doing things is as if they are "thinking and running", but the Training and Consulting Division manages to maintain its rigidity in policies, so that no serious confusion has aroused.

The information on the Project was disseminated primarily through:

- 1) Notice by e-mail to companies and individual consultants who had previously contacted the Ministry of Economy (30,000 addresses)
- 2) Notice by audio response to the incoming phone calls to the Ministry of Economy
- 3) Notice on the Website of the Ministry of Economy and links from related web pages (*Banner*)
- 4) Announce through the mechanisms the collaborating institutions have

It is said that many consultants usually come to the Ministry of Economy in search of work. The record is stored in the information center of the Ministry and the related information was sent by direct mail regarding them as potential applicants to participate in the Project. The announcement played on the phone each time a call enters the Ministry, also targeting new consultants who call the Ministry of Economy.

The reaction to the call for participation was slow in the cities planned to host the training, with the exception of Mexico City and Leon, Guanajuato, so the Project took several additional measures of advertising in each city, such as; ads in the network of local associations, distribution of leaflets, newspaper advertisements, etc.

A publicity event was held in Mexico City on September 10, 2008, sponsored jointly by the Ministry of Economy and the Study Mission. The event involved over 200 people of consultants, businesses, chambers, trade associations and universities and the questions and answers session after completing the program lasted more than an hour.

(2) Meaning of the Project to the integrated SME consultant training system

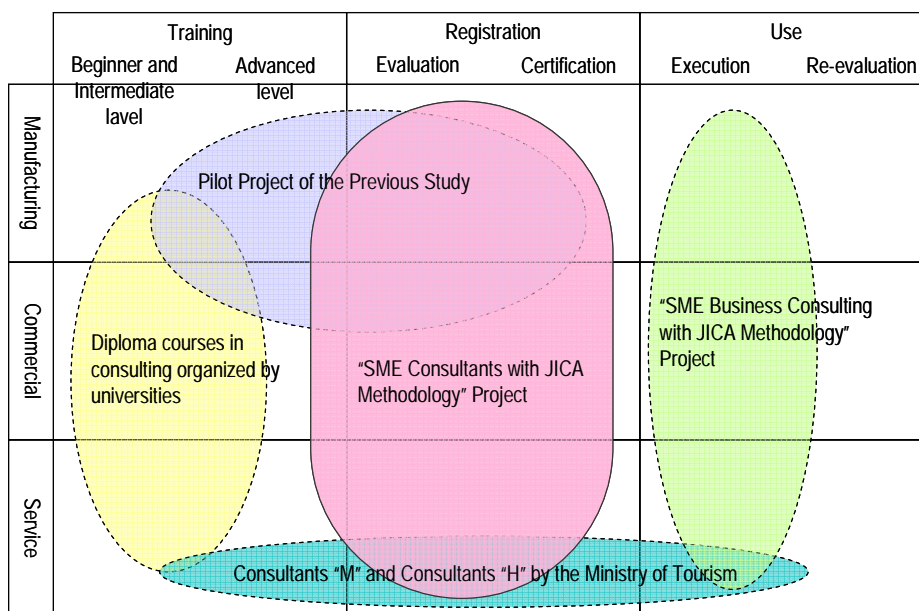
Figure 4-2 shows the scope of this Project in comparison with other projects.

Within the series of processes of training, registration and use of SME consultants, this Project covers from the last stage of training to registration.

The SME consultants registered through this Project will engage in the "SME Business Consulting with JICA Methodology¹²" Project started in late 2008 and directly help SMEs grow, applying the methodology learned.

¹² *Consultoría Empresarial PyME-JICA*

Figure 4-2 Location of the "SME Consultants with JICA Methodology" Project



Source: Prepared by the Study Mission

As you can see in Figure 4-2, this Project is not aimed at conventional training of human resources.

In Figure 4-3 you can see a conceptual idea of this Project.

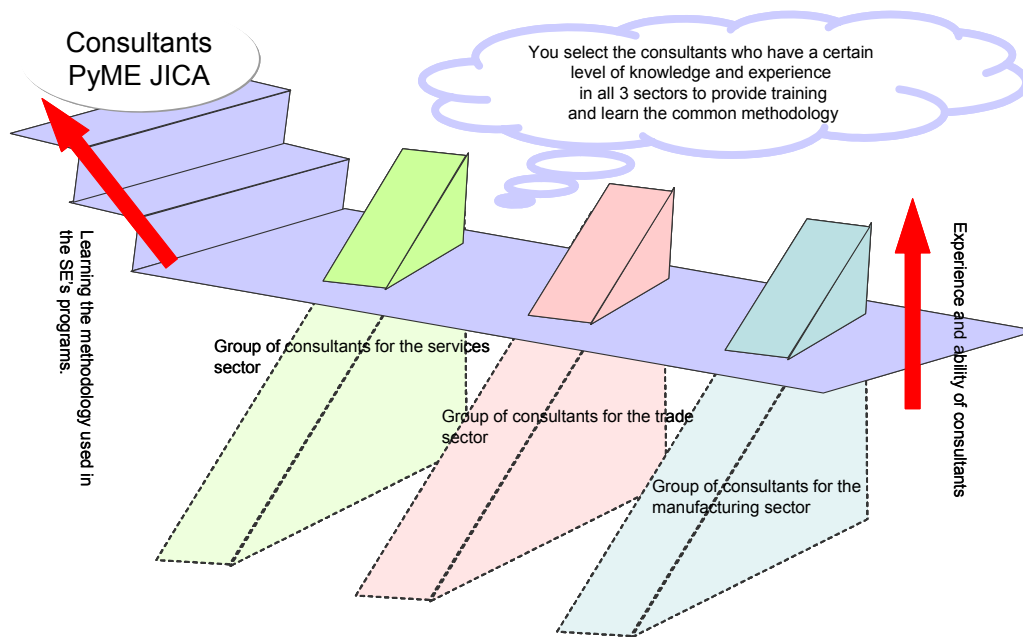
The consultants involved in the Project are those who already have experience providing consulting services to SMEs and they have the capacity that allows them to work as an immediate power in SME support programs by the Ministry of Economy.

In other words, this Project is designed in a way that calls for people who already have sufficient capacity to provide consultancy to SMEs and give them knowledge of common tools (methodology of the consultancy) to be used in programs organized by the Ministry of Economy. Therefore, it is not intended to train new consultants who want to specialize in SME consulting.

In the background there is an awareness that in comparison with Japan where new consultants, after obtaining the certification, gain experience with the help and guidance of more experienced consultants, in Mexico there are not many experienced consultants who can advise and guide less experienced consultants. Therefore, the Project aims to form a team of senior consultants who are most experienced. There is a hope that the consultants who are registered as the first generation of this Project will become counselors or tutors within the national system

A vision for post-2009 includes training courses for people with less experience but with much enthusiasm and introductory courses for young, newly graduated from college.

Figure 4-3 A conceptual idea of the “SME Consultants with JICA Methodology” Project



Source: Prepared by the Study Mission

Based on the above observations, the Study Mission summarizes the aspects of the Project that had been planned at the beginning of the same in Table 4-3.

Table 4-3 Overview of the “SME Consultants with JICA Methodology” Project (reference information)

Project name	SME Consultants with JICA Methodology
Project period	From July 2008 to February 2009
Target regions	All states and municipalities of Mexico (26 locations in 32 states)
Overall goal	<ul style="list-style-type: none"> To establish a national system for training, registration and use of SME consultants
Project purpose	<ul style="list-style-type: none"> To select experienced consultants nationwide, have them acquire the common methodology of SME consulting and register 500 consultants as to be the first generation of the National Registration System of SMEs Consultants by the Ministry of Economy. To collect information that will be the basis for making proposals for revision of NTCL of SME Consulting as a preparation for the future integration of the National Registration System of SME Consultants by the Ministry of Economy to the scheme of the National Council of Standardization and Certification of Labor Competency (CONOCER).
Outputs	<ol style="list-style-type: none"> 500 SME consultants nationwide complete the training mainly on JICA methodology with satisfactory grades. The SME consultants mentioned above are registered at the Ministry of Economy as qualified to work in SME support program of the Ministry. A route is established to a system that the Ministry of Economy registers SME consultants and uses the registered consultants in SME support programs. The SME consultants who participated in the training review the NTCL of SME Consulting of CONOCER and write up proposals for amendments.
Activities	<ol style="list-style-type: none"> 1-1 The Consultant Selection Committee examines consultants applying to participate in the Project, using established criteria. 1-2 The state headquarters of the Project train the consultants accepted by the Committee. 1-3 The consultants are evaluated during the training process, by established criteria 2-1 The Ministry of Economy registers the consultants who have obtained a certain level of evaluation as a qualified to work in SME support programs of the Ministry. 3-1 The registered consultants are recorded in the database of the Ministry of Economy. 3-2 SME support programs that utilize the registered consultants are specified. 4-1 In the training process, participant consultants review the NTCL of SME Consulting of CONOCER and write up proposals for amendments.

<p>Framework for implementation</p>	<p><u>Financial resources</u></p> <p>1) 5 million Mexican pesos from FONDO PYME = The cost of participation (19,451.00 pesos per participant) will be half subsidized.</p> <p>2) Cost to the participant consultants: 9725.50 Mexican pesos per participant</p> <p><u>Organization</u></p> <p>1) Lead Office in the Ministry of Economy: Consulting and Training Division of the Undersecretariat for SMEs:</p> <p>2) Intermediary Organization: Employers' Confederation of the Mexican Republic, SP (COPARMEX)</p> <p>3) Consultant Selection Committee: Responsible for the selection of consultants and review and coordination of project administration.</p> <ul style="list-style-type: none"> • 【President】 Ministry of Economy • 【Members】 COPARMEX <p style="margin-left: 40px;">CANACINTRA</p> <p style="margin-left: 40px;"><i>Espacio Empresarial, S.A. de C.V.</i> [Evaluation Center accredited by CONOCER, private consulting firm] .</p> <p style="margin-left: 40px;"><i>Crece Hidalgo, A.C.</i> [Private consulting firm]</p> <p style="margin-left: 40px;"><i>GCC Consultores</i> [Private consulting firm]</p> <p>4) Local headquarters for the implementation of the Project: Local branches of COPARMEX, CRECE, CANACINTRA, etc. are appointed.</p>
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Source: Prepared by the Study Mission

4.2.2 Flow of the Project

Figure 4-4 shows the flow of the Project.

Consultants interested in participation apply through the internet by the online application system on the website of the Ministry of Economy (COPARMEX received filled application forms and supporting documents by email until September). The aim of this Project is to register those consultants with more than 3 years of experience in providing consulting services to SMEs.

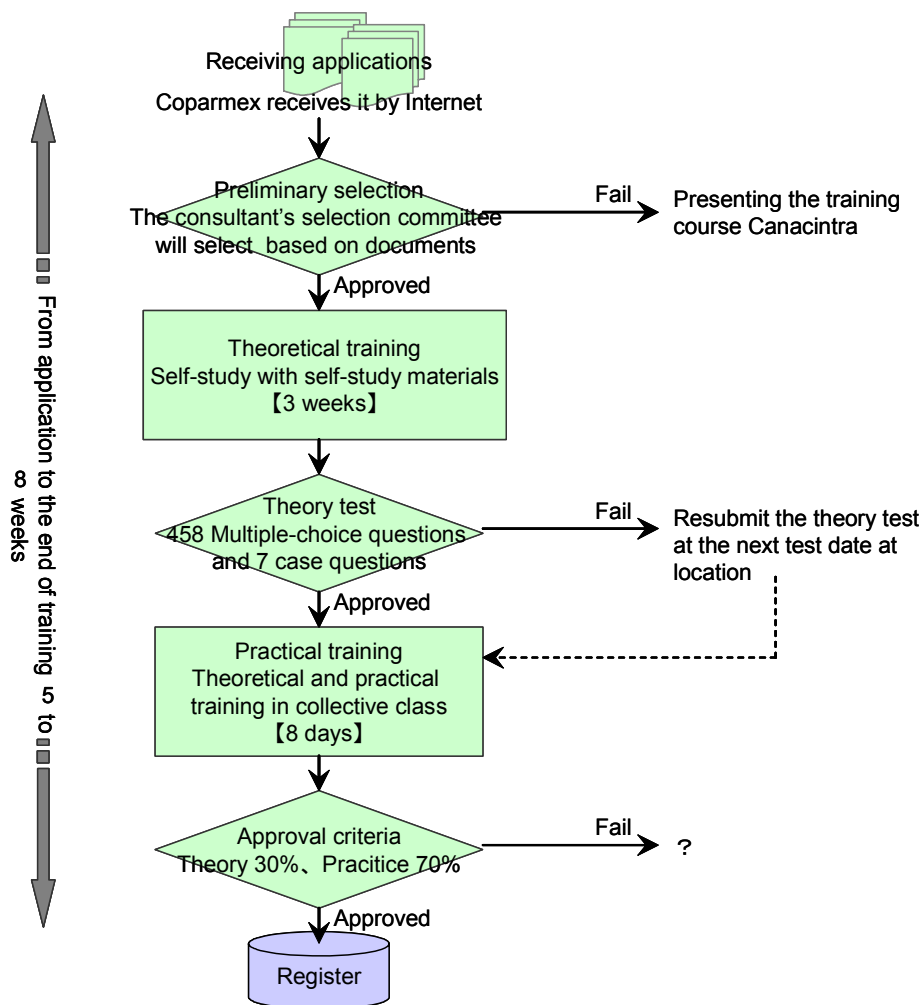
The Consultant Selection Committee makes a preliminary selection based on the application document delivered.

For the consultants who have passed the preliminary screening, we sent a package of materials for a 3-week self-study. On the other hand, the participants at this stage pay half of the participation fee.

Study results of the self-study are evaluated through the theoretical examination which is done via e-mail. If you do not pass this exam, you will be recommended to re-take the following theoretical exams scheduled for other locations.

When the participant consultants pass the theoretical examination, they pay the remaining half of the participation fee and participate in a group training of 8 days. The performance of participating consultants involved in group training is evaluated from several points of view, and together with the result of theoretical examination is determined the final outcome (pass or fail).

Figure 4-4 Flow of the "SME Consultants with JICA Methodology" Project



Source: Prepared by Study Mission

The above process was started in Mexico City, and then organized in different sites nationwide.

Table 4-4 shows the schedule according to the locations where they will conduct training.

The original plan was to carry out the event in 26 locations. However, adjustments were made because in some cases the application did not reach the minimum number of 15 persons for implementation and were conducted together with other nearby sites while in other cases receiving applications more than a single capacity and the training was offered several times. It is worth mentioning that the home address is not the determinant of location for participation and consultants can select the city where they want to take the training.

Table 4-4 Schedule for each site (result and plan)

Nº	Locations (city, state)	Deadline for submission of the application and obtaining the self-study material	Theoretical examination date	Date of group training
1	Distrito Federal	8/15	9/5	9/18-27
2	Pachuca, Hidalgo	9/9	9/26	10/13-22
3	León, Guanajuato	9/12	10/3	10/16-25
4	Culiacán, Sinaloa	9/26	10/17	11/13-22
5	Distrito Federal (2)	9/26	10/17	11/17-26
6	Monterrey, Nuevo León	10/17	11/7	11/24-12/3
7	Veracruz, Veracruz	10/23	11/14	12/1-10
8	Puebla, Puebla	11/14	12/5	1/22-1/31
9	Tlaxcala, Tlaxcala	12/12	1/16	2/2-11
10	Distrito Federal (3)	1/2	1/23	2/5-14
11	Mérida, Yucatán	1/2	1/23	2/9-18
12	Durango, Durango	1/2	1/23	2/12-21
13	Distrito Federal (4)	1/21	2/10	3/2-11
14	Culiacán, Sinaloa (2)	2/6	2/27	3/19-28
15	Chihuahua, Chihuahua	2/6	2/27	3/23-4/1
16	Aguascalientes, Ags.	2/20	3/12	3/30-4/8
17	Distrito Federal (5)	2/27	3/20	4/16-25
18	Mérida, Yucatán (2)	3/13	4/3	4/20-29
19	Colima, Colima	3/27	4/24	5/28-6/6
20	Distrito Federal (6)	4/17	5/15	6/4-13
21	Tuxtla Gutierrez, Chiapas	4/17	5/15	6/8-17
22	Guadalajara, Jalisco	4/24	5/22	6/11-20
23	Monterrey, Nuevo León (2)	4/24	5/22	6/15-24

Source: Information provided by Ministry of Economy (as of May 15, 2009)

(1) Training process

The training consists of two phases, theory and practice.

The theoretical training is done through 3 weeks of self-study. Table 4-5 shows the self-study materials that are delivered to the participant consultants.

The self-study materials are textbooks on CD, lectures on DVD and printed lecture slides. 124 hours are recommended to study textbooks besides 28 hours of recorded lectures, which is a volume that requires a serious commitment.

Table 4-5 Composition of the self-study materials

CD	Texts of the following subjects:	
	Module 1. Consulting skills	(Time of reference for study: 12 hours)
	Module 2. Finance and accounting	(Time of reference for study: 24 hours)
	Module 3. Management	(Time of reference for study: 16 hours)
	Module 4. Human resource management	(Time of reference for study: 8 hours)
	Module 5. Operations	(Time of reference for study: 24 hours)
	Module 6. Innovation	(Time of reference for study: 16 hours)
	Module 7. Marketing	(Time of reference for study: 24 hours)
DVD	Record of major points of theoretical classes that match the materials of the text:	
	Module 1. Consulting skills	(Recording time: 3 hours)
	Module 2. Finance and accounting	(Recording time: 4 hours)
	Module 3. Management	(Recording time: 3 hours)
	Module 4. Human resource management	(Recording time: 2 hours)
	Module 5. Operations	(Recording time: 6 hours)
	Module 6. Innovation	(Recording time: 4 hours)
	Module 7. Marketing	(Recording time: 6 hours)
Printed materials	Slides used in lectures recorded on DVD	

Source: Prepared by the Study Mission based on the instruction sent in the package of self-study materials

The method of self-study of the theory comes from CANACINTRA. This institution, after completing the pilot project under the "Follow-up Study on Training and Certification System of Consultants for SMEs" which was implemented in 2002 and 2003, has been the only organization

in Mexico to continue the training course, using the methodology and training materials that was transferred from the Follow-up Mission. At that time, taking into consideration the course participants who came from various locations throughout Mexico, it was decided to make the theoretical part a self-study and the practical diagnostic of companies in the group training. It verifies whether or not they learned through the theoretical examination which is done in accordance with the content of the educational materials. CANACINTRA, who took these measures to address the situation of people having difficulty participating in training away from work for a long time and managed to embed the training course, has a strong confidence in this methodology. Therefore, the theoretical part of this Project fully adopted the training methodology of CANACINTRA.

The practical training is done collectively for 8 days. Table 4-6 shows the schedule (planned) of practical training.

The 3 implementing agencies are responsible for the practical training, exercising their respective strengths. The 8-day training course is roughly divided into two parts: workshop to review the NTCL of SME Consulting of CONOCER (first and second days) and learning of the “JICA Methodology” to be used in programs of the Ministry of Economy (from third to eighth day). “JICA Methodology” consists of methods of comprehensive diagnosis of the state of management of the company offered from CANACINTRA and monitoring of the implementation of continuous improvement offered from *Crece Hidalgo*, and is to be the common methodology used in programs of the Ministry of Economy.

Therefore, the practice of diagnosis of the company and the Balanced Scorecard are conducted on an ongoing basis, by assigning a single company per group, so that the two methods are learned as a single integrated methodology. On the fourth and fifth days, participants visit the company assigned for the practice in order to collect information through interviews, etc. On the sixth and seventh days, collected information is analyzed for diagnosis of the company and development of proposals for improvement and monitoring plan, and then the results are reported in the presence of the related business on the eighth day.

It is worth noting that companies are selected for the practices with the help of members of the Consultant Selection Committee, among the SMEs that wish to receive advice.

Table 4-6 Schedule of the group training

1st day	Auditorium	Presentation of policies and support programs for SMEs	
		Labor Competency Technical Standard of CONOCER	Understanding the certification scheme and the Labor Competency Technical Standards for Consulting
2nd day	Auditorium	<i>(Espacio Empresarial)</i>	Review of Labor Competency Technical Standard for SME Consulting
3rd day	Auditorium	Diagnosis of the company (CANACINTRA)	Understanding the diagnosis of the company
4th day	Company		Interviews with the company, site visit and collection of information
5th day	Company		Collecting and analyzing information, developing the action plan for improvement.
6th day	Auditorium	Balanced Scorecard <i>(Crece Hidalgo)</i>	Understanding and practice of strategic mapping and the board of command
7th day	Auditorium		Drawing a strategic map and board of command of the company
8th day	Auditorium	Presentation of results to the company and evaluation	

Source: Prepared by the Study Mission

Table 4-7 shows the contents of training materials that are used in the training process described above and its origins. It seems clear that this Project depends for most of the training process on CANACINTRA.

As mentioned earlier, CANACINTRA inherited the training materials left by the Follow-up Mission and have developed their own training courses. The basis of the content which CANACINTRA provided to this Project is consistent with the pilot training by the Follow-up Mission

Moreover, there is a difference in the degree of richness of content of training materials between different theoretical areas due to the position CANACINTRA has, since its members are manufacturing companies. Production control can be learned in a concrete and detailed training, but the marketing and sales do not have the same level of detail.

Table 4-7 Educational materials used in the "SME Consultants with JICA Methodology" Project

	Types	Contents	Origin
Self-study materials	Textbooks (CD)	Knowledge and theories that are foundations for the consultancy. They consist of the following 7 modules. I. Consulting skills II. Finance and accounting III. Management IV. Human resource management V. Operations (Production management) VI. Innovation VII. Marketing	Based on training materials developed and used in the pilot project during the Follow-up Study in 2002, CANACINTRA prepared texts changing some parts to use in their own training courses for SME consultants. On this occasion these texts from CANACINTRA were used.
	Lectures on video (DVD)	These are video recordings of lecture on the key parts of the modules mentioned above.	Videos that CANACINTRA previously prepared to use by their own initiative together with the texts mentioned above were used.
	Slides from class (paper)	They are printed materials to hand out the slides that are used in classes on video.	
Materials for group training	Labor Competency Technical Standards for Consulting	Materials used to understand the National System of Standardization and Certification of Labor Competencies and Standards related to consulting	The company " <i>Espacio Empresarial</i> " drawn up especially for this Project.
	Manual for diagnosis of the company	The guide and checklist for the diagnosis to carry out the diagnosis of the situation of the administration using the Radar Chart.	For the manufacturing sector, using the manual which was prepared by CANACINTRA to use in their own training on SME consulting, building and modifying the learning materials developed and used in the pilot project by the Follow-up Study in 2002. For the commercial and service sectors, CANACINTRA prepared manuals for this Project based on materials developed and used in the Follow-up Study.
	Balanced Scorecard	Materials used to understand the methodology of setting goals and monitoring the progress using the Balanced Scorecard.	<i>Crece Hidalgo</i> drawn up especially for this Project.

Source: Prepared by the Study Mission

Regarding the number of SMEs, the overwhelming majority of them are in the commercial and service sectors. In addition, many consultants who wish to participate are from these sectors. In this situation, we began to gradually increase an awareness and concern within the Ministry of Economy and the Consultant Selection Committee. Key point is "one can not ignore the imbalance of the

content of teaching materials." Consequently, work began on the revision of training materials from the collaboration of Mexican business consultants, primarily members of the committee, and the Study Mission, after having delivered the self-study materials to consultants participating in the first course in Mexico City.

The Consultant Selection Committee was always pressed by the deadline at work and was responsible for many urgent tasks to resolve, so it had not reviewed and exchanged views on the content of training among the members. When they first physically reviewed these materials, noted the need to revise it again from the composition of materials (modules) of the texts. Later they discussed a proposal to revise and change only the text on the module "VII Marketing" in a few weeks to produce additional text to give the consultants involved, since this module is the most important for the commercial and service sectors. However, to avoid the revision work with the undergoing training program, it was determined to use the materials in the Project that continues in 2009.

In making the revision of texts, there is a plan to modify the questions of theoretical exams and the manual of company diagnosis to be consistent with the texts.

Box 4-1 First group training in Mexico City

The Study Mission had the opportunity to attend the group training that took place in Mexico from 18 to 27 September 2008 and noted the qualities of the participant consultants, the relevance of the content of training and the status of the administration of the operation.

The 23 participants were consultants who had basic knowledge of business management and having a certain level of experience in SME consulting, so that the qualities of the participants have not been an impediment in the understanding of course content or the exchange of views or practice. Thanks to the interactive methodology that instructors took, the participants shared through the talks their experiences related to the topics of the course, promoting the acquisition of knowledge in line with the practices.

To practice the diagnosis of the company, participants were divided into the following 3 groups: the machining industry, the plastics processing industry and restaurant industry. The model methodology has as a starting point the diagnosis of the company with the use of the radar diagram developed in previous studies and taking into consideration the concept of Balanced Scorecard in monitoring the status of implementation of improvement. This model methodology has been accepted by the

participants and by companies as a practical tool easy to understand.

The course was short term and intensive, so the exchange lasted until very late at night every day, but the satisfaction of the participants was generally high. There were many opinions that in addition to the methodology practice, learned a lot from other participants through team work, giving the impression that this course also served to build a network for mutual communication between the consultants.

(2) Evaluation process

The evaluation consists of the preliminary selection (documentary examination) prior to the training process and the multidimensional evaluation during the training process.

Table 4-8 shows the assessment criteria in the preliminary selection.

The experience of SME consulting is the most important factor in the preliminary selection. This reflects the interest of the Ministry of Economy to train and ensure first-generation consultants registered in the national system of consultants for SMEs that are capable of guiding the next generations. Additionally, the position of being willing to travel to the provinces is highly appreciated, which is a sign of consistency with personnel policy to seek to become the key to personal development at the national level.

It is worth mentioning that in order to increase efficiency in the evaluation process in the Consultant Selection Committee, the people who have obtained a score above 50 points in the "pre-selection" made by COPARMEX using the same criteria as the initial screening, are being evaluated in the Consultant Selection Committee.

Table 4-8 Criteria for qualification in the preliminary selection

Evaluation concepts		Qualification criteria	Scores
Experience			56 points
1	Experience as a consultant	3 to 5 years: 20 points 6 to 10 years: 25 points More than 11 years: 30 points	30 points
2	Experience working in a company	3 years: 3 points More than 4 years: 5 points	5 points
3	Experience as an instructor	If they have experience no matter the years: 3 points	3 points
4	Successful experience (statement of reference where the company had a successful consulting)	One company: 6 points 2 companies: 12 points 3 companies: 18 points	18 points
Schooling			25 points
5	Degree	If so, 10 points (evidence is required.)	10 points
6	Master	If so, point 1 (evidence is required.)	1 points
7	Doctorate	If so, point 1 (evidence is required.)	1 points
8	Diploma	One point for every 200 hours, maximum 3 points	3 points
9	Participation in training courses in areas relate	One point for every 12 hours, maximum 3 points	3 points
10	Languages	When the skills of reading, writing and speaking are more than 50% of the mother tongue, one point. Maximum 2 points.	2 points
11	License and Certification	A license or certification: 2 points 2 licenses or certifications: 4 points 3 licenses or certifications: 5 points	5 points
Motive and attitude			19 points
12	Reason to provide consultancy	When you have scored 3 points.	3 points
13	Interest in traveling to remote provinces	When says interest to travel without problems, 8 points.	8 points
14	Knowledge of public and/or private support to SMEs	When you know, one point.	1 points
15	Experience of working as a diffuser or promoter in SME support	When you have this experience, 5 points.	5 points
16	Self-evaluation of its position (score on 5 categories: generosity, kindness, initiative, planning, discipline)	As this space has scored 2 points.	2 points

* The score of more that 70 over 100 full points is approved.

Source: Prepared by the Study Mission based on data provided by the Ministry of Economy.

Table 4-9 shows the summary of the multidimensional evaluation that takes place during the participation in training.

The multidimensional evaluation consists of two layers, theory and practice. The acceptance line is 80 out of 100 points.

Table 4-9 Multidimensional evaluation during the participation in training

Evaluation concepts	Distribution of scores*		
Theory: Self-study Exam by e-mail (If approved, will earn 30% regardless of the grade.)	30%		
Practice: Evaluation of group training Rating based on results and performance monitoring	70%	Evaluation concepts	Distribution of scores
		Labor Competency Standards	10%
		Company diagnosis	20%
		Balanced scorecard	10%
		Assessment made by the company	40%
		Assessment by peers	20%
	100%		100%

* 80% and above necessary for approval

Source: Prepared by the Study Mission based on data provided by the Consultant Selection Committee.

The theoretical evaluation is in the form of examination administered by e-mail after completing a 3-week period of self-study. 450 multiple-choice questions and 7 case-study questions are asked out of the content of the self-study materials and the acceptance line is 70 out of 100 points.

The test is carried out by CANACINTRA, using the same methodology and the same infrastructure that the institution has been using for their own training courses, from sending queries to the collection and classification of responses. As for the multiple choice questions, randomly selected among the 520 questions previously prepared, using software to deliver various combinations of questions for each examination participant. The rating also makes it automatically using the same software. The same questions that CANACINTRA has been using since the Follow-up Study 2002, have been used with corresponding modifications and additions.

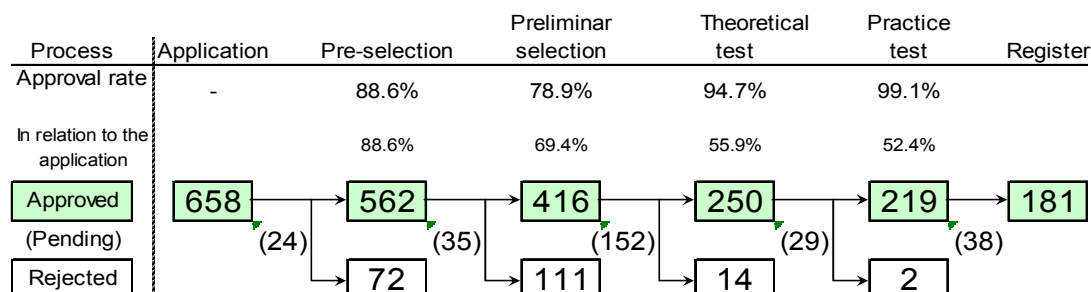
The practical evaluation is the weighted sum of the grades by the instructors of the 3 implementing agencies, the companies accepting the field training and peer consultants in the same field training group. It uses the format of the sheet of questions used in the evaluation sheet of CANACINTRA, except the assessment made by *Espacio Empresarial*. The main concepts of evaluation are:

Evaluation by instructors: (Assessment in 10 categories)	<i>Espacio Empresarial</i> CANACINTRA Crece Hidalgo	<ul style="list-style-type: none"> • Execute the written examination on the content of the training course. • Knowledge and methodology (knowledge necessary for the diagnosis and understanding of the methodology) • Analytical study capacity (Ability to identify the current situation by analyzing the data and survey results) • Ability to problem-solving (ability to develop proposals for improvement of their own ideas) • Ability to do interviews (Ability to view and listen to the intent of the person interviewed) • Sense of responsibility (Attitude, enthusiasm and sense of responsibility to accomplish their work, which are necessary for a consultant) • Logical capacity (capacity building ideas logically) • Capability of speech (ability to verbally convey the key points of the report clearly) • Ability to prepare the data (ability to summarize data in a form suitable for understanding and persuasion) • Ability to persuade (ability to convince the person you are trying through clever speech)
Assessment by business: (Assessment in 5 categories)		<ul style="list-style-type: none"> • Diagnosis correct, clear and useful • Effectiveness, utility, impact and cost-benefit of the improvement proposals • Position (respect, sympathy) • Knowledge
Evaluation by peers in the group: (Assessment in 10 categories)		<ul style="list-style-type: none"> • Teamwork, respect for others • Discipline, capacity planning, initiative, creativity and sincerity • Communication • Negotiation skills

It is noteworthy that the assessment made by the company is not for the consultants involved on an individual but the evaluation of the group.

Figure 4-5 shows the results of the evaluation process described above. The proportion of the successful applicant consultants who have passed all processes to registration is about half.

Figure 4-5 Results of the evaluation of the participant consultants (as of May 25, 2009)



Source: Prepared by the Study Mission based on data provided by the Consultant Selection Committee.

4.2.3 Profile of applicant consultants and the analysis

The Study Mission made an analysis of the profile of applicant consultants to participate in the training based on data collected from applications for the purpose of having an overview of the consultants who are interested to work in the Ministry of Economy support programs for SMEs.

Data for analysis were all the applications (n = 402) received until the end of January 2009, including those that were rejected in the “pre-selection” and excluding those whose receipt is delayed due to insufficient data.

The general outline of the samples is as follows:

1. Age: Youngest: 22, Oldest: 65, Median: 38, Average: 39.1, Most frequent: 34

2. Gender: Male: 276, Female: 126

3. Address:

Distrito Federal	57	Morelos	12	Querétaro	4
Veracruz	57	Quintana Roo	12	Baja California Sur	3
Edo.de México	28	Guerrero	11	Durango	3
Nuevo León	27	Campeche	10	Sonora	3
Sinaloa	22	Jalisco	9	Baja California	2
Guanajuato	20	Chihuahua	8	Michoacán	2
Hidalgo	20	Chiapas	7	Oaxaca	2
Puebla	18	San Luis Potosí	6	Tamaulipas	2
Tlaxcala	14	Coahuila	5	Zacatecas	2
Yucatán	14	Tabasco	5	Nayarit	0
Aguascalientes	13	Colima	4		

4. Organization that belongs:

People who belong to consulting companies/institutions 120, Independent 282.

Table 4-11 shows the status of those "registered" that passed all the evaluation processes, and "rejected" that could not pass any stage. It gives the impression that there is a trend that is easier to approved women over men, and those belonging to a consulting company or institution over independent consultants.

Table 4-10 Statistics of the registered and rejected

		Registered	Rejected	Rate
Total number of applications		97	119	1 : 1.23
Gender	Male	60	82	1 : 1.37
	Female	37	37	1 : 1.00
Companies/ Institutions	Belong to	52	40	1 : 0.78
	Independents	45	79	1 : 1.76

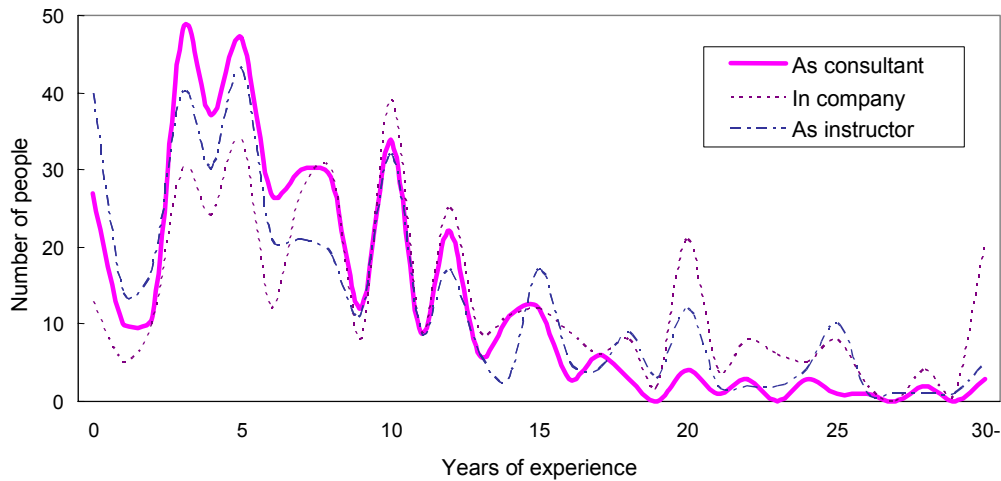
Source: Prepared by the Study Mission based on data provided by the Consultants Selection Committee.

(1) Experience

Figure 4-6 shows the years of experience in consulting practice. Average applicant consultant has the experience of 7.52 years, but 45% of the total has less than 5 years of experience. The highest frequency is 3 years and the median is 6 years. Just less than 80 % of applicant had less than 10 years of experience.

Compared with the experience as a consultant, the experience of work in a company and expertise as an instructor is quite scattered.

Figure 4-6 Years of practical experience of applicant consultants (n = 402)



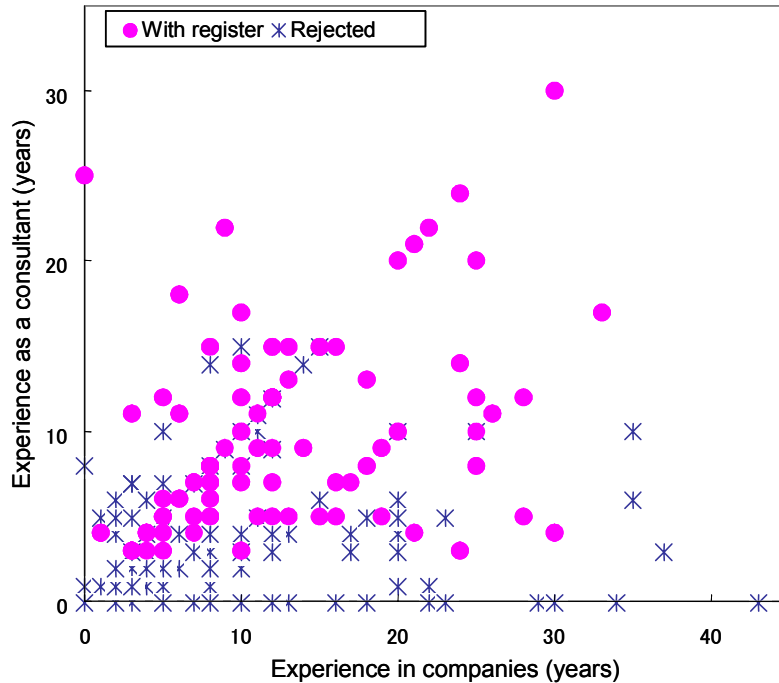
Note: If the sum of years of work was not answered, the largest number of years of each sector or area was taken as the sum.

Source: Prepared by the Study Mission based on data provided by the Consultant Selection Committee.

Figure 4-7 shows a comparison of the profile of registered consultants and applicants rejected at the preliminary selection based on their experience (years) working as a consultant and within a company.

The graph shows that the number of rejections is higher in the group of applicants who have less experience as consultants, although they have many years of working in companies. While the median of the experience as a consultant of the registered consultants is 8 years and the average is 9.54 years, median of the rejected is 3 years and the average is 4.08 years. This result mainly reflects that the preliminary selection policy to give greater importance to the experience as a professional consultant has been exhaustive in the selection process. Applicants with more than 10 years of experience working as a consultant in some cases failed, because they did not provide information on their experiences of success and the Committee could not rely entirely on information written in the application.

Figure 4-7 Years of practical experience and registration or rejection (n = 216)



Note: If the sum of years of work was not written, the largest number of years of each sector or area was considered as the sum. .

Source: Prepared by the Study Mission based on data provided by the Consultant Selection Committee.

Analyzing the age and years of experience in practice, when the number of years working as a consultant coincides with the years of work in the business, we can assume that many applicants were admitted to work in a consulting services company/institution immediately after graduated from school.

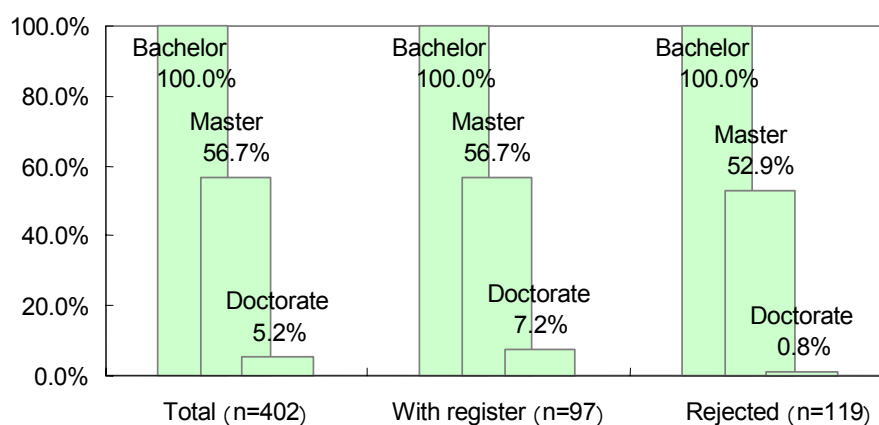
It is important to gain experience working as a consultant, however, it is also true that the experience of working in a company, to manage an area of the business or undertaking or managing your own business become a source of consulting practice. In this regard, it is possible that the group of people who were rejected in the preliminary selection of this Project have extensive experience working in companies but lack of experience in working as a consultant, so they have the potential to become good SME consultant receiving appropriate training.

(2) Academic background

Figure 4-8 shows the status of academic degrees. The candidates are university graduates without exception. Analyzing those who are enrolled, more than half have/expect master's degree, and approximately 5% have/expect PhD. Just fewer than 70% of the masters are in business areas.

When compared to those registered and those rejected, there is no great difference between those with expertise, even when there is a difference between those with doctorates. Because in pre-selection only adds one point for a master's degree and PhD respectively (see Table 4-8), it is probably difficult to see a clear difference.

Figure 4-8 Academic degrees earned and registration or rejection



Note: includes those who are studying for the Master's or PhD respectively.

Source: Prepared by the Study Mission based on data provided by the Consultant Selection Committee.

77% of candidates have completed a diploma in related to business or consulting, and when it extends to training in general, the percentage of those who have taken a course on business or consultancy rose to 85%. Those who had a degree or certificate designated by the Consultant Selection Committee was 10% of the total, and also 17 people had Labor Competency Certificates from CONOCER in General Consulting and others.

In addition, there were certificates of different consulting programs organized either by the Ministry of Economy, the Ministry of Agrarian Reform (SRA¹³), the Ministry of Social

¹³ *Secretaría de la Reforma Agraria*

Development (SEDESOL¹⁴), the Ministry of Tourism and other certificates awarded by universities and nonprofit organizations, and we found a wide variety of certificates awarded to the candidates, which demonstrates us the variety of certification programs in Mexico.

(3) Motives and attitudes

70% of the applicant's consultants knew of SME support programs in the private and public sectors, of which 70% had participated in these programs. Furthermore, 375 (93%) said they do not care to travel far for work. All this makes us think that the enthusiasm to support SMEs is satisfactory.

All this shows that the applicant consultants correspond to quite broad age groups and the practical experience of each individual varies with age, but shows in general a strong interest to learn.

However, although there are tasks to solve in the efficiency of the project administration, it is safe to deliver the first generation of the SME consultants registered with the Ministry of Economy. It is expected to take the necessary measures aimed at establishing the national system and then to its integration with the system of certification of labor competencies, to take over the services of consultants of the first generation.

4.2.4 JICA Methodology

Figure 4-9 illustrates the methodology for the diagnosis and management consulting, taught to consultants involved in this Project, which has been gradually formed and improved through the repetition of the training in various locations. New methods have joined the training program as the case of the Balanced Scorecard.

There are 2 main strategies for the intervention in the company, which are selected following the procedure in which the main problems are solved first and then the strategies towards the future are developed. During the training session, the candidates propose the improvement plan for the first phase to the company that participates as the case to study.

¹⁴ *Secretaría de Desarrollo Social*

The "Japanese tools" that are shown in the Figure, refer to those that have been added and edited based on methods which the previous Study Mission left, with the help of specialists from CANACINTRA and JICA. Here "Balanced Scorecard" is a generic term for the analysis and planning tool that was added to this Project by *Crece Hidalgo*. It does not mean that the methodology of this Project has been structured strictly with the theoretical background of the administrative method born in the U.S.

Figure 4-9 Method of the "SME Consultants with JICA Methodology" Project

Phase One - Solving today's problem (approximately 100 days)

(1) Determining the weak area

Based on interviews and site visits, and through the "Radar Chart" which describes and evaluates the level of administration, as well as the "SWOT Analysis" which analyzes the strengths and weaknesses of the company and the opportunities and threats the external environment, identifies 2 weak areas that are relatively lower in the 5 administrative functions (administration, human resources, marketing, operations, finance).

(2) Identify the problem in the weak area

Identifies the specific problems of the respective weak areas, by means of detailed "radar charts" and "SWOT".

(3) Determine the root cause problem

Using analysis tools such as "Ishikawa diagram" or "5 why's", determining the root cause problem.

(4) Propose a solution

Propose a measure to resolve the root cause problem.

(5) Propose an improvement plan

Propose the "management board" indicators, inductors, and responsible for carrying out the solution.

(6) To monitor the activity of improvement

Monitor the status of activities through the change in the indicators, and advise appropriately.

Second phase - Strategic plan

(7) Establish annual goals and measures.

Establish annual goals calculation from the purpose and vision in the medium and long term, describing the "strategic map" the chain of measures required to achieve the annual targets..

(8) Establish the concrete plan of action

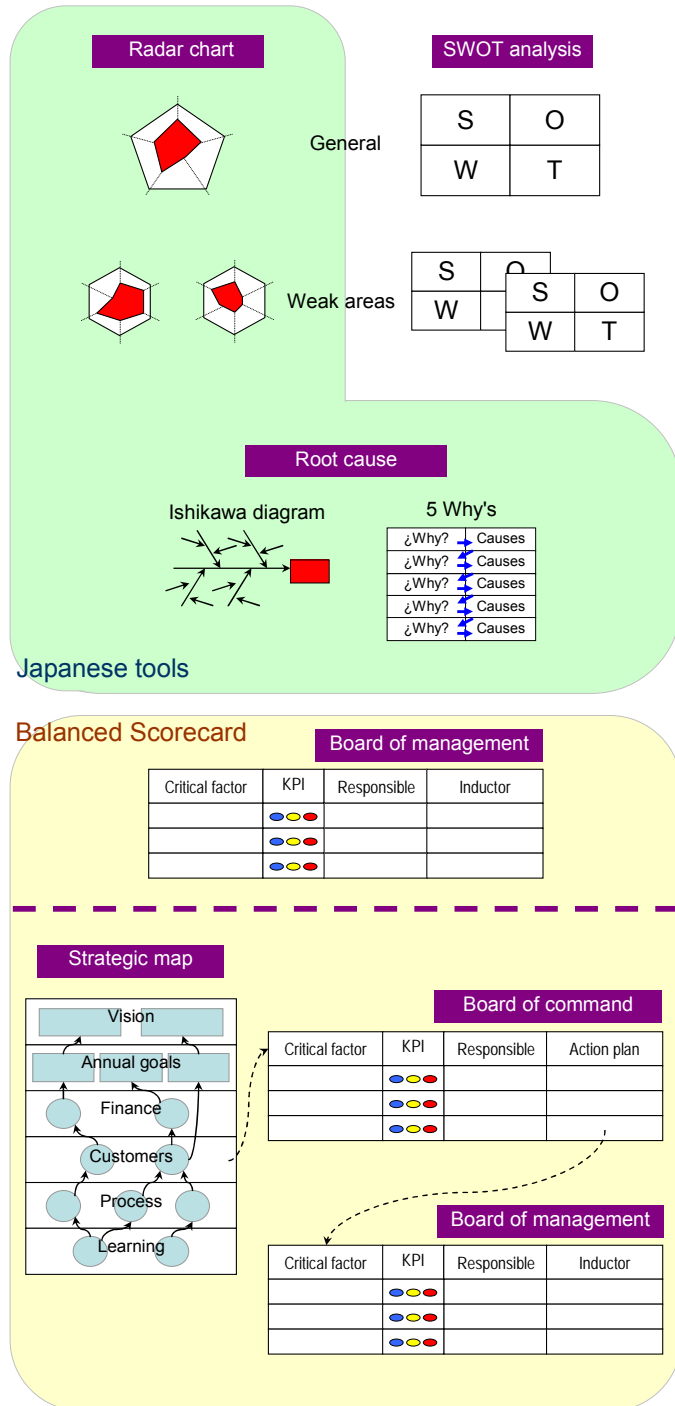
Realize the measure and establish in the "control board" indicators, responsible and action plans.

(9) Establish the implementation plan

Establish indicators, responsible and inductors in the "management board" to implement the action plan.

(10) Monitor the implementation

Monitor progress through the change in the indicators, and advise appropriately.



KPI: Key Performance Indicator

Source: Prepared by the Study Mission

4.2.5 Project evaluation

(1) General evaluation of the Project

Regarding the "SME Consultants with JICA Methodology" Project whose general aspects at the time of its introduction are summarized in Table 4-3, the Study Mission evaluated as follows on the level of compliance.

- Relevance: Good. The design of this Project has a mechanism that leads to the “establishment of the general system of training SME consultants by the Ministry of Economy”, a system that the Study Mission supports, and the “establishment of national certification system of labor competency for SME consultants ”. As can be expected, the success of this Project will contribute to the progress towards the direction that both sides want, the Mexican side and the Japanese side.
- Effectiveness: A little insufficient. Compared to the target of registering 500 consultants, the Project will reach the number of 450 at most. However, we were able to meet the objective of identifying the SME consultants outside of any official position and registered on the Ministry of Economy programs to support SMEs. Also, on reviewing the NTCL for SME Consulting, 7 consultants have been selected among the participants to become part of the approach of the review, so we can appreciate a solid progress.
- Efficiency: Is insufficient. The Project did not meet the initial plan of organizing training in 26 sites by February 2009 and probably by the end of June 2009 would have a total of 23 training in 15 cities. As a result, the goal of reaching 500 registered consultants cannot be met too. In many sites, the courses did not have enough participants. It should have strengthened the distribution of resources into the advertising and promotion.
- Impact: Good. Consultants in each region are forming a network through participation in group training, consequently one can expect the development of mutual collaboration. With respect to the certification of labor competencies of CONOCER, which can not be said to be widespread, there is a system recognition that is moving through the training, and could increase the interest in obtaining the certification.

Sustainability: Good. Interest and activities are confirmed to be developing the "National System of SME Consultants Registered by the Ministry of the Economy" as the backbone of the Project, and have also initiated programs to use the registered consultant, which is the next step.

(At May 15, 2009)

(2) Problems arising from the formulation of the Project

The training and evaluation processes of this Project rely heavily on CANACINTRA. The practical know-how of managing the training courses that CANACINTRA has developed is used everywhere and supports the design of this big Project that is planned to visit all over the country to conduct an extensive training on practice and knowledge for SME consultants, which deserves high praise.

However, there also are some inconveniences caused by this Project to have used the training materials, examination questions and assessment sheet without revision by the Consultants Selection Committee or the Ministry of Economy. Moreover, there is not only the problem of the imbalance of the content of training materials that are already being reviewed, but an inequality that people who had previously participated in training organized by CANACINTRA would receive almost the same questions in the theoretical examination.

The Training and Consulting Division previously participated in the training course for SME consultants by CANACINTRA and decided to adopt it for this Project. However, improvement points were detected. 3 points were added by the Training and Consulting Division, based on the CANACINTRA's course. That is a background of this Project.

- 1) To select people who have a certain level of experience of providing consultancy to SMEs
- 2) To train on the certification of labor competence and to collect the views of the consultants involved
- 3) To incorporate the methodology for monitoring improvements

Thanks to this, the Training and Consulting Division was able to quickly build the Project, however, the components of training and evaluation process are hardly said to be coordinated in essence and the Project cannot deny the impression of being a patchwork. One may consider the following factors as causes of this situation: the "start while you think" style mentioned before discouraged taking care of the details, the implementing agencies had no basis for open discussion

across the respective scopes in their charge and it was unclear who has the rights and responsibilities to the training contents including materials.

For now, these concerns are not becoming apparent primary problems that could determine the future of the Project. However, risks are imminent and difficult to ignore when there is a plan to continue the Project for long term, therefore it is required to take a planned action.

(3) Need for training of trainers

The standardization of methods of consulting is very important premise of the "SME Business Consulting with JICA Methodology" Project that will continue later. However, there are many doubts as to if the group training sessions have fulfilled the purpose, which are the sites of transmission of the methodology.

Since the methodology of this Project uses various tools to analyze the situation and approach plans, the consultant is required to dominate them (see Figure 4-9). In addition to the use and how to use each tool, he must understand each tool's position and function adequately within the general outline of the proposal and analysis process, and logic to connect with other tools.

The instructor's explanation about the tools is ambiguous and not clearly indicates differences that are important to the learner --- as the difference of the external and internal environment on SWOT analysis, or the difference between solving problems and achieving tasks in the proposed measures. There were often discussions of the group practice extended until night where in many cases the tools were misused.

That an instructor has knowledge and that he can teach others are different issues. Instructor training is necessary with a focus on how they can facilitate understanding of all new concepts in short term. The instructor should not only be able to use the tools correctly, but should have a deep understanding of the logic of the tools.

The training materials and instructor's manuals should also be improved. As explained in 4.4.1 (2) the training materials are provided by the executing institutions, and far from being unified. They are used almost without being adjusted to have unified points of view, terminologies and styles. The imperfections of the materials are difficult to cover with only the ability of the instructors, and new materials are essential to explain in concrete and synthetic way the coupling of Japanese tools and Balanced Scorecard. The new materials for instructor that includes items to teach according to the new training materials will be the key to the training of instructors.

It is also desirable to maintain a desirable level through training of trainers in terms of attitude toward intervening to the group work of participants (directive or facilitative) and the basic manners in public speaking (such as ensuring the anonymity of companies, for example).

4.3 “SME Business Consulting with JICA Methodology” Project

4.3.1 Overview of the Project

The "SME Business Consulting with JICA Methodology" Project provides consulting services by consultants registered through the "SME Consultants with JICA Methodology" Project, upon request from SMEs, and aims to achieve high impact at low cost by applying a standardized method of comprehensive diagnosis. It plans to make 650 consulting to companies a year from the start of the call for participating companies at the end of December 2008

Based on observations of the Study Mission, the Table 4-11 summarizes the Project.

Table 4-11 Overview of the "SME Business Consulting with JICA Methodology" Project (reference information)

Project name	SME Business Consulting with JICA Methodology
Project period	December 2008 to December 2009
Target regions	All Mexico
Overall goal	<ul style="list-style-type: none"> To establish a national system for training, registration and use of SME consultants
Project purpose	<ul style="list-style-type: none"> Using the consultants who were registered at the Ministry of Economy through the "SME consultants with JICA Methodology" Project, to provide consulting services to 650 MSMEs in the country. To develop methods to provide consulting services effectively and efficiently
Outputs	<ol style="list-style-type: none"> The SME consultants registered at the Ministry of Economy through the "SME Consultants with JICA Methodology" Project provide consulting services to 650 MSMEs in the country. A standard model is established for consulting methods to respond comprehensively to the management problems of SMEs. A mechanism to use the consultants registered at the Ministry of Economy is established.
Activities	<ol style="list-style-type: none"> 1-1 Registered consultants conduct the pre-diagnosis to understand the overall situation of business of the SMEs answering to the call for participation in the Project. 1-2 A registered consultant is matched to the company based on the results of pre-diagnosis, and implement the diagnosis and counseling. 2-1 Standard procedure and tools of the consulting service is developed with JICA methodology, and applied to the activities of the registered consultants. 2-2 The utilization and outcomes of the standard procedure and tools are reviewed and an effective model is developed. 3-1 A method to match SMEs and registered consultants based on the results of pre-diagnoses is drafted, applied on a trial basis and improved. 3-2 A mechanism to monitor and evaluate the activities of registered consultants is drafted, operated on a trial basis and improved.
Framework for implementation	<p><u>Financial Source</u></p> <ol style="list-style-type: none"> Approximately 15 million pesos from FONDO PYME = Partial subsidy on the cost of participation (70% for Micro, Small enterprises to 50% and 30% to Medium size enterprises). Cost to the participating company (per company) Micro enterprises: 11,748 pesos, Small enterprises: 29,518 pesos, Medium enterprises: 53,977 pesos <p><u>Organization</u></p> <ol style="list-style-type: none"> Lead Office in the Ministry of Economy: Training and Consulting Division of the Undersecretariat for Small and Medium Enterprises Intermediary Organization: Employers' Confederation of the Mexican Republic (COPARMEX).

Source: Prepared by the Study Mission.

(1) Framework for implementation

It was approved as a pilot project of the FONDO PYME (FP2008-527) for:

- | | |
|-------------|--|
| Category | I) Training of entrepreneurs and start-ups companies |
| Subcategory | 5) Training and consultancy |
| Concept | f) Administrative consulting skills, business and productive related to sectoral or regional competitiveness programs. |

And has a budget of approximately 15 million pesos. Part of the cost of consultancy is subsidized by the FONDO PYME, and Table 4-12 shows how the costs are set according to the scale of the enterprise and the amount of the subsidy

Table 4-12 Costs of "SME Business Consulting with JICA Methodology" Project

Size	Period	Cost (Mexican pesos) *	Subsidy from FONDO PYME	Cost to the company
Micro	50 hours in 3 months	\$39,157	\$27,409 (70%)	\$11,748
Small	70 hours in 4 months	\$59,036	\$29,518 (50%)	\$29,518
Medium size	80 hours in 4 months	\$77,109	\$23,132 (30%)	\$53,977

*VAT included

Source: Data published by the Ministry of Economy.

This Project is supervised by the Training and Consulting Division of the Undersecretariat for Small and Medium Enterprises of the Ministry of Economy as well as the "SME Consultants with JICA Methodology", and COPARMEX also serves as an intermediary organization. These two parts handle directly the Project, and there is no administrative body like the Consultant Selection Committee to globally coordinate related institutions.

However, in the technical aspect, the Division asks opinions of the Consultant Selection Committee, and has also commissioned the development of standardized methods and tools of the consulting service to *GCC Consultores* which is a member of the Committee. As to the substance of the organizational scheme of progress, the border with the "SME Consultants with JICA Methodology" Project is ambiguous.

The advertising of the project was carried out through advertisements on the website of the Ministry of Economy, ads through networks of state representatives of the Ministry of Economy and industry organizations such as COPARMEX, and a launch event co-sponsored by Ministry of Economy and the Study Mission.

At the launch event, registered consultants were invited in addition to SME entrepreneurs, chambers and associations, with the participation of just under 300 people and were held on February 9, 2009 in a building of the Ministry of Economy in Mexico City. The purpose of this Project as well as the perspective of the National Registration System of SME Consultants by the Ministry of Economy, was emphasized and the event was covered and reported in various ways

starting from the monthly magazine "*Manufacturing*" which targets executives in the manufacturing sector.

(2) Monitoring and evaluation

The Training and Consulting Division has a strong interest in monitoring the activities of the registered consultants. The idea is to "display" in detail the progress of the consulting for each company participating in the Project. They say they want to verify that the registered consultants are applying strictly the methods learned in the "SME Consultants with JICA Methodology." They also emphasize to search results from quantitative and objective data accumulate. This is to test the effectiveness of the Project with numerical values, and strengthen the basis for growth and expansion.

The Project developed a system that manages web data in a unified series of activities that have regard to the participating companies. The registered consultant diagnoses and advises the company on the basis of the given consulting process, and every time he has activity, he introduces the resulting reports on the restricted website. Not only the progress of work is synthesized in the database, but also the results of diagnosis and administrative changes in the companies are registered. Thus the Ministry of Economy and the intermediary organization can understand the situation of specific support to each company without moving.

The payment to the registered consultant is done according to the process progress. Because they are paid hours that had been spent so far on the delivery of results for each process, this is also a mechanism for encouraging the entry of data to the database.

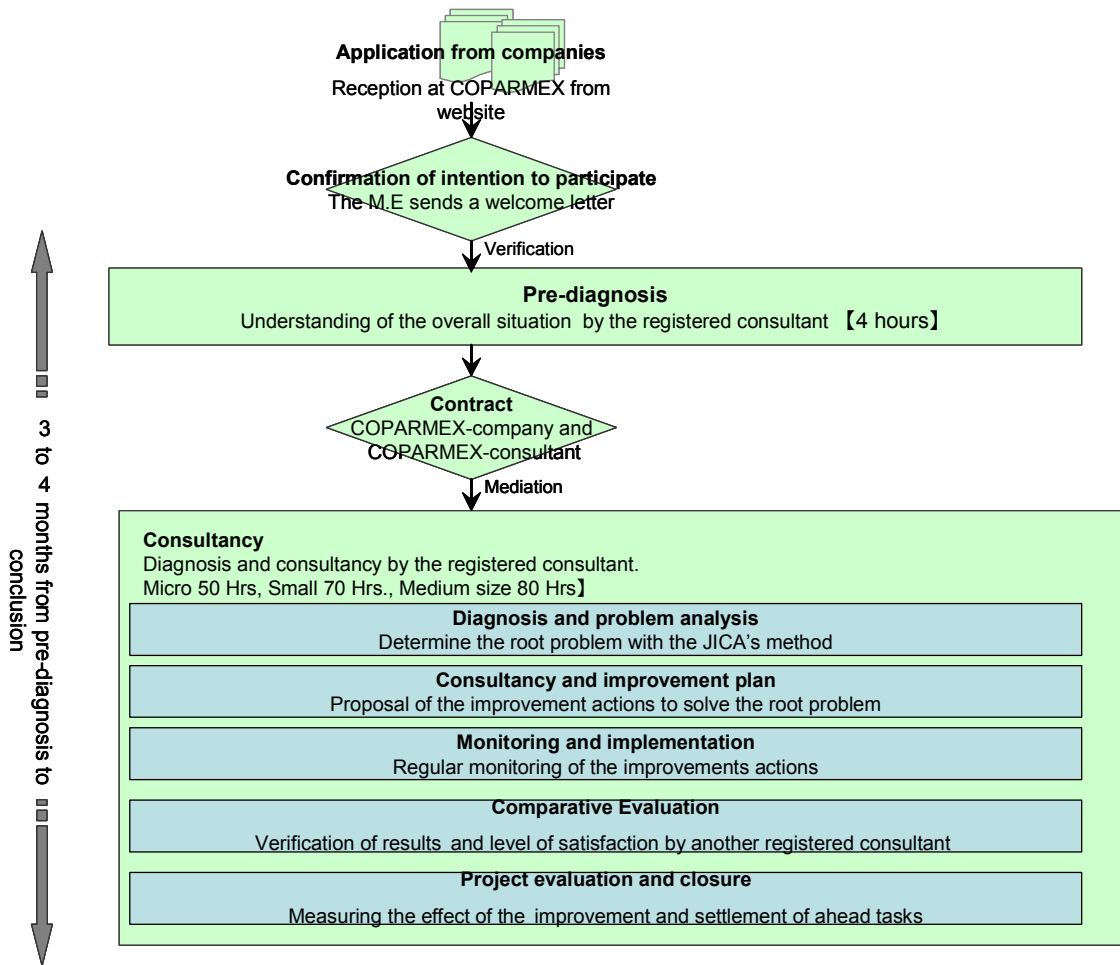
For the evaluation results of the consultancy, cross-evaluation applied in the "Program M" of the Ministry of Tourism was adopted. A registered consultant who is different from the one who conducted the diagnosis and advice visits the company and verifies the results of preceding activities by the other consultant and the company's satisfaction.

A 5% discount on the payment as a penalty is applied to the consultant who receives complaints from the company.

4.3.2 Flow of the Project

Figure 4-10 shows the flow of the Project.

Figure 4-10 Flow of the "SME Business Consulting with JICA Methodology" Project



Source: Prepared by the Study Mission.

Companies that wishes to participate, enters the required information on the website of the Ministry of Economy. Companies can apply when being a MSME satisfying the profile as follows in the Box 4-2.

Box 4-2 Required profile for companies participating in the "SME Business Consulting with JICA Methodology" Project

- Being formally constituted
- Having at least 2 years of operations
- The owner or legal representative must agree on the process.
- The owner of the company must be willing and able to invest in the improvements required.
- No other incentives or illegal practices
- Being ready for 3 months (Micro enterprises) or 4 months (Small and Medium enterprises), required for the intervention process and its follow-up
- Not being benefited by programs for Micro enterprises of FONDO PYME (e.g. "*Mi Tortilla*" and "*Mi Tienda*")
- Being prepared to provide financial data required to develop a plan for improvement and advice on business
- Preferably, not having participated in a consultation process before
- Not receiving any subsidy for consultancy from any government program

Source: Data published by the Ministry of Economy

In respect of applications received, the Ministry of Economy sent directly to the company a letter in which he welcomes the participation in the Project. While reporting the details of the flow of the Project, the responsibility of the participating company and its benefits, calling for a response to the shortcomings and troubled spots that the self company perceives, and checking the readiness to participate is requested by the system. This avoids the fear of "impersonate another" that tends to occur by the use of internet, such as a consultant trying to make the registration request without permission from the company for wanting to work.

Once the company meets the letter and pays \$ 500 Mexican pesos as expenses of pre-diagnosis, a registered consultant in the same region of the company's address goes to make the pre-diagnosis. In the pre-diagnosis an interview through which information is collected about the general situation of the company, business, sales and earnings movements, number of customers, circumstances of premises and property, and understanding of strengths and weaknesses by the company itself.

Based on the pre-diagnosis, it is assigned to someone within the registered consultants, taking into consideration the expertise and access to the company. The assigned registered consultant and the company celebrate contracts with COPARMEX, the intermediary organization. The company pays half the expense for the company (deducted the 500 Mexican pesos that were previously paid as an expense of pre-diagnosis).

The consultancy starts as contracts are arranged. Approximately 2 months later, at the stage that the results of the analysis and improvement plan are presented, the company is paying the remaining half of the fee for company.

The number of companies that have applied to participate up to the May 25, 2009 is 233 firms, of which 38 have already advanced to the processes of pre-diagnosis and subsequent.

(1) Consulting process

The consulting is implemented according to the methodology of the "SME Consultants with JICA Methodology" Project (see Figure 4-7).

This Project becomes the first occasion on which the registered consultant applies the methodology on an individual basis. To support steady implementation by the registered consultants, and also to ease the monitoring of the progress, the Ministry of Economy advanced the standardization and formalization of the process. Tools for analysis and planning involved in each stage of the consulting process, as well as templates for the scheduling charts and reports, are prepared and offered on the website with restricted access. The consultant can conduct a consultation process in accordance with the methodology to go from filling out the required forms that are delivered.

The structured approach is also related to budget management. Table 4-13 sets the time required for this Project and the standard number of hours of service performed by the consultant in the company according to company size. Since the amount paid by the company is determined by the number of hours, the consultant and the company are required to respect the standard itinerary.

Table 4-13 Standard required time and intervention hours of the "SME Business Consulting with JICA Methodology" Project

I : Pre-diagnosis II : Diagnosis and problem analysis III : Consultancy and improvement plan
 IV : Implementation and monitoring V : Cross-evaluation VI : Project evaluation and closure

Month	Week	Micro enterprise						Small enterprise						Medium enterprise					
		I	II	III	IV	V	VI	I	II	III	IV	V	VI	I	II	III	IV	V	VI
1	1	4						4						4					
	2		5						5						4				
	3		5						5						4				
	4		3						5						4				
2	1			5						4					4				
	2			5						4						5			
	3				2					4						5			
	4				2					4						5			
3	1				2						3					5			
	2				2						3						4		
	3				2	6					3						4		
	4				3		4				3						4		
4	1										3						4		
	2										3						4		
	3										3						4		
	4										2	7	5				4	7	5
Subtotal		4	13	10	13	6	4	4	15	16	23	7	5	4	16	20	28	7	5
Total		50						70						80					

Source: Data published by the Ministry of Economy

(2) Cross-evaluation

The cross-evaluation is implemented by a registered consultant, other than who conducted the consulting, visiting the company as an auditor.

There are 3 types of questionnaires prepared for evaluation. Regarding "Compliance with the methodology" and "Performance" the auditor evaluates the quality of information and documents that were presented at the meeting with the consultant. On "Customer Satisfaction" the company evaluates. Table 4-14 presents the main points of evaluation.

The questionnaires were previously advised to the consultant working in the Project.

Table 4-14 Key components for the cross-evaluation in the "SME Business Consulting with JICA Methodology" Project

Compliance with the methodology		23 points + comments
1	Pre-diagnosis	Score for each tool regarding if the tool was used in each process (yes / no) and if the tool was used correctly and effectively (assessment at 5 levels), and give comments.
2	Diagnosis	
3	Implementation and monitoring	
4	Reporting results	
Performance		48 points + comments
1	Pre-diagnosis	<ul style="list-style-type: none"> Gather information to integrate the pre-diagnosis Conduct interviews with key personnel of the company Etc. (5 assessments levels)
2	Diagnosis	<ul style="list-style-type: none"> The main problem was detected and its source through the situational analysis. The diagnosis meets the expectations and information needs of the entrepreneur. The conclusions and proposals were adequate to take advantage of opportunities and improvement areas. Etc. (5 assessments levels)
3	Action plan	<ul style="list-style-type: none"> Objectives, strategies, tasks, time schedules and responsible towards the success of the business were determined. The Action Plan set is considered adequate for the company. Etc. (5 assessments levels)
4	Monitoring	<ul style="list-style-type: none"> Monitoring and support to the company covered the needs and expectations of the entrepreneur. With the analyzed elements the target will be reached and the solution identified. Etc. (5 assessments levels)
5	Experience	<ul style="list-style-type: none"> The material and proposals reflect experience. Usage of JICA Methodology Etc. (5 assessments levels)
6	Tools	<ul style="list-style-type: none"> Using the system to include its reports and reports requested Apply appropriate JICA Methodology tools Etc. (5 assessments levels)
7	Time	<ul style="list-style-type: none"> The consultant met with the number of hours per phase. The consultant was punctual to appointments. Etc. (5 assessments levels)
8	Reports	<ul style="list-style-type: none"> Clarity in the use of the information presented in reports Delivery of reports on time Etc. (5 assessments levels)
9	Results	<ul style="list-style-type: none"> The performance, capabilities and knowledge of the consultant that developed were appropriate to the needs of the company. The proposed actions for improvement are high impact and low cost. Passion, knowledge, skills, attitudes Etc. (5 assessments levels)
10	Overall assesment	Evaluate in 5 levels the overall performance, the ability to continue and the ability to be auditor, and note general observations.
Customer satisfaction		39 points + comments
1	Knowledge of the consultant	Application of the tools, attention to questions, knowledge of the problems of SMEs, reference to additional support that could be applied (assessment in 5 levels)
2	Consultant skills	Communication, leadership, teamwork, problem identification, proposed solutions (assessment in 5 levels)
3	Attitude of consultant	Ethics, trust, proactive, passionate about their work, punctuality, respect, empathy, commitment, confidentiality, tolerance, kindness, initiative, order, discipline (5 assessment levels)
4	Consultancy offered	<ul style="list-style-type: none"> The proposals were low-cost and high impact. It seemed the right tools. The actions of the improvement plan were achievable. Adequate time phased. Etc. (5 assessment levels)
5	Service	<ul style="list-style-type: none"> The service cost and time of completion is appropriate. Recommend the Project to another entrepreneur Etc. (5 assessment levels)
6	Overall assessment	Assess at 5 levels if the process was worth it, and write comments.

Source: compiled by the Study Mission based on data provided by the Ministry of Economy.

4.3.3 Project evaluation

(1) General evaluation of the Project

The Study Mission evaluates the "SME Business Consulting with JICA Methodology" Project, a summary of which was unified in Table 4-12, based on the overall status of implementation so far as follows:

- Relevance** Good. Together with the "SME Consultants with JICA Methodology" Project complements the "establishment of an integrated training system for SME consultant by the Ministry of the Economy" that this study supports. Besides, the standardization and optimization of methods to provide services in a situation where missing quantitatively SME consultants is considered useful.
- Effectiveness:** It is quite worrying. Being in the middle of the term of the Project will have just under 230 applicants companies, and if it takes the same step forward there is a fear that will not achieve the 650 companies that is the goal. The theoretical structure is insufficient to internally assess and examine the methods of consulting project and establish a standard model.
- Efficiency:** It is quite worrying. It was not until several months after starting the call for participating companies that the procedures for consulting practice were identified and the web database is established including templates and forms for the activities.
- Impact:** Expectable. The suggestions arisen in the process of standardization and structuring of the consulting process feedback the "SME Consultants with JICA Methodology" Project to provide better courses. Future developments can be expected for the methodology to incorporate the experience of implementation in practice.
- Sustainability:** Hard to assess in the current phase. However, the Training and Consulting Division has expressed the intention to continue the following year along with the "SME Consultants with JICA Methodology" Project.

(As of 15 May 2009)

(2) Positioning of the Project in business consulting for SMEs

The purpose of this Project is just one part of the SME consulting. What is implemented is just the first half of the methodology, that is, the stage where the current problems are resolved, and this Project does not cover strategic consulting oriented toward the future or consulting on specific themes: market opening and new products development, for example. The consulting services ends in a fixed period and hours regardless of the complexity and seriousness of the problems that individual company has. It is so-called "made-to-measure" service that takes place within a model of standard methods.

It is therefore necessary that compared to the role of SME consultant as the "primary adviser on SME management in general" that the Study Mission proposed in Chapter 6, the activities of this Project are limited to a very small area.

The Study Mission sees that the value of this Project is to offer a wide entry to the SME consulting

For those SMEs that have doubts about the cost-effectiveness of the consulting, as well as for consultants who have difficulties in gaining SME clients, this Project offers a good opportunity by connecting the both and subsidizing the cost. After completing the introductory stage of problem solving, there is a possibility of a "made-to-order" contract between both sides. The time spent for each company was kept rather short so that the limited number of consultants can attend more SMEs, which also plays a role in stimulating the supply of consultancy for SMEs.

Additionally, this Project is structured so that even if a consultant uses the methodology for the first time he will not have confusion, and consultants less skills of planning and managing the consulting process can smoothly perform the process. If this Project is developed as a method to provide practical opportunities for those with relatively little experience, it will also contribute to the training of SME consultants.

If we consider positions like those mentioned above, what to emphasize in the management of this Project is to establish an efficient method of matching consultants and businesses. At the start of the Project we feared about problems regarding the assignation of the applicant companies and registered consultants due to a great geographical dispersion. The practical skills are expected to be polished along with the progress of the Project.

4.4 Challenges for the registration and training of SME consultants in the Ministry of Economy

We want to point out 3 major problems in relation to the registration and training of SME consultants by the Ministry of the Economy: Problems of efficiency, quality and quantity.

(1) Effectiveness in recruiting and training of consultants

Currently there is no unified system for registration and training of SME consultants in the Ministry of Economy, nor the database of consultants.

The intermediary organization that runs the FONDO PYME program/project asks external consultants who actually work in the area of business support, according to the objective of the program/project, and conducts training. There is no coordination between the programs/projects with regard to consultants to hire, nor is shared the information of the consultants engaged in programs/projects in the past. The projects are managed under the annual budget and intermediary organizations newly resource their projects with consultants every time.

(2) Quality assurance of consulting personnel

On the board of the Inter-ministerial Commission of Industrial Policy (CIPI¹⁵) in 2002, the agreement was signed to obligate those consultants who are engaged in any program/project supported by government subsidies to get the certificate for General Consulting from CONOCER. As discussed in Chapter 3, the Ministry of Tourism takes the certificate as a requirement for Consultants “M”, as in the case of the National Support Fund for Social Enterprises (FONAES).

However the Ministry of Economy does not require consultants to have certification for General Consulting to work in the Ministry’s programs/projects. Nor are there any other standards commonly agreed. In many cases practically consultants are only required to participate in training on particular methods necessary for the program/project. In other words, it is hardly said that the Ministry exercises adequate examination of the candidates to guarantee SMEs that consultants working in the programs/projects have sufficient knowledge and experience for consulting.

¹⁵ *Comisión Intersecretarial de Política Industrial*

(3) Long-term training of consultants with a broad perspective

The problem of the consultants for SMEs in Mexico is the lack of quantitative information regarding their number and their qualities. The Ministry of Economy is the main agency implementing various government programs/projects for SMEs in Mexico. Although the Ministry of Economy is expected to select the consultants who work in those programs and also to train them in the long term, it has not incorporated such an information system.

As noted in 4.1, the total amount of 16 million 600 thousand Mexican pesos were invested in the period 2004 to 2007 for projects for training consultants. However, due to the failure to keep and share the records of the consultants who have completed training projects, it is difficult to know anyone anywhere can respond to the Ministry's project/program. Consequently, the relationship with them is just temporal. Besides, how the training projects have contributed to SME support is yet to be traced.

One may think that the scheme of FONDO PYME that premises annual budgeting and intermediary organization, has no little responsibility for these problems. Ministry of Economy is not a first floor service for the projects and is located as a second floor entity which executes through other institutions that propose projects and we can say it is a structure with limited vision of the medium to long term of the projects themselves.

All SME support programs/projects of the Ministry of Economy are being carried out under the budget and scheme of the FONDO PYME. It is assumed that the Operation Rules of FONDO PYME updated and/or changed each year, rule all the activities and programs/projects, but the Ministry does not involve itself directly. All activities are assigned to an intermediary organization.

Among SME support projects of the Ministry of Economy, the "*México Emprende* Business Support Center"¹⁶ that began in 2008, and the "SME Consultants with JICA Methodology" Project supported by this Study Mission, have more involvement of the Ministry of Economy in the implementation even though budgeted by the FONDO PYME.

However, the selection and training of consultants in these two projects are operating with complete independence at the moment.

¹⁶ The methodology of the "Centro de Atención Empresarial Mexico Emprende is gathered as Methodology of Integral Care, and is already started training for consultants who are dedicated to it and the field staff.

A mechanism that a “human resource data bank” of SME consultants assured of certain level of quality supplies consultants for projects in the FONDO PYME could bring a remarkable improvement to the situation described above. The construction of such a mechanism is also a suggestion of the present study.

On the other hand, it is not easy that the function of one project located at the same level as the others, makes cross function to the benefit of all because the Ministry of Economy has a vertical and function oriented project structure. It is very difficult to permeate the numerous programs/projects which leave the recruiting and training of consultants entirely to the intermediary organizations with a common standard for skill requirements of the consultants to be hired.

The challenge of the registration and training of SME consultants in the Ministry of Economy is how to build a supply system of SME consultants that is reliable in terms of quality and quantity, and how to integrate it as a consistent basis in the scheme of the FONDO PYME.

