

APEC CHILE 2004

SANTIAGO AGENDA ON ENTREPRENEURSHIP

1. APEC ENTREPRENEURSHIP PROMOTION POLICY

The quality of the businesses and the strength of the entrepreneurial capability are key factors in the productivity of an economy. The number and quality of people with entrepreneurial skills are key to maximize the efficient use of capital, labour and natural resources of an economy.

Consequently, in order to increase productivity and competitiveness, firms require first-class business management as well as value-added generating and innovative projects that can provide them with the necessary competitive edge.

Encouraging an entrepreneurial culture and business start-ups, have become central policy goals for the development of small and medium-sized enterprises. Several Asian-Pacific economies are undergoing a critical shift in terms of business development policies. These policies include the development of new businesses and the promotion of a new way of thinking that values entrepreneurship. This is evidenced by the numerous programmes launched in recent years by public and private institutions for the development of new enterprises and the promotion of an entrepreneurial spirit –both at national and local levels.

The various entrepreneurship promotion policies of the APEC economies are aimed at promoting the development of innovative, value-added generating firms. The emphases placed on entrepreneurship promotion differ according to the priorities of each member economy.

2. PURPOSE OF APEC's ENTREPRENEURSHIP PROMOTION ACTIVITIES

Entrepreneurship promotion is aimed at increasing an economy's competitiveness through: a) strengthening and broadening the business base; b) promoting innovation; and, c) increasing the number of well-established, successful, value-added generating enterprises.

3. CRITERIA FOR THE INTERVENTION

3.1. Justifying Public Interventions

Entrepreneurship promotion policies in APEC economies respond to the need to correct market failures that prevent the optimal allocation of productive resources.

In addition to market failures, there are other reasons justifying public intervention in the economy, among others: unequal income distribution; economic instability; disadvantage based on ethnicity; imbalance between rural and urban development; and gender inequity. The priority accorded to these objectives will vary between economies.

3.2. Market Failure and Barriers to Entrepreneurship Development

In this context, market failure refers to, among other things, lack of competition, the existence of public good, externalities, incomplete markets and information asymmetries.

Entrepreneurship promotion policies and actions seek to mitigate such market failures in order to encourage the development of the private sector's entrepreneurial drive. Such barriers often stem from :

- a) Information asymmetries.
- b) Inadequate human capital.
- c) Poor access to funding.
- d) Low levels of innovation skills.
- e) Excessive government bureaucracy.
- f) Market entrance and exit transaction costs.

4. INTERVENTION STRATEGY AND SCOPE

Government intervention seeks to solve or mitigate market failures that limit entrepreneurial development. The aim of these policies is to have entrepreneurship as one of the main drivers of economic development.

The institutions and regulatory frameworks of each of the APEC economies should be consistent with entrepreneurship promotion. Regulations should be facilitators rather than barriers to business activity. The specific regulations will vary according to the economy's particular features and conditions.

A key issue of entrepreneurship promotion strategies is the development of comprehensive networks that support entrepreneurship. These networks must cover all steps of entrepreneurs' training and business development. They should involve public-private cooperation and link the efforts of the many stakeholders involved in business development processes.

Another critical aspect of entrepreneurship promotion strategies is the social positioning of the entrepreneurial activity. Entrepreneurs should be esteemed by society for their contribution to employment generation, improvements in local quality of life and innovations with which they enrich society. Citizens should be encouraged to create new ventures.

Several cross-cutting areas of work are available to promote entrepreneurship in APEC economies:

- a) Extend the social and gender base for the generation of dynamic businesspersons.
- b) Increase the number and quality of business opportunities.
- c) Disseminate positive role models to create an entrepreneurial vocation.
- d) Provide potential entrepreneurs with work experience.
- e) Encourage the development of entrepreneurial networks.
- f) Promote local entrepreneurial development.
- g) Leverage the transforming power of new knowledge-intensive businesses.
- h) Create entrepreneurial enabling conditions.

- i) Take a holistic approach based on the combination of efforts among the different governmental agencies, with the private sector playing a key role.
- j) Understand entrepreneurial development as a long-term economic and social investment.

Public policies for entrepreneurship promotion may be focused on the following areas: Developing Human Capital, Access to Funding, Removing Barriers to new Business Creation, and Innovation and Technology.

4.1. Developing Human Capital

Human capital development aims at creating a culture of entrepreneurship through the training of students from different disciplines and at different educational levels as well as workers and business people. It includes:

- a) Promotion of an entrepreneurial culture.
- b) Promotion of entrepreneurial vocation and skills through the education system and fostering of a closer relationship between academia and the labour market.
- c) Development of frameworks to facilitate and reinforce early entrepreneurship training.
- d) Entrepreneurship education and training plans at national and local levels.
- e) Development of education centers to promote entrepreneurship abilities among students.
- f) Teacher training to deliver education projects focused on entrepreneurship.
- g) Fostering program contents to promote entrepreneurship skills, responsible decision-making, systemic problem analysis, creativity, self-management and responsibility among the students of all educational levels.
- h) Development of training programs and consulting services designed for start-ups.

4.2. Access to Funding

The objectives for improving the access to funding for entrepreneurial efforts include the implementation of mechanisms and networks for entrepreneurs to access financial resources to carry out their projects. Also:

- a) Public grants to support the access to financial markets should be limited in time, to avoid companies becoming dependent on permanent state support for businesses.
- b) Good banking practices in terms of regulation and rules for the financial market.
- c) Government assistance for transaction costs rather than for prices or interest rates.
- d) Coordination of guarantees between private financial institutions and micro and small businesses.
- e) Promotion of specialization in the financial institution sector and creation of specialized providers for funding emerging companies.
- f) Development of Capital Networks – Seed Capital and Venture Capital.

4.3. Removing Barriers for New Business Creation

The removal of barriers for business development seeks to eliminate those issues that prevent the adequate development of the entrepreneurial activity. Such actions, however, should not lead to market distortions. They could include:

- a) Support for the incorporation of companies.
- b) Facilitation of the exit of failed enterprises.
- c) Speeding-up government and municipal decision-making.
- d) Eliminate barriers to market access.
- e) Enhance communication between entrepreneurs and regulatory authorities about new regulatory burden.

4.4. Innovation and Technology

Technology innovation, development and adaptation are key factors for the achievement of competitive-edge, value-added business initiatives. Special emphasis must be provided to the development of knowledge networks and project development and implementation skills. Amongst other things:

- a) Development of knowledge-based networks by strengthening the links between universities and firms.
- b) Technology adaptation and development, specifically in niches with high potential or emerging industries.
- c) Generation and strengthening of business incubators to help increase the numbers of innovative and/or competitive edge enterprises.
- d) Promotion of world-class intellectual and industrial property protection.
- e) Fostering of technological business networking.