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INVENTORS, INNOVATORS AND CREATORS - THE INTELLECTUAL CAPITAL OF
NATIONS - MEXICAN INVENTORS DEVELOPMENT ORGANIZATION

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INTRODUCTION

1. Mexico is a country of boundless genius. Creativity is one of the many innate qualities of the Mexican people. However, the development of such talents requires constant support. Today, many sectors of Mexican society have neglected the promotion of invention and scientific research. As a result, many projects have remained unexplored and have therefore failed, while a few others have sought foreign support and have been concluded abroad.
2. Insofar as they cannot find sufficient local support, Mexican inventors either abandon their creative efforts or leave the country in search of better opportunities. This is unfortunate since Mexico could very well benefit from its talents, while promoting the economy and national welfare. Each project that leads to the production of goods and services will bring about the proliferation of employment, and will stimulate economic growth.
3. Over the long, difficult and sometimes disappointing road that must be run before an idea, a discovery or an invention can be applied, we stumble upon conflicting interests, successes, and failures. Intellectual property, patents, bonuses, inventions, technology transfer, skepticism, economic growth, industrial espionage and plagiarism, patent legislation, research financing, sale and purchase of processes and prototypes, rewards for researchers and inventors, and the increasing technological dependence of the Third World upon the First World: all these represent a restriction that prevents us from enjoying today what very few thought of yesterday, for the joy and benefit of many.
4. *Innovation* is a term created by Amado Santiago, a Mexican engineer, inventor and researcher. With it, he tries to synthesize in one word the multiple supports that are required for a novelty to be transformed into a community.
5. The essential thing is to consider that technological novelty is only the consequence of an invention or discovery, and that it could just remain as a mere idea if it is not subject to the process of *Innovation*, in order to be transformed into an innovative commodity. The technological novelty does not survive by itself, and, if it is not innovated, it will not be carried through.
6. There are two parameters that condition *Innovation*. One is continuity of effort; the other is evolution. These factors which seem contradictory are very closely linked, one cannot be isolated from the other and the failure or success of what becomes of the invention depends on their handling.
7. Policies should be directed towards the future, taking into account that the most probable outcome will be their continuous modification according to the frame of reference and available means; fixed goals should be characterized in terms of their mobility and transitory nature. The capacity for change in our *Innovation* policies should be both permanent and immediate to guarantee stable continuity.
8. With *Innovation* it is essential to try and predict the future. To anticipate the future is such a risky undertaking, that we should have the continuous possibility to change the options for technological innovation, to modify what we have today, with the aim that what is obtained tomorrow will not be obsolete and worthless.

9. Situating an innovation in a temporal context is the main task of *Innovation* and surely the most complex, the most difficult and the one that will face most obstacles in the future.

10. Many of the current ideas cannot be integrated into our society today, but they will be functional tomorrow. On the other hand, the day after tomorrow they will be obsolete. This is difficult to understand, mainly for those that condition the world of the future on the economic and social foundation of the present and the past.

11. Technological innovation creates technology and, if you innovate it as an essential condition, it will produce and multiply the innovation. *Innovation* is part of a chain; a link those conditions use, consumption and evolution. Through evolution, innovation has transformed our habits and our customs. Innovation generates in a rapid manner forms of thinking that condition education and social relations.

12. This communication vortex at the beginning of the new millennium is both a provider and a panacea of evolution, a detonator and a palliative, an innovation and a result. The imbalance and lack of adaptability that will produce the innovation will have consequences on the road towards the future. Evolution, as always happens, faces two currents: those that desire it, and those that fear it, but which in a way help to create it by means of the consumption of innovation.

13. It was imperative to establish an *Innovation* body in Mexico for the purpose of creating a strategic operations scheme offering systematic support for the development of the capacities of the inventors' community, in addition to promoting the establishment of a national *Innovation* culture through an enterprise for the improvement of technological innovations.

14. Being involved in this task, we approached the Micro Entrepreneurial Global Programme, which is being implemented in Mexico by the United Nations Development Programme (UNDP) and the Mexican Government through the National Development Bank.

THE MICRO -ENTREPRENEURIAL GLOBAL DEVELOPMENT PROGRAMME

15. Almost two years ago the Mexican Government Development Bank, Nacional Financiera (NAFIN), recognized the urgency of instituting a development program specially designed to promote and support the development of the smallest production units in the country; a program with massive coverage, that not only focuses on effective access to credit, but is also intended to impact on those factors that represent obstacles to the development of micro -enterprises.

16. An investigation was carried out in order to identify what has been done in different countries, mainly in Mexico, to support micro -enterprises, specific neglected sectors and the poorest communities. The methodological proposals made by foundations, bilateral agencies and multilateral organizations were carefully analyzed.

17. It was decided not to wait for the complete methodology to be concluded or for normative procedures to begin. It was decided not to use operating manuals on the desks of NAFIN or consultancy firms, but to advance jointly in the construction of the program with several players from the public, private and social sectors, and mainly with the critical and

committed participation of micro -entrepreneurs and micro -producers from poor and even excluded sectors and communities.

18. Thus, design and implementation of the Programme was carried out through five initiatives that were termed Pilot Projects, and through the combined efforts of several players such as the governments of five federative entities; the Secretary for Social Development and Environmental Protection of the Federal Government; the Mexican Industrial Property Mexican Institute; the National Women's Commission; the Guillermo González Camarena Foundation and, specially, with the United Nations Development Programme (UNDP), which signed a cooperation agreement with NAFIN in order to promote the Global Programme. For over a year collaboration with UNDP has been extremely important and active. Thus far, more than 1,000 micro -producers have worked intensively on the methodology, underlying the Global Programme. They formed six legally -based development organizations - Organización de Fomento in Spanish (ODF's) - and five Competitiveness and Development Funds in commercial banks representing an accumulated amount of US\$235,000.00, which allowed them to activate a credit line beginning at US\$270,000.00 and will be duplicated every six months until an accumulated amount of US\$17.2 million is reached, in two and a half years' time.

I. BASIC PRINCIPLES

19. The pilot experience and committed participation of all the players has enabled the five basic principles providing sustained justification for the Global Programme to be confirmed, adapted and enriched.

(a) A Categorical Denial of a Patronizing Approach, recognizing that efficiency and competitiveness are not intrinsic conditions of production establishments. The Programme is not a philanthropic undertaking designed to solve problems, but a strategic plan to promote the initiatives of micro -producers and micro -entrepreneurs so that they will be able to solve those problems by themselves. The Global Programme has not been designed to operate as a public sector instrument. It has been conceived as an action proposal for micro -entrepreneurs and micro -producer to achieve completed development of their undertakings.

(b) The Global Program incorporates Financial Sustainability as a fundamental paradigm. It is not accepted that support should necessarily be subsidized. This is in fact the challenge: to achieve a situation whereby all support instruments can operate according to elementary principles of profitability. The essential continuity of the Programme will be achieved only in this way. If a patronizing approach is really eliminated, all the requirements of entrepreneurial practice are accepted as valid.

(c) Poverty Alleviation and Community Development are two of the main objectives of the Global Programme. Financial sustainability should initiate a series of 'virtuous spirals' of economic empowerment, and increase the well -being of micro -entrepreneurs and micro -producers. In the case of the smallest production units, simple access to credit can sometimes be useless and even counterproductive. Many other forms of support are required so that communities and micro -entrepreneurs may enhance their welfare levels as a result of their production activity. Financial sustainability is not evaluated by itself; the repercussions for poverty alleviation and community development are also considered.

(d) The Programme adds a fundamental paradigm: the promotion of equitable development which implicitly helps to eliminate the obstacles and structural limitations that inhibit equal opportunities in economic and social development, maintaining as its principle, respect for human rights.

20. In the Global Programme micro-enterprises are not considered to be high-priorities simply because they are small. The high-priority goal of the Global Programme is to ensure that very small production units, as well as micro-entrepreneurs and micro-producers will no longer be ignored by the formal system of entrepreneurial support. The specific intention is precisely to promote equal opportunities in economic activities. That is why within the implementation of the Global Programme eight specific programmes will be set up, as follows:

- ◆ Inventors/micro-entrepreneurs and/or producers;
- ◆ Women entrepreneurs - women producers;
- ◆ Young micro-entrepreneurs/producers;
- ◆ Elderly micro-entrepreneurs/producers;
- ◆ Disabled micro-entrepreneurs/producers;
- ◆ Micro-producers of artistic and cultural activities;
- ◆ Micro-entrepreneurs/producers of popular art;
- ◆ Micro-producers from indigenous communities and excluded groups.

(e) The development of competitiveness becomes a strategic paradigm, within the Global Programme. Support is provided for micro-enterprises not only to survive but also to play an active role in the process of economic modernization. Men and women in non-formal areas are not excluded from the benefits of the Global Programme. On the contrary, they are a fundamental part of it, but support is granted precisely to enable producers and entrepreneurs to participate in the formal economy, while recognizing that it is not possible for them to develop and remain competitive while remaining in the informal sector.

II. STRATEGY

(a) Individual Initiative and Collective Action: A Special Joint Venture.

21. The Programme also recognizes that the main limitation and disadvantage for small producers, in particular micro-enterprises, are due to the fact not that they are small, but that they act on their own. They operate in isolation, in an economy that is increasingly closely inter-linked.

22. It is a fact that in Mexico, for certain micro-entrepreneurs and micro-producers, the only way to expand, and in some cases to survive is to be willing and able to join forces with other economic units involved in similar activities so that they may all benefit and be in a better position to compete.

23. The idea of the special joint venture is not, however, that of a co-operative or merger, but rather a means of collaboration, a strategic alliance which, respecting each micro-enterprise and each person's individuality, encourages and facilitates joint effort to achieve more negotiating power.

24. Micro-entrepreneurs/producers may enter into or cease to form part of special joint ventures, provided there is a valid business reason for doing so. There are no formal written undertakings. Experience has proved that joint action works only when there is the freedom to choose whether to participate.

25. Special incentives are also excluded, since they tend to misrepresent the idea of joint effort. Participants should always be sure that it is more beneficial to do something jointly rather than individually. Any collective initiative, which fails to result in increased revenues, has not achieved its objective.

26. Under this Global Programme, members of the Micro -Entrepreneurial Project Group may collaborate but always have the freedom to act on their own account and advance at their own pace. The outcome and particular profit levels will always depend on the quality and extent of personal effort of each participating individual.

(b) Developing Competitive Advantages .

27. It is accepted that micro -enterprises may not only survive without special protection, but in fact they have certain competitive advantages, which will enhance their ability for development. It is, of course, recognized that these types of advantage only become elements of competition if and when they are properly developed. In the pilot projects the following competitive advantages have been identified:

- ◆ Better conditions of flexibility to create or incorporate technological innovation in an opportunistic manner and with lower costs and investments;
- ◆ Better capacity to specialize in the manufacture of reduced volumes of goods and services of high quality in relation to design and raw materials;
- ◆ Better structural possibilities to achieve profitable and flexible specialization;
- ◆ Better capacity to establish personal linkage in their production relationship.

28. The Global Programme recognizes that one of the main limitations of the smallest production units lies in the wrong choice of market supply source. Worse still, experience has shown that only in very few cases have the competitive advantages afforded by their size been taken into account, when choosing the products and services they provide. The Development Organization endeavors to correct this limitation.

(c) Supply and Distribution Links .

29. One of the most important tasks of the Global Programme is to support inventors/micro-entrepreneurs and help them establish firm links with the right markets as well as reliable and long -term suppliers of goods, raw materials and services.

30. In the case of micro -suppliers, the Development Organization supports them in relation to their normal commitment to supply medium - and large -sized companies in their respective regions. The Development Organization, with the collaboration of the Support Committees, UNDP and NAFIN in particular, not only encourages subcontracting but also specific programmes for supply and distribution systems' development.

(d) Addition of other Development Initiatives.

31. The Programme seeks to support and to supplement, but not to duplicate or to displace other instruments and support programmes that are already operational in varied public, private and social institutions in the country. It is intended to supplement the efforts of the local, national and foreign players to promote the development of micro-entrepreneurs/producers in support of inventors, and to promote the creation of a national innovation culture.

(e) An Integral Support.

32. The Programme accepts that in order to develop inventors/micro-entrepreneurs and micro-producers require effective access to financial support; it also recognizes, however, that credit is not sufficient and that it is essential to offer integral support in relation to promotional and organizational development, information, training, technical assistance, trade promotion and technological alternatives.

33. Within the implementation of the Global Programme, the highest priority is attached to inventors/micro-entrepreneurs and/or producers achieving eligibility for support from formal institutions.

II. THE BENEFICIARIES

34. The Global Programme encompasses all Mexican men and women who decide to dedicate part of their time to production activities, as well as those already involved in business that wish to obtain more than just a reward for their work and are willing to make a special effort to do so.

35. The Global Programme has been designed also to support small economic units, which are excluded in structural terms from formal technical and financial support systems.

36. When a man or woman is willing to risk putting his/her efforts, skills, own money and reputation into a business venture with no form of protection other than his/her own ability to compete, the Global Programme endeavors to ensure that he/she obtains the necessary support which includes information, training, financing, technical assistance, intellectual property professional consulting, trade promotion and technological alternatives.

(a) Micro-Entrepreneurs and Micro-Producers

37. The Global Programme makes a strategic distinction between producers and entrepreneurs, depending upon the degree of importance and stature that they might attach to the four basic functions of production-entrepreneurial activity: acquisition, production, sales promotion and administration.

38. A man or woman who chooses to concentrate his or her efforts in the areas of acquisition, sales promotion and administration, qualifies as a micro-entrepreneur. Usually, he/she becomes directly involved in production only if he/she has no alternative and, at the first opportunity, he/she will hire one or more workers to whom he/she tends to delegate all production responsibilities.

39. By contrast, a micro-producer prefers to focus his/her creativity and enthusiasm on production. A micro-producer usually regrets having to use his/her production time and effort to carry out the three additional functions (acquisition, sales promotion and administration).

40. The difference between entrepreneurs and producers has been included in order to highlight the different kinds of support and promotional activities available under the Global Programme, designed not only to support entrepreneurial development but also to give producer the option of achieving an effective, reliable and controlled support operation. It should be stressed that the Global Programme considers both micro-entrepreneurs and micro-producer to be of equal importance.

(b) Micro-Entrepreneurial Project Group

41. The criterion for defining each project could be one of whether to support micro-entrepreneurs and producers from certain regions or locations, or to strengthen specific branches of economic activity of a more specialized nature. Ideally, the initiatives will come from the communities themselves.

42. To activate initial projects, the Global Programme recommends the following criteria, relating to high-priority and strategic approaches:

(i) High-priority approach

43. Projects in marginalized communities, where the Global Programme could actively contribute to overcoming poverty levels.

44. Projects that could be used as prototype and pilot examples, and could be reproduced in different regions to promote the empowerment of those communities.

45. Those projects most likely to be realized and produce good short-term results.

(ii) Strategic approach

46. Projects where goods produced can replace those coming from abroad.

47. Projects which, according to their production feasibility and marketing potential, could be sustainable and financially viable in the short term.

48. Production projects utilizing local capacities and draw materials produced within the community or municipality itself.

(c) Project participation

49. A specific project is only realized if inventors/micro-producers and/or entrepreneurs so decide, and a Micro-Entrepreneurial Project Group has been formed by way of a Letter of Commitment through which participants undertake to:

- ♦ Agree on a Business Plan with their Development Organization for the specific purpose of making bigger profits/ income, and agreeing to share profits with said Organization in accordance with the terms laid down in the Global Programme;

- ♦ Makeregularcontributions totheCompetitionandDevelopmentFund,in accordancewiththetermsandconditionsoftheGlobalProgramme;
- ♦ Shareexperiences andprovidetechnicalandtrainingassistancetoothermembersof theMicro -EntrepreneurialProjectGroup;
- ♦ Participateintakingthenecessarysteps toincreasethecollectivecapacityto compete;
- ♦ Whererequired,undertakeparticularcommitments withtheMicro -Entrepreneurial ProjectGroup;
- ♦ Appointrepresentatives totheDevelopmentOrganizations' BoardofDirectors.

IV. INSTITUTIONAL SUPPORT INFRASTRUCTURE

50. Local players that participate in the support activities for each project include the state and federal governments, local offices and agencies, successful entrepreneurs, universities and training institutes, research centers, industrial associations, professional unions and all organizations concerned with micro -entrepreneurial development, the creation of a national innovation culture, poverty alleviation, and the empowerment of women and indigenous populations.

51. The active participation of certain national players, such as departments and agencies of the Federal Government, private institutions of national scope, chambers of commerce and industrial associations, national universities, NGOs and commercial enterprises offering national coverage, is also promoted.

52. Multilateral financial organizations are considered to be external players. These include United Nations agencies, international foundations, and bilateral agencies for development cooperation, fair -trade organizations and other international institutions willing to provide support for the implementation of the Global Programme.

53. These players can participate in promoting and supporting the projects and the Global Programme through different actions:

- ♦ Some of the expenditures, initiatives and investment activities are carried out to consolidate the pilot phase of the Global Programme are financed with resources for the institutional strengthening of one of the loans granted to NAFIN by the Inter -American Development Bank to support the micro, small and medium -sized enterprises in the country;
- ♦ Together with the Secretary for Foreign Affairs, NAFIN has already begun dealings with groups of Mexican immigrants in the United States, in order to achieve their support for projects their communities and states of origin . The collaboration scheme not only envisages economic support but also technical and promotional assistance so that the communities, through their ODF's, can sell their products abroad.

(a) Project Support Committee

54. For each project a Support Committee is set up with the active participation of local, national and external players. This Committee may carry out its functions and responsibilities in many different ways:

- ◆ Providing or obtaining external support for the Micro -Entrepreneurial project group and its Development Organization in project implementation and problem solving;
- ◆ Recommending to the Micro -Entrepreneurial Project Group and its Development Organization ways to fulfill project objectives more effectively, together with the basic principles and guidelines of the Global Programme;
- ◆ Helping the Development Organization to conclude specific collaboration agreements with the local entrepreneurial support infrastructure. The first seven collaboration agreements have been signed with local institutions in the pilot projects;
- ◆ Providing grants or temporary contributions to the micro -entrepreneurial project group, designed to create or strengthen their Competition and Development Funds;
- ◆ Channeling purchase orders through the Micro-Entrepreneurial Project Group, thus helping participants to expand their market alternatives;
- ◆ Making staff available to provide technical assistance and training. In the six pilot projects, more than 15 managers of large and successful enterprises have offered their best technicians to participate as training course instructors;
- ◆ In the case of supply companies, granting Micro -Entrepreneurial Project Group members similar treatment to that given to their major clients;
- ◆ In the case of buyers, providing commercial advice and spaces under special conditions, so that the Micro -Entrepreneurial Project Group can market its products directly, through its Development Organization;
- ◆ In the case of educational institutions and research centers, carrying out research and studies that may be useful to the Micro -Entrepreneurial Project Group;
- ◆ Proposing to the Micro -Entrepreneurial Project Group candidates for the position of special members on the Development Organization's Board of Directors;
- ◆ Proposing to the Micro -Entrepreneurial Project Group candidates for the position of Director General of the Development Organization.

55. None of the members of the Support Committee may authorize actions or participate in the decision-making process relating to project implementation or Development Organization operation. Such functions and responsibilities are exclusive to the Micro -Entrepreneurial Project Group and will be exercised by its representative members on the Board of Directors of the Development Organization. The donation of resources to the Micro -Entrepreneurial Project Group so as to activate its Competitiveness and Development Fund or the provision of technical, administrative or even financial support, does not provide the right to participate in the fundamental decision-making process.

(b) Specialized Support Committees

56. These Committees will be formed by outstanding professionals and will operate at the state, regional, national or international level. Members agree to offer part of their time to provide technical assistance, orientation and advice to the Director General and to the Development Organization's staff. The Committees are being set up according to different disciplines:

- ◆ Production Engineering;
- ◆ Financing;
- ◆ Marketing;
- ◆ Environmental protection;
- ◆ Equal development;
- ◆ Technology;
- ◆ Acquisitions;
- ◆ Industrial sectors.

(c) Innovation Committees

57. The Group Coordinators for each project form Innovation Committees, together with students, professors and high-ranking industrial design professionals. The specific task of each Innovation Committee will be to ensure that the innovations, goods and services of the Micro-Entrepreneurial Project Group meet the criteria of secrecy, originality, excellence and authenticity, as well as the particular requirements of the market niches that have been defined as commercial objectives.

(d) Volunteer Committees

58. People interested in helping to promote the development of micro-enterprises, creating an national innovation culture, and alleviating poverty; as well as helping young, handicapped and elderly people and women, and in fostering the empowerment of indigenous populations, are invited to participate in Volunteer Committees which provide different support activities.

(e) NAFIN Support

59. In addition to financial support, NAFIN:

- ◆ Is responsible for drafting and updating Global Programme manuals and information;
- ◆ Organizes global training programmes and provides on-going technical support to staff from Development Organizations in order to enhance their professional skills;
- ◆ Actively encourages the establishment of joint agreements between Development Organizations and public, private and social support institutions;
- ◆ Circulates project results to the Development Organizations and arranges meetings to encourage communication and exchange of ideas and experiences;

- ♦ Undertakes a permanent supervisory role to ensure that Development Organizations comply with Global Programme regulations;
- ♦ Acts jointly with Development Organizations in promoting goods and services both nationally and internationally, and in negotiating with major buyers and suppliers from Mexico and abroad;
- ♦ Promotes and negotiates technical and financial support with multilateral organizations, bilateral agencies and cooperative development foundations, intellectual property organizations, women's institutions, environmental protection institutions, fair trade organizations, as well as Mexican immigrants' associations and clubs overseas.

VI. THE DEVELOPMENT ORGANIZATION

60. The Development Organization is a legally established company owned exclusively by the Micro-Entrepreneurial Project Group. It works directly with micro-entrepreneurs and micro-producers in designing and implementing business plans and assists in obtaining the necessary information, training, financing, technical assistance, trade promotion and/or technological alternatives, in addition to acting as a link between the entrepreneurial community and the support infrastructure.

61. The Micro-Entrepreneurial Project Group hires professional staff to manage the Development Organizations. NAFIN, UNDP, UNIFEM and the Support Committee act as backup in order to increase their efficiency and effectiveness.

62. The purpose of the business plans prepared by each member, with the active participation of his/her Development Organization, is to achieve a specific target relating to increased profits/income.

63. These business plans are not a conventional kind of strategy. They are especially designed for micro-entrepreneurs/producers and take into account the local situation and social reality, as well as the prospects for economic activity. These plans are based upon joint analysis; Development Organization staff and micro-entrepreneurs identify and implement those measures which at a lower cost, and with less time and effort, will allow them to achieve their goal of increasing profits/income.

64. Micro-producers request Development Organizations to deal with acquisition, administration and sales promotion tasks, thereby allowing such producers to concentrate on what they do and know best, i.e. production.

65. For the purpose of the Global Programme, being more competitive always means larger profits for micro-entrepreneurs and a greater income for micro-producers, than that anticipated prior to joining the Global Programme.

66. If change does not bring about the required results in terms of revenues, there is no purpose in changing. Likewise, if technical and financial support does not translate into increased profits, the measures taken are inadequate and unjustifiable.

67. That is why Development Organizations can only survive and do business if their support is productive and successful.

68. Micro-entrepreneurs and micro-producers agree to share 25 percent of any additional profits/income with the Development Organization. However, if the Business Plan proves unsuccessful, then the Development Organization will receive no money at all. The alliance is a special joint venture whereby participants provide the necessary goodwill and means of production, and the Development Organization its experience and expertise, as well as the link to the support infrastructure.

69. It has been considered that Development Organizations will cooperate with each other in order to hire the services of interdisciplinary groups of experts which provide all of them with specialized support and to strengthen their capacity to carry out their functions with greater efficiency and broader application. Respecting the principle of incremental profits as an objective of and explanation for entrepreneurial services, these mutual support groups will share with ODF staff the revenues derived from their participation in the incremental profits. Through the consolidation of the requirements and actions of all communities participating in the Global Programme, the capacity for collective negotiation will be increased even more, mainly in the acquisition of inputs, raw materials and capital goods, and in promotion and marketing tasks both in Mexico and abroad.

70. To promote this initiative, NAFIN formalized an agreement with the Center for Administration Research and Advanced Studies of the Instituto Politécnico Nacional (National Polytechnic Institute), the most important technical education institution in Mexico, and an interdisciplinary group of 10 experts, which has already begun to collaborate with the directors of the six Development Organizations in operation, for the specific purpose of consolidating their projects and participation in the Global Programme. NAFIN also concluded a contract with the UNAM (National Autonomous University of Mexico), the main public university in the country, to encourage the formation of new Support Groups, once the Global Programme is activated formally throughout the country, at the beginning of 2001.

VII. COMPETITION AND DEVELOPMENT FUNDS

71. Participants create and gradually build up their Competition and Development Funds with initial grants or temporary contributions from local, national and international players, but mainly by permanently depositing ten percent of their new revenues.

72. In order to increase the participants' collective capacity to compete more effectively, the Competition and Development Fund utilizes two Sub-Funds in which financial resources are equally distributed. Fifty percent of registered resources go to the Development Sub-Fund. The remaining fifty percent constitutes the Competition Sub-Fund. These resources are administered by the United Nations Development Global Programme, and may be used only to pay for investments and cover expenditures as follows:

- ◆ For technical assistance and training for micro-entrepreneurs/producers and Development Organization staff;
- ◆ For scientific and technological research;
- ◆ To improve the Micro-Entrepreneurial Project Group corporate image;
- ◆ To strengthen Development Organization capacity to provide services;

- ◆ To design and print catalogues, brochures and promotional material;
- ◆ To co-finance programmes and specialized projects with formal entrepreneurial support institutions;
- ◆ To capitalize on experience, by inviting experts from Mexico and abroad and organizing research visits;
- ◆ To produce audiovisual and documented records of project development and successful ventures;
- ◆ To develop and/or acquire prototype production units, aimed at capitalizing on micro-entrepreneurial competitive advantages;
- ◆ To procure samples, designs, prototypes and technological innovations;
- ◆ To allow participation in national and international trade fairs and exhibitions, business trips and sales promotion activities;
- ◆ To provide participants with support in order to reduce domestic work;
- ◆ To guarantee individual or joint efforts with other Development Organizations for central storage, product sales and distribution facilities in Mexico and abroad;
- ◆ To participate in the Global Programme's Micro-Enterprises Specialized Information System and link -ups with other information centers and databases;
- ◆ To carry out studies and market research.

73. At the beginning of the fourth year of the Competition and Development Funds' existence, monies (50 percent) registered in the Development Sub-Fund may be utilized individually by micro-entrepreneurs/producers for one or more of the following five purposes:

- ◆ To pay members' and their dependents' medical expenses;
- ◆ To pay the educational expenses of members' children, in accordance with the criteria established by the Development Organization's Board of Directors;
- ◆ To pay for housing construction and home improvements;
- ◆ To set up a personal retirement fund which participants may use from the age of 60;
- ◆ To make investments in public works of benefit to the community.

74. Each member of the Micro-Entrepreneurial Project Group will decide how the funds from the Development Sub-Fund are disbursed. Participants will be entitled to whatever percentage his/her personal contributions represent in relation to total deposits in the Fund account.

75. These trust funds, formally set up with commercial banks, are also used as instruments to make direct payments for credits received by micro-entrepreneurs or directly by Development Organizations, providing not only financial backing for the Micro-Entrepreneurial Project Group, but also access to formal financial support.

76. When a loan repayment is due, the institution holding the trust fund account utilizes available funds from the Competition and Development funds' account to repay scheduled debts and agreed interest to NAFIN or whoever is the financial intermediary.

77. Where the amount of funding held by the trust fund for the repayment of loans exceeds the amounts replenished by Development Organizations and/or accredited micro-entrepreneurs, the amount in the Competition and Development Fund is subsequently reduced. In such cases the Development Organizations' Board of Directors would issue a notice of non-fulfillment of commitment to members of the Micro-Entrepreneurial Project Group.

78. Thus, the Competition and Development Funds act as direct sources of payment for loans granted to Development Organizations or micro-entrepreneurs, both of which deposit funds to replenish and even increase the amounts held in the fund. Through this mechanism, the responsibility they assume for making loan repayments on time basically lies with the Micro-Entrepreneurial Project Group, rather than with NAFIN or the financial intermediary.

VIII. FINANCIAL SUPPORT

79. NAFIN opens direct revolving lines of credit for the Micro-Entrepreneurial Project Group and its Development Organization, for an initial sum of up to twice the amount deposited in the Competition and Development Fund during the first three months of operation.

80. The amount of the credit lines can be doubled every six months or even decreased where the financial commitment of Development Organizations and micro-entrepreneurs allow. Over a two and a half-year period, the credit line can be increased until it reaches the equivalent of sixty-four times the amount of the initial deposit.

81. NAFIN has opened five lines of credit of approximately US\$435,000 but the Micro-Entrepreneurial Project Group has requested and received only 30 credits for fixed asset investments totalling not less than US\$30,000.00. In the first stage, Development Organizations are using negotiation capacity to obtain preferential financial support from suppliers and, in some cases, they have used the resources of the Competition and Development Fund to finance their working capital requirements. Communities have started to more than double their monthly income with virtually no financial support, which proves that credit is not essential in all cases.

82. Credit is granted directly to the Development Organization once it has been authorized to administer the collective working capital or when funds are to be used for fixed asset investments. In the latter case, the Development Organization transfers fixed assets through a leasing scheme with the final right to buy at a symbolic price being granted to a micro-entrepreneur.

83. The infrastructure of commercial banks or reputable non-banking financial intermediaries is also used for operational purposes so that they gradually replace NAFIN in the taking of credit risk (through a strategic alliance with the Development Organization).

(a) Amount of credit

84. Thus it should always correspond to the amount recommended by the Business Plan, but where a micro -entrepreneur is granted credit and makes the repayments on time, the member will gradually pave the way to receiving increased financial support. In such a case, he/she will automatically be eligible to receive subsequent credit of up to 1.5 times the amount of the repaid loan. Thus, the Global Programme acknowledges the creditworthiness of those micro -entrepreneurs who comply with their obligations and commitments.

(b) Interest rates

85. As regards the cost of funds, the Global Programme recognizes that, paradoxically, it is absolutely true that micro -enterprises can more readily assimilate the impact of higher interest rates, since this represents an inverse proportional relationship between the size of the business and the financial internal rate of return.

86. This greater capacity to pay higher interest rates allows micro -enterprises to cover their also relatively higher operational costs when accessing credit and also compensates for the lack of conventional collateral and the fact that they are traditionally seen as a high risk by the formal banking system. Of course, dynamic schemes and specialized micro -credit technology are necessary if operations are to be profitable. The Global Programme works in this direction with the system of financial intermediaries.

87. Although it is healthy to discard the myth that micro -enterprises need subsidized interest rates, it is also clear in the Global Programme that this does not mean that micro -enterprises can always absorb excessive and disproportionate interest rates in real terms, particularly in relation to the financing of manufacturing activities and fixed asset investments.

88. It is recognized that what is really important to the smaller producer is effective and timely access to an appropriate source of credit, although it is equally relevant to understand that extremely high interest rates affect micro -business development and only contribute to financial intermediaries' profits - this of course does not help to alleviate poverty in economic or social terms.

89. Under the Global Programme, Development Organizations and micro -entrepreneurs in receipt of loans, make fixed repayments of capital and borrowing costs at the same interest rates they would have to pay to a bank, if they had access. In other words, they receive similar treatment to that offered to a commercial bank's preferential customers, despite the fact that their initial loans are only for relatively small amounts. This is possible owing to the fact that the Development Organization does all the necessary work prior to credit authorization.

90. However, NAFIN does not purport to remain indefinitely as the first -tier financial institution. The purpose of the Global Programme, in relation to financial support, is that micro-entrepreneurs and micro -producers have the opportunity to demonstrate their creditworthiness to formal financial intermediary institutions. The idea is also to show commercial banks and other formal credit institutions that micro -enterprises can be attractive clients from a business point of view.

(c) Leasing scheme

91. The Global Programme attaches special importance to fixed asset investment, as it is only in this manner that micro -enterprises can modernize production and achieve gross capital formation.

92. The financial scheme offers a means whereby a Development Organization is given credit by NAFIN or another financial intermediary, and directly acquires the fixed assets required by entrepreneurs. The Development Organization in turn issues a leasing contract with each of the micro -entrepreneurs, under which they are obliged to pay an agreed rent on a due date, and have the right to retain the asset at the end of the lease period in return for a very small sum of money.

93. For their part, beneficiaries agree that in the event they are unable to meet their financial commitments, the goods and rights are automatically transferred to another micro -entrepreneur who agrees to assume responsibility for forthcoming repayments. In that case, a micro-entrepreneur receives and utilizes the goods, and capitalizes on any repayments already made by the previous lessee.

IX. TRADE PROMOTION

94. This part of the Global Programme focuses on design improvement and product quality so that goods may be sold in more sophisticated markets where handiwork and individual skill, as well as specialized production, are properly valued. Any intermediaries are eliminated and the products are sold directly by the Micro -Entrepreneurial Project Groups through their Development Organizations.

95. In fact, one of the Global Programme's fundamental guidelines is to encourage micro -entrepreneurs and producers to gear themselves towards particular market niches, where small producers have important competitive advantages.

96. At the same time, the setting -up of alliances and working agreements with branches of shops, super and mini markets is important, just as it is necessary to try and encourage participants to produce the goods required and accepted by those markets.

97. The Global Programme promotes and encourages the establishment in Mexico and abroad of micro -entrepreneurial trade centers, which are to be owned by participants through their Development Organizations and must operate in accordance with the principles and support of the "Fair Trade" Organization that promote the practice of fair and equal development in several developed countries.

98. Micro-entrepreneurs and micro -producers participating in this Global Programme are not looking for charity or subsidies: all they want is fair trade in their business dealings. It is fair treatment which allows lower income producers to remain in their own communities, yet increase their families' well -being and improve their business potential through their creativity, collective efforts and entrepreneurship.

X. FUTURE PROSPECTS

99. Mexico is facing a period of historical political change. For the first time in more than 70 years, a democratic process led to victory for an opposition party candidate; the prospect

of support for the creation of a national culture of innovation, as well as for the development of micro-enterprises, holds great promise.

100. The magnitude and scope with which the Global Programme will continue its opening phase is now being discussed with the elected President's team. According to a conservative scenario during the first year (2001), it will be possible to implement all the projects that are in preparation, in other words 120 in poor communities in 22 States, with approximately 24,000 participants, a figure which would increase twofold before the end of the year, provide results similar to those of the six pilot projects obtained.

101. The number of Global Programme projects and ODF's could be doubled each year, if it were possible to grant the operating scheme broader autonomy in terms of contributions and participation of state governments, together with external agencies and bodies and provided that the Global Programme had independent resources, which could be incorporated in the groups and the communities that had been partially supported by different civil and non-profit making associations, in addition to micro-credit organizations wishing to remain detached from the significant risk of politicizing the projects.

102. The plan for the future regarding inventors of the micro-entrepreneurial group is to diversify and promote the creation of different ODF's, according to the specialization of the technological innovations concerned. In the future we might therefore refer to a Medical Innovation ODF, a Construction Innovation ODF, and a Communications ODF, just to mention a few possible organizations.

103. It is known that scientific and technological innovation needs support if it is to be channelled towards the production of goods and services. Support for and recognition of the efforts of our outstanding men and women should not be considered a charitable act or a good deed done by public or private institutions. Much more likely, it is a just reward earned by those who have displayed genius. Creators must find fertile grounds so their ideas can bear fruit. This will enrich and simplify the lives of millions.

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