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Let me extend my most sincere congratulations to all the Innovators, to the World Bank, to the Entrepreneurs, to the Incubators of the whole hemisphere.

You may be asking yourselves what a Minister of Finance is doing in a meeting like this. In general, Ministers of Finances struggle to achieve a well-spend budget or, even better, a less-spend budget, but today I want to leave that part away since the beginning.

A country, that works well, becomes a prosperous country. Nowadays, in the world there is no prosperity, growth, neither development, nor major equality if we do not have an innovative economy. The facts are absolutely clear in this matter; the growing economies are those economies where the productivity grows up and the total factor productivity -if we want to use the technical expression- grows up too, and that requires something very basic, at the end the innovation is no more than a person, a man, a woman, often a young man or a young woman, a good idea, putting this idea into practice.

When someone asks me about what remains after all the speeches, after all the theories, after all the information on economic growth, which the central idea is, my answer always is the same: a person, an idea, talent, possibilities to put this idea into practice, a lot of effort, perseverance and there we have a new technique, a new product, a new process, a new market, the growth is finally this. You know it very well, I must not extend myself in this point, because you have lived through it, you feel it, you know it.

If we review the recent and the no so recent experiences, we can notice that there are four things that are needed -necessary conditions and maybe not enough- in order to have an innovation process that permits that new product or that new technique to be put into practice.

The first and essential characteristic is lower transaction costs, in simple words, that a person does not spend the life doing procedures and obtaining documents, does not spend too much in legal infrastructure, material and practice to put an idea into practice, to develop, to apply, to construct, to design, to market and to sell.

And here, in this first point, about lowering the transaction costs, is where governments and citizens have a responsibility, but what the citizens do? Citizens do what you do. They gather in crowds, they help each other, they look for common sources of advising, they reduce these costs, they share certain infrastructure, they do what the incubators do, that is to say, they allow those ideas to be possible. Otherwise that would be expensive, inaccessible, and difficult.

However the government has much to do about it, because there are countries where it is easy to have an idea and to put it into practice, but there are some others where that is difficult. For example, there are countries, where the procedures to begin a business take months, and in others are needed only 2 steps and a signature. Reducing this kind of transaction costs is important, digitalizing the organisms of the State, takes us in this direction. An organization where it could be realized on-line this kind of procedures is very different from that one where it is necessary to do rows to get a document.

In Chile, I think that in someone of these dimensions we have advanced. We have certain public services that are an efficiency and digitalization model. I would dare to say that the SII is a good example of this; it has a percentage of people doing their electronic procedures, which is comparable with those of any developed and growing country. More than 90 % of Chilean people realize their tax declarations by this way, a percentage

without precedents in growing countries, even higher, for example, than The United States one.

The Registry Office is an organization where it is possible to obtain a document in a couple of days and in some cases immediately, but there are other services, another kind of procedures and documents that until today are expensive and a thorny issue, and it is a daily mission to reduce these costs.

An example is the Administrator and Notaries system, whose services in Chile are necessary to do an immovable transaction, or for a contract of public deed in the case of the notaries, this public system is rigid and also it is an expensive system in accordance with the studies that we have entrusted to the BID, because of that the President, Mrs. Bachelet has said that it is a priority for the government to reform this matter.

The first idea is to reduce transaction costs and to create a friendly negotiation environment with the entrepreneurs.

The second, financing, because to have an idea is not enough, it is necessary to have an idea and is necessary to have the money to put it into practice, and the ideas and the money do not always come from the same person. In fact the beauty of the ideas is that they are distributed in the society independently of the origin of the person, independent if it is a person from a wealthy family or not, the ideas, the creativity and the talent are distributed in the society, but the resources can be much more concentrated.

Consequently, a key question is how this money is reached by those who have the ideas. For this we need a financial system for innovation that is not the same thing that a financial system for traditional companies. A country that promotes the innovation must have a financial system that goes together with growing companies in their different needs. A company with three associates -which has sold nothing yet- has very different financial needs from that one that has ten years on the market that has a support, and it has others very different from that one that has 500 workers and a quantity of fixed assets that can be used as a guarantee.

And here we can imagine different steps: for example, incubators are often in charge of starting up the business through small sum of money at the beginning. After that, a company wants to grow up so it is necessary to rely on risk capital, a bigger sum of money and no traditional mechanisms for financing.

In Chile, we have worked in this and a law that permits to create a series of mechanism for promoting the risk capital was approved at the ending of the last year, in which funds with some regulations are established, in which the private and public sector can invest, and at the same time if some requirements are met there is an extent of capital gain taxes, we expect that this law releases at least U\$2.000.000.000, important amount, which can be used by banks, institutional investors, natural people, and be conducted in a suitable way with some tributary advantage to the risk capital and innovation. There are money and instruments.

I remember when few days ago a person in charge of some funds told "we have the money, now we just need the projects". And I suspect in this room there are many projects so now we need to celebrate the wedding or at least the date between the money and projects.

Then the enterprise grown there must be another ways of financing. When an enterprise has certain rating and assets can obtain bank financing, tomorrow can issue bonds and why not, participate in the stock market. In Chile, we have a growing stock market with some tributary benefits that we have extended considering that the purpose of the

financing mechanism is that: a small-sized enterprise selling shares is the entrepreneur's dreams.

Nobody can ensure that it is going to work, but it is very important that mechanism, efforts, encourage, laws and institutions exist. I think, that in the case of Chile, we can say that these conditions are present and they are increasing every day.

The third requirement for the good innovation working is to rely on public policies correcting the market potential fails, which are known for any who has a basic knowledge about economic growth. This people know that we can find the most of market potential fails exactly in the innovation, research and knowledge area. Why? Because, for example, the social return is not the same that the private return. That what is received by the creator is less than the society receives, as these two points are not in the same line frequently societies sub-invest in research, development and creativity. Therefore there are potential fails of coordination for the growth of an innovative sector or development pole.

Yesterday, I was visiting the 8th of Chile and some people talked to me about an innovative pole related to plastics and chemicals, but and innovative pole is not an enterprise, this is a cluster and there public, infrastructure and legal measures are required, also it is necessary to coordinate suppliers, enterprises, universities, researchers and to include the role of the public policy.

There are countries where the public policy can see the things in this way and take actions about these businesses, but others countries do not.

And with this I come back to my last thought, the other thing necessary is the pro-innovation institutionalism in the State, because if we are thinking about these businesses we could solution them, but if none sees this things in that way, wondering which the sub-invested area is, where the market fail is, where the potential fail of coordination is, that does not spontaneously happen, that is the essence of a market fail, the market can do it but does not do it.

For this purpose we need institutions and those have to solve two problems: one of them, the innovation whatever how good sounds, whatever its attractive meaning is, in the reality is not urgency for the society. Societies always have other needs more urgent than innovation, it seems more important to invest in education, health and home, therefore in order that the society invest in a public effort in research and development, there must be institutions that permit to improve this myopia. Therefore the most important role of these public institutions is a long-term view. The second important word is autonomy, because we do not want granting systems, public supporting systems which can be captured by users, because it is necessary to tell the true, in the Latin-American history there are many granting systems of this type for the entrepreneurship, small-sized enterprises, etc., but finally they have been designed and used by those that receive the benefits and not by those that could be beneficiaries because they are not represented. This point is very important; the innovation policy is not just for those that are, it is also for those that could be.

But when those that are, those that have contacts and friends, take all that is offered by the policy, those that could be, those people that has not innovated yet, those that have a good idea, they are not beneficiaries of this policy. So the answer is institutions with autonomy and a long-term view.

In Chile we work in some like that, we have a project in the Congress, which will allow to create an innovation fund for the competitiveness financed by the incomes from specific taxes on mining, sector that provides about U\$120.000.000 per year, we are going to add that for research. For this fund we create an autonomous commission made up of

people with a great career in order to support and assist the government in taking medium-term measures needed in the innovation area.

When we think of institutions, not only the State has importance also other sources of knowledge, universities. In innovative countries enterprises, universities and government talk, particularly universities and enterprises. There would not be Silicon Valley without Stanford; there would not be a development pole of biotechnology in the South of London without Oxford or Cambridge and etc. But in Latin America these things are not considered in the same way, that is the reason for creating mechanism and institutions that make possible that conversation. In Chile, we have some of these initiatives, there is a law project going in the right way in the Senate, which will permit that when an agreement between an enterprise and some certificated research organism is signed the 35% of agreement cost can be used as a tributary credit, it means, the public policy and the tributary policy give a little push for the necessary conversation between enterprises and universities.

I come back to my first idea; the growth is a person, an idea and some needs that are essential for the success of this idea and taking it into practice. I talked about reducing transaction costs, innovative mechanism of financing and the role of the public policies and institutions. And after mentioning all these grandiloquent things, all of them slowly performed, I finish telling you that a fifth need exists, a fifth requirement for everything works, something provided by people not by policies or institutions that is named: desire, tenacity, perseverance, creativity, effort and discipline.

As I previously mentioned, yesterday I visited the 8th region of Chile with the President, Mrs. Bachelet and in one of the events while people who received support from CORFO were getting awards for innovative entrepreneurs, creative initiatives, and a children orchestra from the south of the country were playing, its conductor told me that this day children woke up at 5:00 in the morning, traveled through the region during all day, played their instruments until the previous midnight to play in front of the President. Then I thought that entrepreneurship is not so different from to be a humble boy learning to play an instrument, it is necessary desire, effort, courage, determination and to be sure that it is possible. I am sure that you have the certainty that it is possible, that the things can be done, and the long-term creativity and discipline work.

Once again, welcome and congratulations.