

PROJECT SUMMARY

CREATION OF AN ALTERNATIVE INVESTMENT MARKET PLATFORM FOR SMALL ENTERPRISES IN CHILE (CH-M1054)

Small and Medium Enterprises (SMEs) in Chile are a key driver of GDP and a large generator of employment. However, limited access to finance restricts SMEs from achieving their full potential, as 59% of loans given to SMEs in Chile require collateral of 345% of the value of the loan. Also, according to the financial regulatory authority, out of the whole amount of credit given in a single year, only 17.5% of it is granted to SMEs, and the rest (82.5%) is granted to large companies which represent 0,4% of the enterprises in Chile. As a result, SME's are not able to get the enough financing from commercial banks as needed to accomplish sustainable growth.

The traditional mechanism to access equity financing in any country is the stock market. Nonetheless, due to the high issuing costs most SMEs are unable to gain access to it. Thus, there is a market need for alternative investment products that can bare the risk of more flexible terms suited to SME needs, while still providing attractive returns for investors. The creation of an alternative investment market would supply the long term financing needed for SMEs to further grow and innovate.

This project seeks to support the creation of an Alternative Investment Market Platform (AIMP), a market-based mechanism for acquiring and selling equity SMEs in Chile. The AIMP will develop a standardized due diligence process and introduce an innovative model for matching pre-screened companies with potential investors, lowering transaction costs for both the SMEs and the investors; and bringing supply and demand to the same negotiating platform.

In order to support the launching of the AIMP, the project team is requesting a non-reimbursable technical cooperation, which will finance activities associated with the structuring of the AIMP. Expected results include 20 SMEs registered in AIMP by project-end; at least 12 accessing long-term financing; and at least US\$15 million of financing mobilized through the platform.

The Executing Agency for this project is the National Chamber of Commerce and Tourism of Chile (NCC). Other agencies supporting the project include the Electronic Stock Exchange of Chile, which is providing the technological systems; the Production Development Corporation of Chile (CORFO), which is providing technical assistance for supporting the platform implementation; and the Ministry of Economics of Chile, which is endorsing the platform. Additionally, the Andean Corporation of Development (CAF) has already provided a small technical assistance to develop the initial studies for the setting up of the AIMP.