



Update Study on the Public Policy Index for SMEs in Latin America and the Caribbean (IPPPALC)

Economic and Technical Cooperation

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F O R E W O R D

This document has been prepared in compliance with Activity II.1.1 of the Work Programme of SELA for the year 2016, entitled "Update Study on the Index of Public Policies for SMEs in Latin America and the Caribbean (IPPPALC)".

The document consists of an introduction and three sections. Section I studies the experiences of other regions in adapting the Public Policy Index for SMEs developed by the OECD. Section II focuses on explaining the status of the public policies for SMEs in Latin America and the Caribbean. Finally, section III presents a procedural framework for implementation and assessment of the Public Policy Index for SMEs in Latin America and the Caribbean (IPPPALC).

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EXECUTIVE SUMMARY

The Public Policy Index for Small and Medium Enterprises in Latin America and the Caribbean (IPPPALC) is a conceptual and methodological adaptation of the Public Policy Index created and implemented by the OECD. This indicator aims at optimizing the decision-making process to promote the performance of Small and Medium Enterprises (SMEs), through the assessment of thematic areas closely linked to its operation.

This tool, created by the OECD, has been implemented in different regions of the world. Its design and implementation is based on the adoption of common priorities and criteria that are framed within a strategic plan to promote the development of SMEs. In this regard, it is noted that the theoretical foundations that served as the basis for the creation of the of Public Policy Index for SMEs are found in the 10 principles of the Small Business Act for Europe, in that, in its adaptation to the ASEAN countries, the principles of its Strategic Action Plan served as a platform for the development of SMEs.

The first implementation of the indicator was made in 2008 in the Western Balkan countries, enabling identification of those aspects that hindered the healthy development of SMEs. Subsequently, in 2014, the ASEAN countries implemented the public policy index that allowed determination of priority issues such as access to finance, the operating environment and the presence of new technologies and innovative processes in small and medium enterprises. In 2014, the index was also applied in the countries of North Africa and the Middle East with the aim of optimizing support policies for the development of SMEs. The results of this implementation allowed for prioritizing of decision making in areas for removal of administrative burdens, skills training and technology development in enterprises.

However, in the case of Latin America and the Caribbean, there is an evident absence of common criteria and objectives for the construction of a regional strategic plan to promote the development of SMEs. Nevertheless, and in order to cover this institutional weakness, since 2015 SELA has developed the Public Policy Index for SMEs in Latin America and the Caribbean (IPPPALC) adapted to the structural characteristics of Latin American and Caribbean countries, on the conceptual basis of productive transformation and articulation for the promotion of an innovative, productive, articulated and competitive business ecosystem.

To assess the performance of SMEs in Latin America and the Caribbean, the available information barely allows for identifying obstacles in major thematic areas associated with the operation of SMEs, such as access to finance, incorporation of new technologies and promotion of innovative production processes, insertion of SMEs in international markets and simplification of administrative procedures for business operation. However, this information is insufficient for optimizing the process of decision making, so that the IPPALC becomes a very useful tool for conducting a more specific diagnosis of the challenges that SMEs are facing in region.

This indicator comprises nine (9) dimensions, twenty-five (25) sub-dimensions and one hundred and twenty (120) indicators that address the areas of major impact on the performance of SMEs. For its effective implementation, a procedural framework is proposed comprising five (5) integrated phases, whose compliance is expected in a period of eleven (11) months. The implementation of IPPALC is an effort that requires the participation of various public and private actors, who will be consulted on the information-gathering tool designed by SELA.

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From the application of the tool, two aggregated assessments corresponding to the public and private sectors will be achieved, whose views on consulted aspects may differ. To do this, and becoming one of the main benefits of the IPPALC, Public-Private Meetings are proposed where, with the participation of a group of previously selected experts and the contrast with national statistical information, a consensus on assessments is achieved. Additionally, and as a complementary procedure for obtaining final ratings, sessions to conciliate results are proposed where those assessments are adjusted without consensus in the previous phases.

Compliance with each of these phases will enable achievement of the results, which will be analysed in a final report that will become the key element for optimization of the process to design, formulate and implement public policies for the development of SMEs. With the development of the IPPALC, SELA focuses efforts on promoting the implementation of this valuable tool as a strategy to boost productive transformation and articulation in Latin America and the Caribbean.

INTRODUCTION

The Public Policy Index for Small and Medium Enterprises in Latin America and the Caribbean (IPPALC) is a conceptual and methodological adaptation of the Public Policy Index created and implemented by the OECD. This indicator aims at optimizing the decision-making process to promote the performance of Small and Medium Enterprises (SMEs) in the region, through the assessment of thematic areas closely linked to its operation.

The design and implementation of the Public Policy Index are based on the adoption of common priorities and criteria that are framed within a strategic plan to promote the development of SMEs. In this regard, it is noted that the theoretical foundations that served as the basis for the creation of the of Public Policy Index for SMEs, developed by the OCDE, are found in the 10 principles of the Small Business Act for Europe, in that, in its adaptation in other parts of the world, the principles of action plans have served as a platform for the development of SMEs.

However, in the case of Latin America and the Caribbean, there is an evident absence of common criteria and objectives for the construction of a regional strategic plan to promote the development of SMEs. Nevertheless, and in order to cover this institutional weakness, since 2015 SELA has developed the Public Policy Index for SMEs in Latin America and the Caribbean (IPPALC) adapted to the structural characteristics of Latin American and Caribbean countries, on the conceptual basis of productive transformation and articulation for the promotion of an innovative, productive, articulated and competitive business ecosystem.

This indicator comprises nine (9) dimensions, twenty-five (25) sub-dimensions and one hundred and twenty (120) indicators that address the areas of major impact on the performance of SMEs and, for its effective implementation, a procedural framework is proposed comprising five (5) integrated phases, whose compliance is expected in a period of eleven (11) months.

This document provides an update of the study [“Methodological considerations for developing a SME Public Policy Index for Latin America and the Caribbean \(IPPALC\)”](#) (SP/RRPPPA-PYMES/DT N° 3-15), presented by SELA at the Regional Meeting on Public Policies for the Promotion and Support of SMEs (Cartagena, Colombia. 23 and 24 April 2015).

The document comprises three sections: the first of which analyses the implementation of the Public Policy Index for SMEs by the OECD in other regions, emphasizing the methodological aspects associated with the adaptation of the structural characteristics of each geographic area and the results obtained after its implementation.

In the second section, an analysis is carried out on the present situation of the public policies directed to the SMEs of Latin America and the Caribbean, highlighting the main obstacles and current weaknesses in the business ecosystem.

Finally, in the third section of the study, a procedural framework is developed for the implementation of IPPALC. Specifically, it explains five phases required to ensure an optimal implementation of the tool, ranging from the selection of qualified informants to the obtaining of results and the publication of the report that serves as a basis for decision-making of efficient public policies

I. OECD PUBLIC POLICY INDEX FOR SMEs AND ITS ADAPTATIONS

1. Introduction

Small and Medium-Sized Enterprises (SMEs) worldwide have operated as a driver for economic growth and have contributed to poverty reduction. SMEs generate economic growth because they have the ability to create new jobs, expand the taxable base and foster innovation (Katua, 2014).

In order to assess the national and regional efforts in policies directed toward the SMEs, the Organization for Economic Cooperation and Development (OECD) prepared a SMEs Public Policy Index (IPPP) that is used to monitor and facilitate dialogue, coordination and promotion of good practices. This tool allows assessment of the institutions, programs and decisions linked to the SMEs in the region, identification of their impact on the development of these businesses and identification of the existing gaps in both the design and the implementation of relevant public policies. This chapter presents three adaptations of the index that have been successfully implemented in several regions, namely:

- i. IPPP for Western Balkan countries (Albania, Bosnia and Herzegovina, Croatia, Kosovo, the Republic of Macedonia (former Yugoslavia), Montenegro and Serbia)
- ii. IPPP for ASEAN countries (Brunei Darussalam, Cambodia, the Philippines, Indonesia, Laos PDR, Malaysia, Myanmar, Singapore, Thailand and Vietnam)
- iii. IPPP for countries of the Middle East and North Africa (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, the State of Palestine and Tunisia).

In this study, the dimensions conforming each index will be considered and their adaptations will be compared with the first implementation performed in the Western Balkan countries. Additionally, the results obtained by dimension will be briefly presented, the distinction of each adaptation will be analysed and the actions arising from the results obtained will be presented.

2. Function, importance and objectives of the OECD Index

The main objectives of the SMEs Public Policy Index (OECD, 2008) are:

2.1. Structured assessment

- Assess the progress of the SMEs public policy reform; and
- Follow up the performance of the countries with regard to each one of the aspects covered by the index.

2.2. Support for improvement

Prioritize the needs that arise at national and regional levels, to formulate public policies aimed at supporting the business formation process.

2.3. Regional collaboration and counterpart review

Promote a more effective review of counterparts through a common framework for assessment.

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2.4. Participation of the private and public sectors

- Provide a simple and transparent tool for communication with potential entrepreneurs and investors; and
- Establish a rating process that encourages public/private consultation.

2.5. Planning and allocation of resources

- Facilitate medium term planning, particularly for dimensions that require several years to develop; and
- Provide a tool for mobilization and allocation of resources, identifying strengths and areas susceptible to improvement.

3. Adaptations of the OECD Index and its dimensions

In this section the three adaptations of the mentioned IPPE will be presented, dimensions and sub-dimensions will be listed and the general assessments obtained in each will be mentioned. Finally, the utility given by each group of countries to this tool will be presented.

3.1. Western Balkan Countries (May 2008)

The first implementation of the IPPP of the OECD started its development in 2006, in a joint effort with the European Bank for Reconstruction and Development adapted for the Western Balkan countries: Albania, Bosnia and Herzegovina, Croatia, Kosovo, the Republic of Macedonia (former Yugoslavia), Montenegro and Serbia.

The implementation of the IPPP arises as a response to the request by the National Letter of coordinators in 2006, to have a more systematic and analytical tool that enables monitoring of the development of policies and identifying existing gaps in the business environment. The dimensions considered in this index were (OECD, 2008):

TABLE 1
Implementation of the IPPP in the Western Balkan Countries

DIMENSION	SUB-DIMENSION	EVALUATION
1.) Training and Entrepreneurial education	1.1.) The Regulatory Framework for entrepreneurial education 1.2.) Non-formal education to promote entrepreneurship	Training and entrepreneurial education is beginning to be developed in the region, although the entrepreneurs are limited to traditional business areas. Recommendations are to treat entrepreneurship as a key area from primary education.
2.) Operational Environment and Simplification of Procedures	2.1.) Company registration and certification 2.2.) Company identification numbers	The company registration process is advanced. The next restructuring to be made to the registration process will be aimed at improving the single windows, licenses, permissions and establishing electronic company registration.

DIMENSION	SUB-DIMENSION	EVALUATION
	2.3.) Conclusion of the registration process and entry into operation 2.4.) Increased online access for registration	
3.) Better legislations and regulatory frameworks	3.1.) Evaluation of the impact of new regulations on SMEs 3.2.) Simplification of procedures 3.3.) Institutional framework for SMEs and their development	<p>In the Western Balkan countries, improvement of legislations and regulatory frameworks have shown mixed results.</p> <p>The Institutional Framework is usually well established, but progress in the simplification of procedures and administrative processes has been limited.</p>
4.) Capacity availability	4.1.) Analysis of training necessities and entrepreneurial training 4.2.) Quality assurance 4.3.) Accessibility 4.4.) Affordability	<p>The gap between supply and demand of capacities continues to increase given that countries have not established a monitoring system to determine how supply and demand evolve on the labour market.</p> <p>Neither has the quality assurance in the training programs offered been effectively addressed.</p>
5.) Enhancement of e-government platforms.	5.1.) Tax payment 5.2.) Implementation of services and licenses 5.3.) Information Availability	<p>In this dimension countries are at different stages; Croatia stands out for its development in e-government initiatives, while other countries do not even have basic internet websites for SMEs, although there is a wide range of e-government services that are emerging.</p>
6.) Exploit common market benefits.	6.1.) Programmes to promote exports 6.2.) Programmes to improve competitiveness in the SMEs	<p>Most countries have shown limited development in promoting exports and programs for competitiveness because they have used incomplete initiatives that do not follow an overall strategy.</p> <p>SMEs should be prepared to enter the EU market by adopting sanitary and phytosanitary community standards and the certification systems of partner companies, the biggest challenge being compliance with these technical and quality standards.</p>
7.) Tax and financial issues	7.1.) Adaptation of the taxation system to favour SMEs 7.2.) Finances	<p>Progress has been evident in all countries. On the tax side, countries have managed to reduce the tax burden for all businesses, including SMEs. However, there are pending improvements in the administrative area of tax payment.</p> <p>With regard to financing, it is noted that the restructuring of the banking sector has begun to reflect a positive impact and the leasing sector</p>

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DIMENSION	SUB-DIMENSION	EVALUATION
		has shown rapid growth in the region; meanwhile, collateral requirements remain high and need to be reviewed throughout all countries.
8.) Strengthening the technological capacity of SMEs	8.1.) Encourage the use of SMEs technologies 8.2.) Encourage technological cooperation 8.3.) Development of clusters and networks among enterprises	The use of technology in SMEs is slowly gaining strength. Technology transfer and alliances with universities for Research and Development (R & D) are in the early stage. However, in terms of Foreign Direct Investment (FDI) it is promising that all countries in the region have adequate legislation for Intellectual Property Rights (IPR).
9.) Successful electronic business models and high performance business support	9.1.) Facilities and support services for SMEs 9.2.) Information availability to SMEs 9.3.) Law on electronic signatures.	With the implementation of the index, the need for greater clarity and quality standards in services provided was identified. In spite of this, funding through grants has allowed significant development of support facilities and supply of information services.
10.) Effective representation of SMEs interests.	10.1.) SMEs networks 10.2.) Consultations	Although better representation of the SMEs has been observed, it is still necessary to continue working for a more effective representation.

The assessment obtained shows that there is still much room for improvement in the operational area, such as company registration, taxation and access to finance. In addition, all countries should work on developing the capacities of man labour.

After its first implementation, subsequent studies were conducted to monitor the progress of the European Charter for SMEs in the Western Balkan countries and, in 2009, the OECD decided to work in cooperation with the Warwick Business School in order to seek solutions to encourage fast-growing SMEs, based on good practices of the OECD and EU (OECD, 2009).

3.2. ASEAN (June 2014)

Meanwhile, the ASEAN IPPP was developed for its member countries, namely: Brunei Darussalam, Cambodia, the Philippines, Indonesia, Laos PDR, Malaysia, Myanmar, Singapore, Thailand and Vietnam. It was prepared in collaboration with the Economic Research Institute for ASEAN and East Asia (ERIA), the OECD and the Working Group for SMEs in ASEAN (SMEWG).

This implementation consists of eight (8) dimensions, and the results of the assessment will mention two (2) groups of countries comprising ASEAN: *ASEAN-6*, which are the most developed countries, comprising Brunei, the Philippines, Malaysia, Indonesia, Singapore and Thailand; and the *Less Developed Countries* (LDCs): Cambodia, Laos, Myanmar and Vietnam (OECD, 2014-a. Therefore:

TABLE 2
Implementation of the IPPP in the countries of ASEAN:

DIMENSION	SUB-DIMENSION	EVALUATION
1.) Institutional Framework	1.1.) Definition of SMEs 1.2.) Intra-governmental Coordination for policy development 1.3.) Development strategy for SMEs 1.4.) Agencies for the implementation of policies for SMEs 1.5.) Facilities for the transition from the informal sector to the formal sector	In the IPPP of the Western Balkan countries, Institutional Framework assessment is studied as a sub-dimension. However, in the index of ASEAN, greater importance is given to this issue approaching it as a dimension. It is noted that there is an unequal development among member countries; Indonesia, Malaysia, Singapore and Thailand being those that show a more developed institutional framework. The other Member States do not have a legal framework or the appropriate institutional capacity.
2.) Access to Support Services	2.1.) Policy framework for Support Services 2.2.) Promotion of Online Service	This dimension has the same purpose as that proposed for the implementation of the Western Balkans: "Successful electronic business models and high-performance business support" . In ASEAN, access to these services by the SMEs in LDC is hindered due to a lack of action plans for the supply of such services, the low quality provided in the Centres for Entrepreneurs Support Services, lack of a legal framework, and the underuse of e-government tools aimed at the simplification of procedures.
3.) Operational Environment and Simplification of Procedures and Regulatory Framework	3.1.) Operational Environment and Simplification of Procedures 3.2.) Better legislations and regulatory frameworks	This dimension merges two dimensions of the IPPP in the Western Balkans: "Operational Environment and Simplification of Procedures" and "Better legislations and regulatory frameworks" . The procedure for business registration and entry into operation is more developed in the more advanced countries (ASEAN-6) than in the less advanced. However, the gap in performance is not significant among the groups of countries.
4.) Access to Finance	4.1.) Legal and regulatory Framework	Unlike the adaptation of the Western Balkans, the Index applied in ASEAN does not make a direct assessment of taxation of SMEs; in this

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DIMENSION	SUB-DIMENSION	EVALUATION
	4.2.) Solidity and diversification of the financial markets	dimension, it exclusively addresses access to financing. The gap in access to financing, among groups of countries, LDCs and ASEAN-6, is exacerbated by the poor functioning of the poor cadastre system, the strict collateral requirements and inadequate protection of the of creditors' rights.
5.) Innovation, Technological Adequacy and Transfer of Technologies	5.1.) Technologies and technological transfers 5.2.) Promotion of technological cooperation for Research and Development, focused on the commercialization of knowledge 5.3.) Promote clusters and business networks 5.4.) Finance and technological development	This dimension of the IPPP of ASEAN is the equivalent dimension to " Strengthening the technological capacity of SMEs " from the Western Balkan countries index. However, the sub-dimension Finance and technological development is added where financial incentives and access to public grants for R & D are evaluated. This dimension has the strongest marked gap among groups of countries. Among the causes, the most significant being poor information on innovation support services, limited access to standard certification services, lack of technological support in the universities and few links between SMEs and R & D centres.
6.) Internationalization of the SMEs	6.1.) Export promotion program 6.2.) Availability of valuable information from the international market 6.3.) Export capacity building programs 6.4.) Financial Facilities for SMEs export 6.5.) Reduction of export dispatch costs	Equivalent to the dimension " Exploit the benefits of the Common Market " of the Western Balkans. However, in ASEAN, the financial facilities available to SMEs to export and the quality information provided to SMEs in the international market are evaluated. The differences in performance between ASEAN-6 and PMD are because there is better structuring of the programs for promoting exports and for providing consultancy and information in the countries of ASEAN-6.
7.) Promoting Business Education	7.1.) Policy for the promotion of entrepreneurship 7.2.) Promoting entrepreneurial education in Primary Education	Additionally, this adaptation includes the monitoring of the collaboration between the private sector and the academy for business training. This dimension has a low rating at the ASEAN level, associated to the fact that most member

DIMENSION	SUB-DIMENSION	EVALUATION
	7.3.) Promoting entrepreneurial education in Higher Education 7.4.) Collaboration between Academies and Enterprises 7.5.) Entrepreneurial education and management in Informal Education	countries have not clearly articulated policies for the promotion of business education nor have they incorporated into their national development plans the budget and monitoring tools to assess the status of their policies directed to this sector.
8.) Effective representation of the SMEs interests	8.1.) Role and capacities of the SMEs associations 8.2.) Participation in consultations in the formulation of Policies for SMEs	At the level of ASEAN, there is an active participation of industry associations, businesses and SMEs, in the creation of mechanisms for consultation with government bodies for policymaking.

With the outlining of the IPPP of the ASEAN, it was possible to identify the main obstacles faced by the SMEs in each member country of the bloc. Therefore, they were able to determine priority aspects such as Access to Finance, and Operating Environment and Simplification of Procedures and Innovation, Technological and Adequacy and Technology Transfer. (ERIA (2014)).

Additionally, the results obtained with the IPPP enabled the ASEAN Secretariat to develop the Strategic Action Plan for Development of SMEs in ASEAN 2016-2025, addressing the main obstacles faced by the SMEs in these countries. This plan is the continuation of the SAPASD 2010-2015.

This post-2015 Action Plan was presented at the 27th ASEAN Summit with the aims for 2025 being the creation of competitive, resilient and innovative SMEs that are integrated into the ASEAN community and form part of an inclusive development process in the region.

3.3. Countries of North Africa and the Middle East (September 2014)

This third adaptation corresponds to the Public Policy Index for SMEs in the countries of North Africa and the Middle East: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, the State of Palestine and Tunisia.

The economies of this region have recently started taking proactive measures to support SMEs. This relatively new turn represented a significant change to the policies of the past. The focus is now on supporting companies and strategic sectors. This change of perspective in the policies for SMEs was prompted by the need to create more and better jobs, as the labour supply has expanded, with educational levels that surpass their predecessors. (OECD, 2014-b)

The European Commission and the OECD, in cooperation with the European Training Foundation (ETF) and the European Investment Bank (EIB), conducted the implementation of the index in 2013 in a joint effort. This adaptation was carried out under the Euro-Mediterranean Industrial Cooperation Process, with the active cooperation of governments in North Africa and the Middle East and an extensive consultation with experts, and organizations representing the SMEs sector.

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This adaptation of the IPPP includes ten (10) dimensions, from which results were obtained that enable assessment of the policies for SMEs in the economies studied (OECD, 2014-b):

TABLE 3
Implementation of the IPPP in countries of North Africa and the Middle East

DIMENSION	SUB-DIMENSION	EVALUATION
1.) Business education and training, including women's entrepreneurial education	1.1.) Policy Framework for entrepreneurial training 1.2.) Secondary Education 1.3.) Higher Education 1.4.) Female entrepreneurship	<p>The index reveals that in these countries progress in policy development after 2008 has been limited, particularly the issue of how education systems address entrepreneurship as a key competence.</p> <p>Regarding the promotion of women's entrepreneurship, it is noted that efforts remain limited given the lack of initiatives by the government, businesses and civil society. However, several countries have made substantial progress either in policy development or by establishing network support. In this sense, advances require improvements in training and tutoring services to ensure that women can contribute to increasing the competitiveness of each economy.</p>
2.) Efficient bankruptcy procedures and "second chances" for entrepreneurs	2.1.) Bankruptcy procedures 2.2.) Procedures for second chances	<p>From the adaptations addressed in this document, only this one includes a dimension for evaluating bankruptcy procedures and "second chances".</p> <p>According to the evaluation of policies conducted in 2008, the laws for companies facing difficulty and bankruptcy are in effect in all economies assessed. However, evidence of effective implementation is either scarce or non-existent. In addition to this, none of the countries carry out information campaigns to spread the concept of "second chances" nor are there any programs for a "new beginning" for entrepreneurs after bankruptcy.</p>
3.) Institutional and Regulatory Framework for SMEs policy making.	3.1.) Institutional Framework for SMEs policies 3.2.) Better legislations and simplification of procedures 3.3.) Public-Private Consultations 3.4.) Business Networks and Associations	<p>As in the IPPP of ASEAN, in this adaptation the Institutional Framework is considered a specific dimension.</p> <p>The evaluation of this dimension showed that although most countries have institutions for coordination among the mechanisms, the lack of a comprehensive strategy limits opportunities. Only Jordan has made significant progress in developing a strategy; the remaining countries do not have a defined strategy but are based on general policy guidelines.</p>

DIMENSION	SUB-DIMENSION	EVALUATION
4.) Operative Environment for the creation of SMEs	4.1.) Company registration 4.2.) Other indicators related to registration, notification and compliance	In this adaptation, this dimension includes the issue of single windows. Generally, since 2008, countries have shown progress in the operating environment due to a reduction in registration costs, the introduction of a unique identification number for public administration and the expansion of single windows. Meanwhile, the supply of e-government services, including online records, is still poor.
5.) Access to Support Services for SMEs and public contracting	5.1.) Business Support Services 5.2.) Clear and precise information for enterprises 5.3.) Public Contracting	In this adaptation, monitoring of access facilities for SMEs to access public contracting was added for promoting their access to public markets. Since 2008, all the economies have a range of services addressed to the SMEs and have taken actions to facilitate SMEs access to public contracting. However, there is still poor performance in spreading relevant information to the SMEs.
6.) Access to financing for SMEs	6.1.) External financing sources for SMEs 6.2.) Legal and Regulatory Framework for external financing 6.3.) Financial Education	This dimension covers aspects addressed in the dimension " Access to Finance " from the IPPP of ASEAN and assesses the strategy for financial education. The bank loans are the main source of external financing for the SMEs in these countries. In spite of this, access to bank credits is still limited in the region. The other sources of financing are marginal and the economic and political instability has reduced availability of external financing to the private sector. Added to this, the regulatory framework for access to financing is weak and, as a result, the requisites by collaterals remain high. Meanwhile, the coverage and quality of credit information systems have shown great progress since 2008.
7.) Support for SMEs to benefit from networks and alliances with European-Mediterranean (Euro-Med)		Due to the geographical location of the countries evaluated in this adaptation, there are possibilities to deepen integration and alliances with Euro-Med economies. The progress of alliances has been moderate since 2008. All the countries have at least one pilot project although not all have made contact, except Egypt, Lebanon, Israel, Morocco and Tunisia.
8.) Business Skills and Innovation.	8.1.) Business Skills 8.2.) Policy framework for innovation in SMEs	This dimension groups two dimensions of IPPP of the Western Balkan countries: " Availability of skills " and " Strengthening of the technological capacity of SMEs ".

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DIMENSION	SUB-DIMENSION	EVALUATION
		<p>The evaluation shows that progress has been made in promoting the development of skills for SMEs, although the state, the business world and the trainers need greater commitment and coordination. On the other hand, evidence of the skills needed by the SMEs has not been consistently gathered and analysed.</p> <p>With regard to innovation, this was identified as a weak area in the 2008 assessment. Except for Israel, Egypt and Tunisia all countries are at an early stage of development of the regulatory framework to promote of innovation.</p>
9.) SMEs in a green economy	<p>9.1.) Current status of the strategy to lead SMEs, industry and innovation towards a green economy</p> <p>9.2.) Improve the availability of expertise on environmental issues for SMEs</p> <p>9.3.) Promote the use of management systems and environmental standards</p>	<p>Experience in countries in North Africa and the Middle East has a greater focus on sustainable development and green economies.</p> <p>According to the findings of the index, all countries have developed strategic documents and laws to promote sustainable development of SMEs. However, in many cases, the application of these has been insignificant.</p>
10.) Internationalization of SMEs	10.1.) Implementation of a proactive trade policy	<p>Policy development for trade is complex and requires well-articulated measures oriented to the simplification of procedures, reduction of transaction costs and promotion of export activities. In general, countries have progressed in promoting access to foreign markets but should increase their efforts in facilitating procedures through e-government.</p>

The results about the index were presented and discussed with associated organizations and all national coordinators in Brussels in 2013, within the framework of the celebration of the "Workshop for Euro-Mediterranean Industrial Cooperation". A subsequent meeting was organized by the OECD in collaboration with the Secretariat of the Mediterranean Union, aimed at reaching an agreement on the results of the evaluation and discussing outstanding issues.

The main findings of the index were presented to ministers and participants at the ninth Ministerial Meeting of Euro-Mediterranean Cooperation in February 2014. This meeting was held for the purpose of improving support for SME development; the priority being the establishment of policies that promote equality of conditions, the removal of administrative burdens and skills training and technology development.

II. CURRENT SITUATION OF PUBLIC POLICIES FOR SMEs IN LATIN AMERICA AND THE CARIBBEAN

Small and medium-sized enterprises (SMEs) generate the employment largest share in Latin America and the Caribbean, as well as being key actors for the structural change in the region and the insertion of the countries into the international markets. However, the participation of these enterprises in the benefit of the economies is not significant and regarding exports the participation is even lower, which provides evidence of the challenges that the SMEs of the region face.

In the Seminar on SMEs Internationalization held in the ECLAC headquarters in January 2016,¹ an analysis was made of the main obstacles faced by the SMEs in the region, standing out among them the costs of entry to the markets (asymmetry in information, infrastructure, transport and procedures); compliance with the requisites of international trade (quality standards), and access to financing.

Moreover, it was pointed out that to internationalize enterprises it was necessary to promote production diversification, ease their access to financing, boost their incorporation to the value chains, favour the capacity of partnership, foster innovation, encourage research and development activities, incorporate the gender perspective, capacity building and learning, and improve the public-private coordination.

Another frequent problems faced by SMEs is that most of them operate in the informal sector, what limits their access to credit. When they have access to financing, their own risk qualification makes their financing to be punished with larger interest rates and shorter repayment periods. Just a few trained themselves to improve their operations and have little or no access to capital or seed capital funds investment. They do not have selection processes of human resources that would allow them to choose the appropriate personnel according to the needs of the enterprise. They invest little in technology, and when they do, they often acquire equipment, machinery and software that are not the best suited for their operation. They present difficulties to develop strategies for commercialization (SELA 2010).

TABLE 4
Objectives of SME policies in Latin American countries

Objective/Country	Chile	Argentina	Brazil	Ecuador	Mexico	Colombia	El Salvador
Job creation	X	X	X	XX	X	X	XX
Development of human capital	X	X	X	X	X		X
Attenuation of market failure	XX	X		X	X	X	X
Greater productivity	XX		X		X		X
Competitiveness	XX	X	XX	XX	XX	X	XX
Innovation							

¹ Santiago de Chile, Chile, 2016.

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Source: Prepared by the author, based on ECLAC and Ferraro (2014): Regional Workshop on Public Policies for SMEs.

Note: The cells marked with "XX" correspond to policy objectives with greater relevance in the country concerned. The main objectives of the policies for SMEs are job creation, troubleshooting of market failures and increase in competitiveness and in productivity.

The IPPALC considers nine dimensions that at the same time are formed by sub-dimensions and indicators that will facilitate the assessment of the current situation of the SMEs public policies in the region.

Dimensions of the IPPALC

The first dimension is referred to the institutional and regulatory framework. This dimension considers aspects linked with the functioning of those institutions responsible for coordinating and regulating the operation of SMEs.

CHART 1



Structure of the dimension: Institutional and Regulatory Framework

Source: Prepared by the author, based on SELA 2015.

As can be seen in Chart 1, this dimension consists of four sub-dimensions: (1) institutional framework, (2) effective and efficient legislation, (3) public-private consultations, and (4) think small first. These sub dimensions are distributed in a series of indicators that allow assessing more precisely the functioning of the regulations and institutionalization regarding SMEs. It should be noted that these sub dimensions are linked with each other, because although it is necessary the existence of an institutional framework that responds to the needs of the enterprises, these should operate effectively and efficiently. At the same time, the effectiveness of these institutions and regulations must be assessed; therefore the public-private consultations become an essential factor for the appraisal of the corresponding policy. Finally, all those factors should answer to the interests of the SMEs, where the Think Small First sub-dimension is derived.

The sub-dimension **(1) institutional framework** encompasses relevant aspects such as **SMEs definition**,² which is necessary to apply policies. It should be noted that the ranking of enterprises in a determined taxonomy facilitates their access to the support programmes such as credits, promotion of exports and tax schemes.

Besides, this sub-dimension assesses the coordination between the entities responsible for policy formulation, the strategy design for the development of SMEs and the support offered to those enterprises that are still found in the informal sector of the economy.

With respect to the sub-dimension **(2) effective legislation and administrative simplification**, subjects of vital importance are addressed for the strengthening of the SMEs. The administrative simplification and elimination of redundant regulations are topics to evaluate in this section. Research made by the International Sustainable Development (FUNDES) Foundation in countries of Latin America reveals that the procedures for the registration and operation of enterprises are an important obstacle for the development of business and affect in a negative way the surroundings in which the entrepreneurs have to play (ECLAC, 2007).

The process of establishing an enterprise, essential for the development of the private sector, is one of the larger limitations to the entrepreneurship in the region, because it promotes the informal operation of business and favours corrupt administrative practices. In this sense, the consequences of excessive and unnecessary regulations usually have adverse effects in the economic development of a country or region.

The 2016 Doing Business report shows that in Latin America and the Caribbean there still are deficiencies in regulations to do business in comparison with other regions. In the case of the number of procedures to open an enterprise, the average of the region is 8.3; in the countries of East Asia is 7, whereas in Europe, Central Asia and the OECD countries the average number of procedures is 4.7.

Another issue is the number of days necessary to register an enterprise, by doing a minimal follow-up of the government entities and without the need for extraordinary payments. In Latin America and the Caribbean the average is 29.4 days, whereas in Europe and Central Asia is 10 days, what makes evident the backwardness of the region in this area.

It should be noted that a wide gap is observed between the results by country in the region. In the case of countries such as Venezuela and Bolivia, the number of procedures is 17 and 15 respectively, although in Jamaica just 2 procedures are necessary to open an enterprise. As for the number of days, the process of registration of an enterprise in Venezuela can take 144 days, whereas in Panama and Mexico just 6 days are necessary. This shows the heterogeneity of the SMEs development policies and strategies in the region. Moreover, it is important to take into account that to have quick

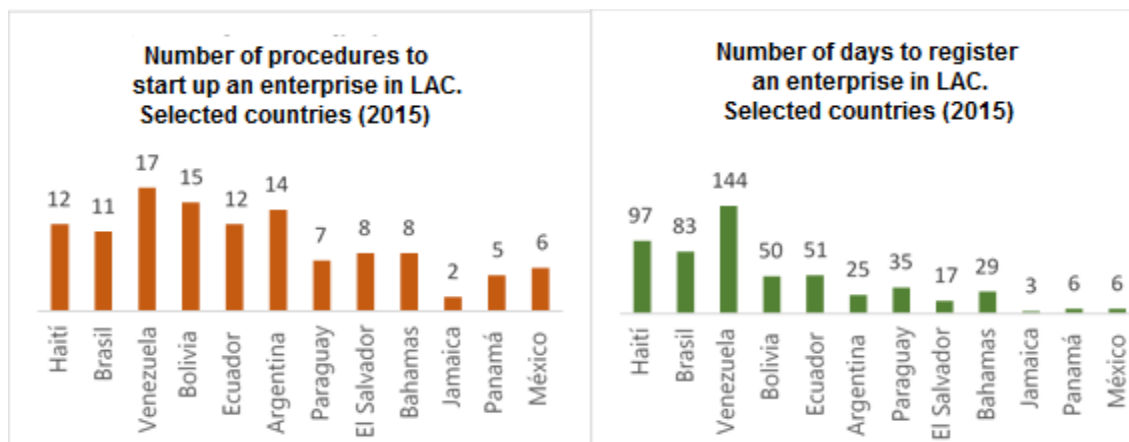
² There is not a standard definition in Latin America and the Caribbean to refer to the MSMEs sector. There are criteria used to define categories of enterprises depending on the number of employees, volume of sales or assets. If the number of employees is used, there might be considered microenterprises those of self-employment or the ones that have 1 to 5 employees; small enterprises are those that employ 5 up to 15 people, depending on the country; and medium-sized enterprises, those that have up to 200 employees. This categorization is only offered as a reference point to define the universe of enterprises considered in the analysis. If they are classified by volume of sales, the microenterprises have annual sales of US\$ 35 thousand and the small and medium-sized enterprises can be those with annual sales over US\$300 thousand (Zevallos, 2003) (VISA and Nielsen Group, August 2007, p. 2) quoted in SELA 2010.

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processes is one of the factors that promotes the formalization of enterprises, whereas the slower processes stimulate that the entrepreneurs would operate in the informal sector.

CHART 2

Procedures to start up enterprises in Latin America and the Caribbean



Source: Prepared by the author, based on *Doing Business 2016*.

The second dimension included in the Public Policy Index for SMEs in Latin America and the Caribbean (IPPALC) is the one referred to access to financing. The countries of the region fall behind in the development of credit systems capable of allocating resources to finance investment, innovations of enterprises of smaller size and risk capital for start-ups. The private banking sector shows a concentration in the short-term credit, high profit margins of intermediation and a marked segmentation of credit towards larger enterprises, excluding small and medium-sized enterprises in a significant way, prioritizing the attention to client enterprises (Titelman, 2003). The SMEs access to bank credit is smaller than the one registered by the larger enterprises, what can be linked to information asymmetry issues and the high risks attributed to financing smaller enterprises, what generates some suspicion in bank entities when granting loans. Additionally, there exist high financing costs and insufficiency of guarantees for enterprises.

Although the governments of the region have implemented measures to mitigate these difficulties and improve the SMEs access to credit, the financing programmes continue to have an important place in the agenda, because the limited access to credit is still an obstacle for the growth of the enterprises. Figures published by the World Bank point out that 37.5% of the small-sized enterprises of the region have a bank credit, whereas the larger enterprises have this percentage located at 67%. Likewise, the value of the necessary guarantee to obtain financing is 239.8% of the amount of the loan for the SMEs. These figures do not differ significantly from the result that is observed in other regions, what explains clearly that the access to financing is an obstacle for the SMEs globally.

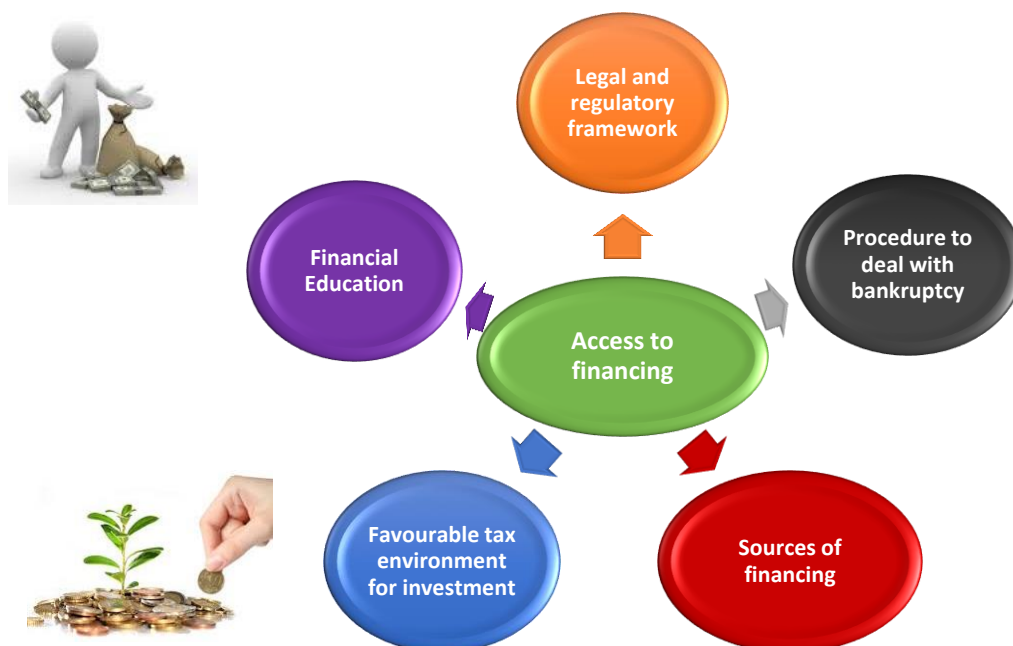
TABLE 5

Percentage of enterprises with access to bank credits or loans			LAC	WORLD
Size of the enterprise	Small	(5-19)	37,5%	29,8%
	Medium	(20-99)	55,4%	43,1%
	Large	(100+)	67,0%	50,9%

Source: *Enterprises Surveys, World Bank (2010)*.

The access to financing dimension consists of five sub dimensions that address central issues that should be assessed: (1) regulations of financial matters, (2) treatment for bankruptcy of enterprises, (3) sources of financing, (4) tax environment that would promote investment, and (5) financial education.

CHART 3
Structure of the dimension: Access to Financing



Source: Prepared by the author, based on SELA 2015.

The configuration of the financial system and the existing regulations for financing affect the degree of access to financing of the SMEs. Because of this, the sub-dimension **(1) legal and regulatory framework** takes into account the existing regulations in the region concerning credits and collaterals.

In the countries of the region there is a broad diversity of institutions that facilitate the SMEs access to financing. In some cases, a complete strategy is carried out and comprises, besides measures to channel resources, a series of services to improve access to credit, complementing the financial assistance with technical assistance. Development banking usually has the responsibility for the policies of financing. These institutions are key elements in the policies to improve the access to financing of the smaller enterprises and establish the rules of the game about regulations for the financing and collateral. Nevertheless, the necessary coordination between the policies offered does not always exist about this subject.

In this connection, the public sector should make efforts in the design of national systems of guaranties that would allow the enterprises, especially the small-sized ones, to comply with the bank guaranty requirements, and with this to improve their access to credit. However, there has been recently a strong growth in the Latin American guaranty systems, such as Mexico, Brazil, Colombia, Chile, Argentina and Peru (Pombo, 2008).

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In the experience of Latin America, two models predominate: the guarantee funds and guarantee societies. The guarantee funds are constituted with public capital applied in an automatic way without making evaluations in each operation, and the financial institution is responsible for carrying out the risk assessment. Likewise, the guarantee societies are financed with public resources and in some cases, private resources. The societies themselves assess the risk before granting financing (Llisterri, 2007).

The sub-dimension **(4) tax environment favourable to investment** is a new incorporation made in the IPPALC, considering that the original version laid out by the OECD does not include this variable. It should be pointed out that there are agreements on the mechanism of integration regarding tax environment favourable to investment in Latin America and the Caribbean, although these are not in force due to political issues, it is important to take into account their assessment.

The tax subject is one of the obstacles mentioned by the entrepreneurs for the development of their business. According to the figures shown in the Doing Business 2016 report, the number of taxes per year in the region is 30, one of the highest in the world, only exceeded by Sub-Sahara Africa, whose number is 39, and 31 in South Asia. For the OECD the number of payments is 11, and in Europe and Central Asia is 19. Furthermore, the tax rate (as a profit percentage) is 47.7% in Latin America and the Caribbean, the highest rate in the regions globally.

In this regard, it is relevant for this sub-dimension the assessment of the tax burden faced by the SMEs, as well as the cost of tax compliance and treatment of the losses.

Finally, the sub-dimension **(5) financial education** considers the evaluation of aspects that should not be ignored, such as the existence and efficiency of the programmes of dissemination of financial knowledge for entrepreneurs. Even though efforts have been made, there is ignorance in the region about financial options and terms for SMEs.

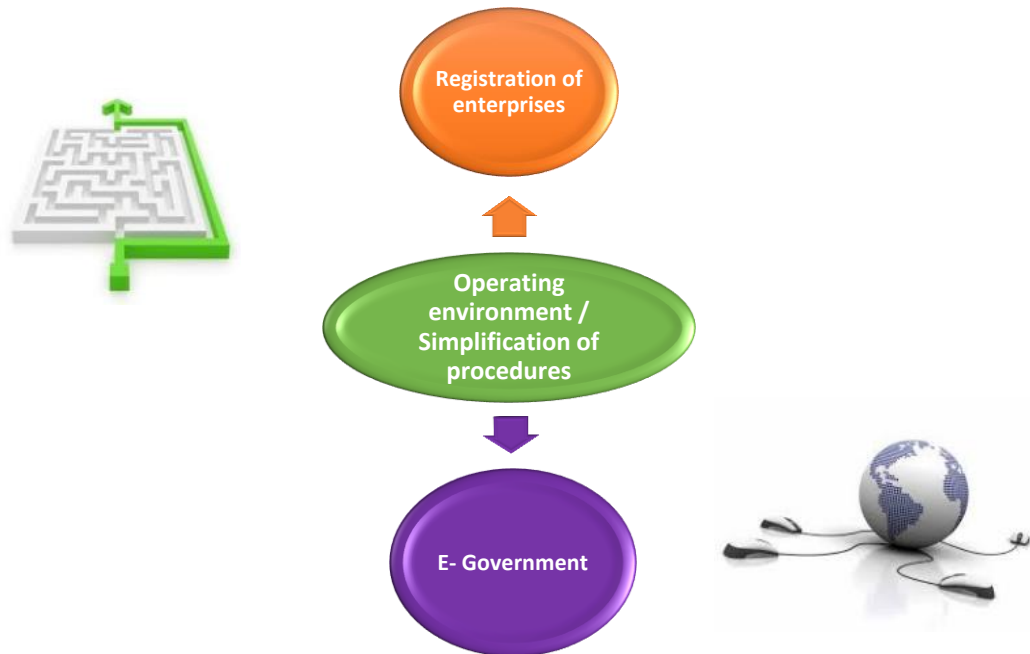
Next, the **third dimension, operational environment/simplification of procedures**, evaluates in detail the number of procedures and costs made by an enterprise in order to operate. Moreover, the existence and functioning of options of electronic government are examined.

The administrative regulations and procedures carry out an essential task for the creation of competitive, dynamic and innovative markets. However, such regulations and procedures can impose high costs to operating enterprises – particularly to enterprises having a smaller scale of production – and can inhibit the establishment of new entrepreneurship, generating in this way efficiency and competitiveness losses in the same markets they try to boost (SELA, 2015).

Therefore, the registration of companies sub-dimension evaluates each one of the aspects that can have an impact on the operational capacity of the SMEs. As it was seen in the institutional and regulatory framework of the first dimension, the administrative simplification brings about a favourable operational environment that boosts the performance of the enterprises and counteracts the permanence of these in the informal sector of the economy.

CHART 4

Structure of the dimension: Operating environment/Simplification of procedures



Source: Prepared by the author, based on SELA 2015.

Furthermore, there is the sub-dimension **electronic government**, which is responsible for assessing the functioning and progress of the public sector about the incorporation of information technologies in its procedures. Indicators like tax payment, social security, land registry, pensions among others are appraised in this sub-dimension. Through online services, it is possible to manage government procedures using electronic sites, which reduce the costs and time of the entrepreneurs.

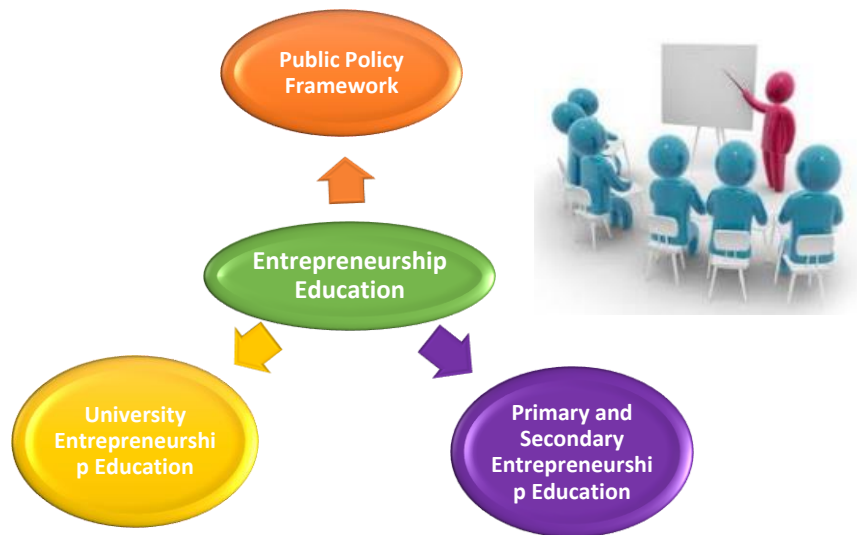
It should be noted that in Latin America and the Caribbean, electronic government programmes have been carried out which have benefited SMEs. This is the case of the Foreign Trade Single Window and the Network of Digital and Collaborative Ports, programmes that have allowed facilitating and simplifying trade procedures.

The IPPALC fourth dimension called entrepreneurial education consists of three sub dimensions: (1) public policy framework for entrepreneurial education, (2) entrepreneurial education in primary and secondary school, and (3) entrepreneurial education in higher education.

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CHART 5

Structure of the dimension: Entrepreneurship education



Source: Prepared by the author, based on SELA 2015.

The formal education system aims at the transmission of values, personal development and the preparation of the young to be placed in the job market. In this sense, the entrepreneurial education or formation in Latin America and the Caribbean requires a design of educative and labour policies that would promote entrepreneurship and innovation. For this, it is important the active collaboration of the private sector in the design of policies and programmes, as well as in the provision of training services and the development of initiatives that would respond to the needs of the enterprises.

According to SELA (2015), the public policies of entrepreneurial education, along with training and technical education, promote the accumulation of human capital by means of the creation of knowledge and productive abilities, and through the consolidation of an entrepreneurial culture in the region.

The absence of qualified personnel in the enterprises results in levels of productivity lower than those expected; in this sense, the formation of human capital should be included in the agenda of public policies for SMEs. In Latin America and the Caribbean, 33% of small-sized enterprises, 36.8% of medium-sized enterprises, and 36.1% of the larger enterprises state that a non-qualified labour is a relevant limitation for the development of SMEs.³

At the regional level, countries, like Colombia, have made efforts in what is related with the promotion of the entrepreneurship. In 2009, a National Plan of Entrepreneurship was prepared with strategies, projects, indicators and responsible entities clearly established. The formulation took place in consultation with the Direction of Microenterprises of the Ministry of Commerce, Trade and Tourism. The Plan proposes the strengthening of the units of entrepreneurship of the National Service of Learning (SENA) and the higher education institutions, along with the development of a programme of formation of trainers and accompaniment for entrepreneurs and recently created enterprises.

³ Enterprises Surveys, World Bank (2010).

In addition, Dominican Republic carries out programmes of entrepreneurial training through the National Institute of Technical and Professional Formation (INFOTEP) that aims at taking care of the human resources needs required by the production sectors of the country and the development of employability.

It should be noted that in the small-sized enterprises there is a larger percentage of entrepreneurs with complete and incomplete primary education than in the bigger enterprises. That is to say, the larger the size of the enterprise, the entrepreneur shows a higher educative level, in particular in tertiary education (ECLAC, 2011).

According to what was mentioned before, it is of great importance the assessment of the strategies for the promotion of entrepreneurial education by the governments of the region. In addition, the existence and implementation of a long term strategy for entrepreneurial education in groups such as entrepreneurial women, novel enterprises and enterprises presenting an accelerated growth is examined. Similarly, the existence and interchange of good practices is evaluated, as well as the entrepreneurial education efficiency in the educational levels: primary, secondary and higher education.

The fifth dimension refers to training and capacity building. It consists of a unique sub-dimension called (1) promotion of the training and formation for the entrepreneurship. In this section of the IPPALC, the availability of training programmes aimed at the SMEs in their different phases is evaluated, in addition to studying the existence of public funds for enterprise training.

CHART 6

Structure of the dimension: Training and Capacity Building



Source: Prepared by the author, based on SELA 2015.

Capacity building is a strategic factor that promotes the competitiveness of enterprises, so that it is necessary to design and implement training programmes that would respond to the needs of the enterprise and the market. These training programmes should include the preparation of entrepreneurs in specialized techniques of negotiation, software management, machinery management, use of ICTs, and development of projections and business plans.

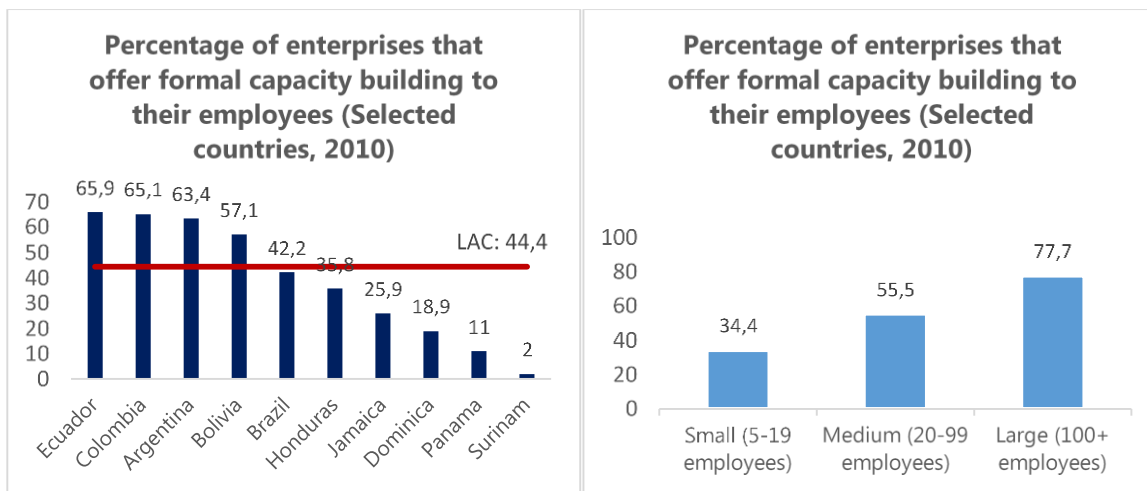
SMEs, especially the novel enterprises, do not have the necessary resources to supply their employees with the specific abilities for the optimal performance of their activities. In this sense, the public sector of the countries plays an important role in the design of training programmes that

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would favour the development of the productive, innovative, competitive SMEs capable of inserting themselves into the international markets. In Latin America and the Caribbean, there are many initiatives in this subject, several countries own institutional platforms that are responsible for training entrepreneurs. Nevertheless, the figures that show the percentage of enterprises that offer formal training to their employees vary significantly from one country to another, the Caribbean and Central American countries show training percentages smaller than those of the rest of the region do.

CHART 7

Entrepreneurship Capacity Building in Latin American and Caribbean countries

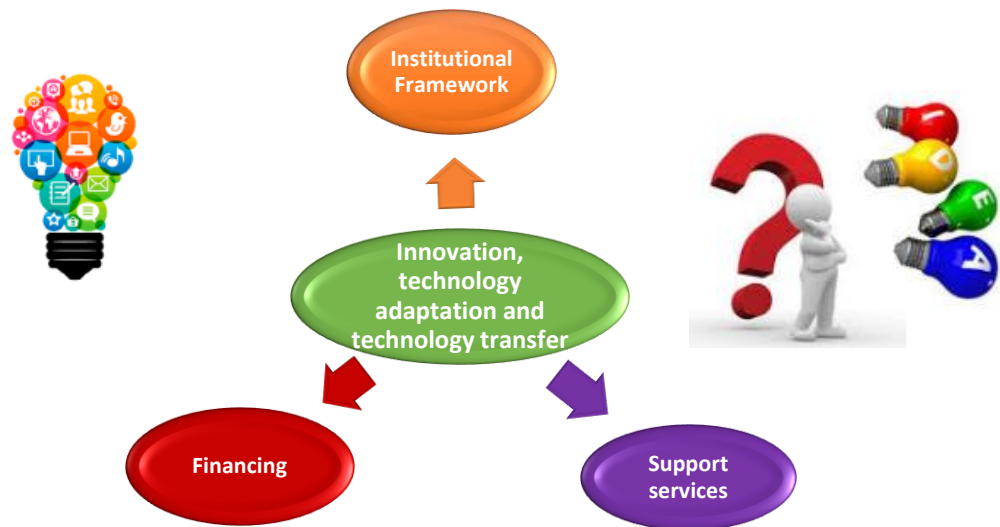


Source: Prepared by the author, based on Enterprises Surveys, World Bank 2010.

Other dimension addressed by the IPPALC is the one corresponding to innovation, technological adaptation, and technology transfer. As in the access to financing, the SMEs show difficulties to innovate and incorporate new technologies in their production activities. Therefore, to increase the intensity and change the orientation of the innovation process it is required: a strong institutional framework for the innovation and technology transfer, support services and financing for innovation. These aspects are sub dimensions that will be evaluated in the IPPALC.

CHART 8

Structure of the dimension: Innovation, Technology Adaptation and Technology Transfer



Source: Prepared by the author, based on SELA 2015.

Latin America and the Caribbean have fallen behind the OECD economies concerning innovation and incorporation of technology, even though the performance of the countries of the region is very diverse (ECLAC, 2011). Moreover, countries like China narrow the technological gap by rising the complexity and sophistication of their production structures and making them more intensive in knowledge and technology. Even though Latin America and the Caribbean have progressed in this subject, there still are differences when compared with other regions.

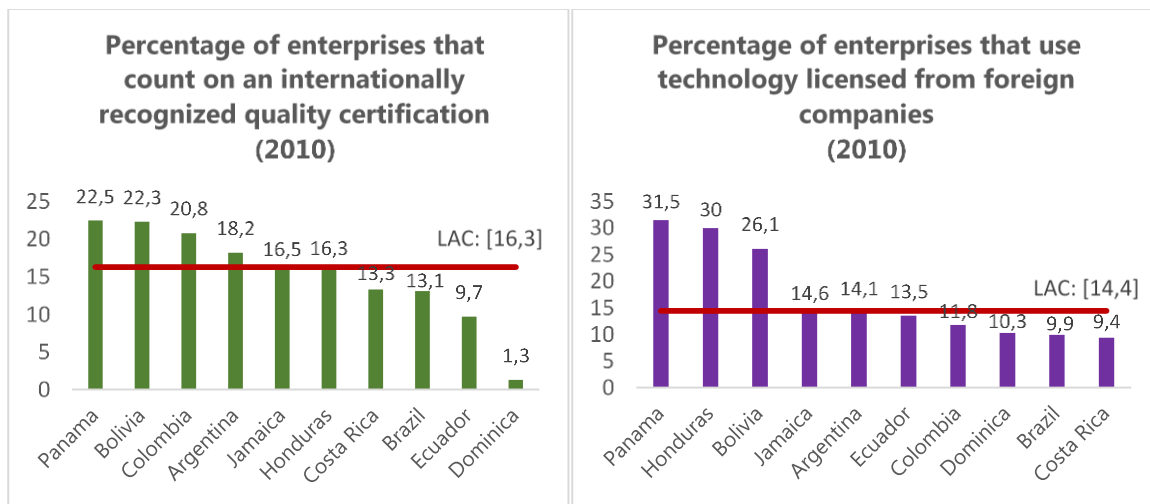
Indeed, the region presents a relative backwardness, in terms of productivity, that shows the asymmetries in their technological abilities regarding the international border. The speed in which the developed economies innovate and disseminate technology in their production net exceeds the speed in which the countries of Latin America and the Caribbean are able to adopt, imitate, adapt and innovate from the best international practices (ECLAC 2011)

In relation to technology transfer, a few enterprises have succeeded by applying innovation processes in their production chains. The *Enterprises surveys* conducted by the World Bank in 2010, points out that just 14.4% of the enterprises of the region used technology licensed by foreign enterprises. If the size of the enterprises is taken into consideration, it is observed that the small-sized enterprises are those exhibiting 9.8%, the lowest percentage. Besides, the index registers 16.3% for the percentage of enterprises that have a quality certification recognized internationally in Latin America and the Caribbean. Furthermore, the figures by size of enterprise point out that the small and medium-sized enterprises are the ones that show lower percentages of participation than those registered by the larger enterprises.

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CHART 9

Technology and innovation in Latin America and the Caribbean



Source: Prepared by the author, based on Enterprises Surveys, World Bank, 2010.

In Latin America and the Caribbean, it is difficult to find an explicit and homogeneous policy of innovation aimed at the SMEs. Actually, there is not any institution exclusively dedicated to the development of SMEs innovation, what is shown in the presence of several organizations that include in their plan of action the incorporation of new technologies and innovative processes that would improve enterprise productivity.

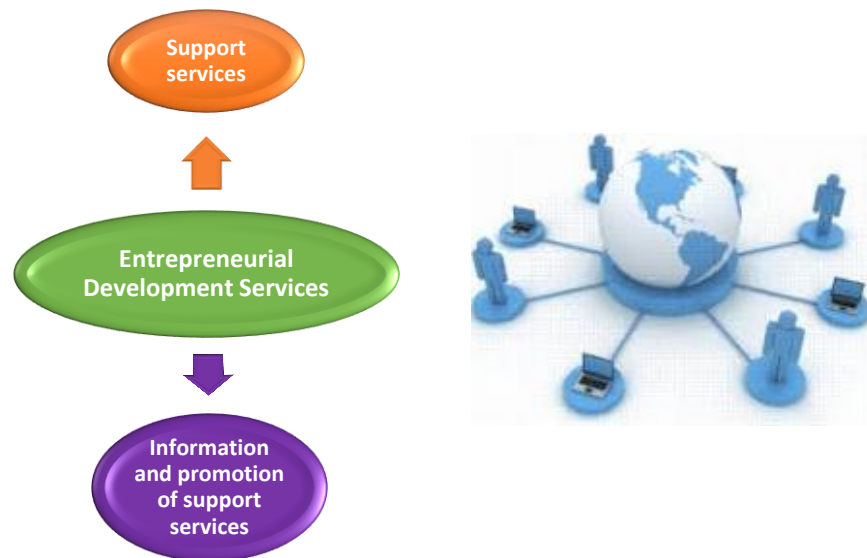
There are institutions that are responsible for the formulation and execution of science, technology and innovation programmes such as the ministries and other public entities; and the agencies dedicated to the design and implementation of a policy of SMEs promotion. In this way, there are two areas of responsibility, one linked with the promotion of SMEs and another that carries out the innovation programmes, what generates isolated lines of action: one aimed at the small and medium-sized enterprises and the other to the entrepreneurial ecosystem in general. Therefore, it is necessary to assess the existence of an effective and efficient framework of innovation and technology transfer.

Moreover, this institutional framework should go along with a policy that promotes the creation of support services such as the connection between research centres and the private enterprise, technology incubators, among others. Lastly and no less important, the innovation process must have financial support, especially if it is aimed at the small and medium-sized enterprises.

The dimension Entrepreneurial Development Services consists of two sub-dimensions. The first one is referred to support services and the second to information and promotion of support services. This dimension of the IPPALC allows assessing the current state of a set of key aspects for the effective and efficient provision of entrepreneurial development services for SMEs, taking into account old as well as novel enterprises. Besides, it allows examining the efficacy of the services offered through the electronic government.

CHART 10

Structure of the dimension: Entrepreneurial Development Services



Source: Prepared by the author, based on SELA 2015.

The services of entrepreneurial development encompass several aspects such as training courses, technical assistance, information systems, entrepreneurial single windows, electronic government, among others. The access to these services is limited for some enterprises given the costs they have to pay; due to this, the public sector intervention to increase the pool of knowledge and managerial abilities of the SMEs is of great importance. It should be noted that for some enterprises, the lack of knowledge and managerial abilities is a limitation for the full realization of their potential, whereas for other enterprises, the lack of these abilities can mean the difference between operating and closing (SELA 2015).

The markets of non-financial services, in this case the services of entrepreneurial development, are still emerging in training, information and consultancy; many of them do not have the proper response capacity for the SMEs needs. The entrepreneurs do not consider these services as useful or essential in many cases and, therefore, they are not willing to pay for them. So it is necessary the promotion of the support services and dissemination of their use in the entrepreneurial environment, such as the reduction of costs and time. Therefore, the information and promotion of entrepreneurial development services sub dimension is precisely responsible for assessing the current state of the strategy for the provision of support services for the SMEs.

The partnership and productive articulation have brought to the last twenty years initiatives driven by the countries of Latin America and the Caribbean to implement the SMEs support policies based on the entrepreneurial cooperation and inter institutional collaboration, to improve the production and competitive performance of the enterprises and create a thriving, innovative and dynamic business environment (Ferraro and Gatto, 2010).

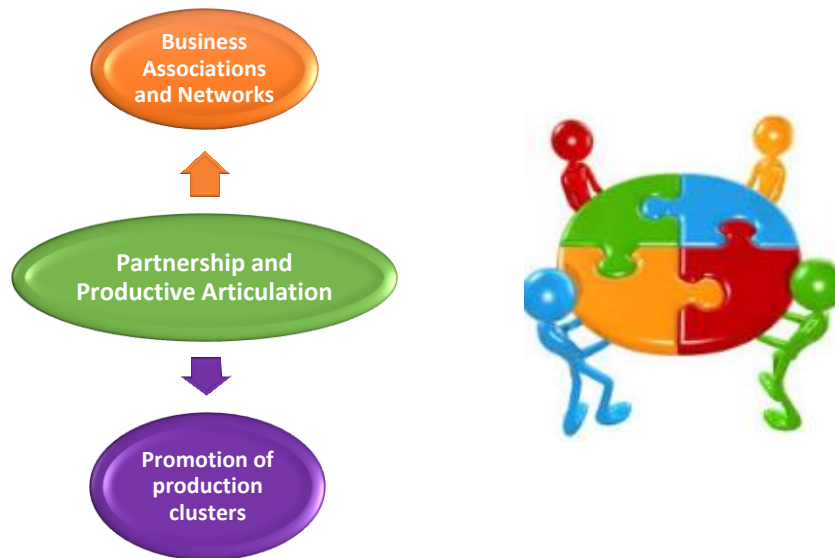
In this connection, this dimension is responsible for qualifying the degree of consolidation of the entrepreneurial associations, as well as the provision of services offered by them; these aspects are included in the networks and entrepreneurial associations sub dimension. Furthermore, the

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promotion of production build-up takes into consideration the existence of incentives for build-up, the dissemination of better practices, and the existence of industrial parks, among others.

CHART 11

Structure of the dimension: Partnership and Productive Articulation



Source: Prepared by the author, based on SELA 2015.

In Latin America and the Caribbean, there are different modalities of production coordination. First, we found the formation of local production build-up or clusters; second, we found the one that takes into account the territory or geographical location, and at last, the one that considers the technological or sector nature. The relations that arise from the entrepreneurial build-up are characterized by the cooperation and competence that collective learning and innovation promote. Thus, as these relations become more complex, greater innovation capacities are generated that would allow the creation of new products and the generation of new production chains that would facilitate the insertion of the enterprises in the international markets.

The incorporation of the programmes of coordination to the set of traditional policies meant a change of paradigm in the design of the SMEs public policies. The initiatives for the promotion of the association capacity arose as a proposal of the governments in virtue of the positive results reached by international experiences, although the boost backed by several international organizations had also an influence, such as the Inter-American Development Bank (IDB) that provided the countries with financing to implement this type of initiatives (Ferraro and Gatto, 2010).

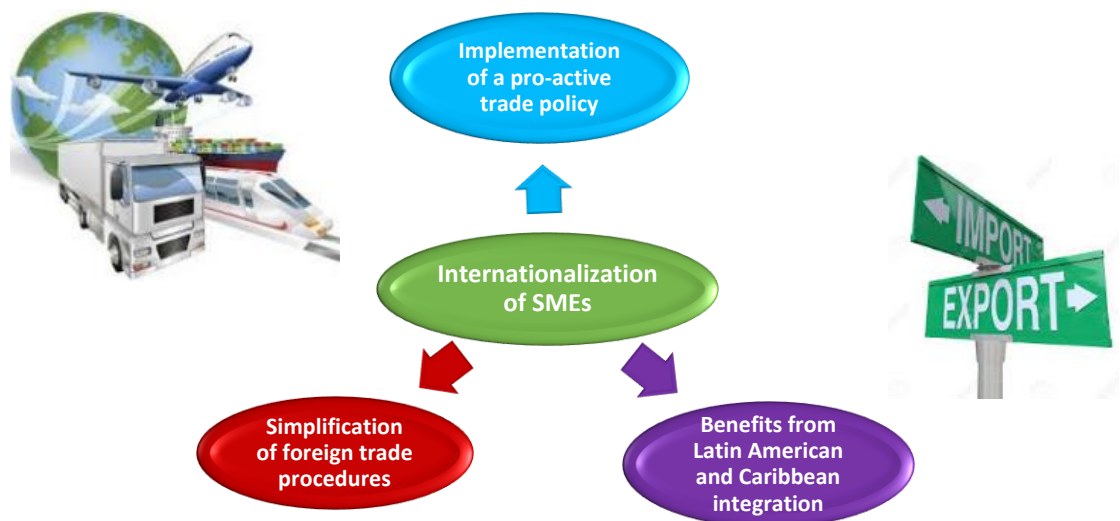
Nevertheless, the results by country have been different; the Brazilian case was one of the successful experiences. The *Arranjos Produtivos Locais* (APL) programme attained a wide reach and was conceived as a part of the national production policy and boosted a greater institutional coordination from the establishment of the Permanent Working Group (GTP-APL) formed by representatives of multiple institutions and organizations for monitoring and implementing policies (Ferraro and Gatto, 2010). Countries like Mexico, Argentina, Chile and El Salvador also have a series of production coordination programmes, although of a smaller magnitude than the Brazilian programme.

Finally, the IPPALC examines the aspects linked to the SMEs internationalization: This dimension verifies the existence of programmes that promote the insertion of the small and medium-sized enterprises in the international markets. This last dimension consists of three sub-dimensions: the first is implementation of a pro-active commercial policy that considers the indicators linked to the existence of the SMEs export abilities and facilities.

Then we find the sub-dimension simplification of international trade processes, which assesses the operational aspects linked to the SMEs export process. Lastly, we have the fulfilment of the benefits derived from the Latin American and Caribbean integration

CHART 12

Structure of the dimension: Internationalization of SMEs



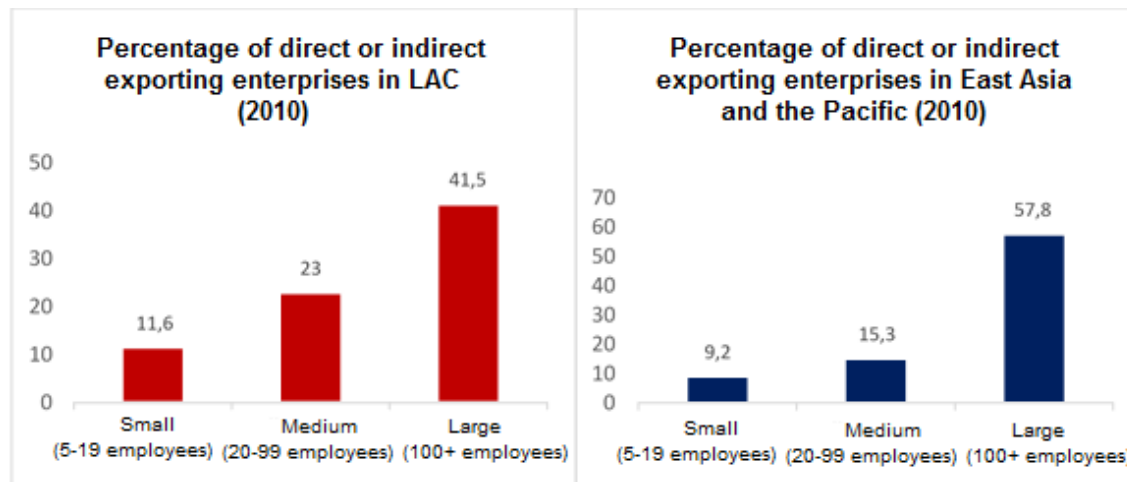
Source: Prepared by the author, based on SELA 2015.

In Latin America and the Caribbean, programmes have been implemented whose aim is to increase competitiveness of the SMEs and promote their internationalization through the use of the ICTs, guarantee systems, financing and the creation of associations between the enterprises and the entrepreneurial networks. However, the results in the region are still emerging; the percentage of enterprises that directly or indirectly export reaches 17.6%. When distributing the figures by size of the enterprise, it is observed that the small exporting enterprises represent 11.6% and the medium-sized ones 23%, whereas the larger exporting enterprises reach 41.5%. Nevertheless, these figures do not differ significantly from what was reported in other regions.

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CHART 13

Internationalization of SMEs in Latin America and the Caribbean



Source: Prepared by the author, based on Enterprises Surveys, World Bank, 2010.

The most common internationalization process of SMEs starts with the development of sales towards a bordering market or country, and once certain exporting experience is gained, to break into other markets. To diversify export destination, the enterprises have to develop operational capacity, and abilities to understand and satisfy clients with demands different from those of the local clients.

The development of this learning process is usually long and tends to require large investments in human resources and technology; probably for this reason, the crossing from regional markets to those of greater complexity is made just by a small group of SMEs, among the ones that stand out, precisely those that have been able to develop a higher export component (Pietrobelli, Porta, FUNDES, 2005).

III. PROCEDURAL FRAMEWORK FOR THE IMPLEMENTATION OF THE PUBLIC POLICY INDEX FOR SMEs IN LATIN AMERICA AND THE CARIBBEAN

The Public Policy Index for Small and Medium-Sized Companies is a tool developed by the Organization for Economic Cooperation and Development (OECD), jointly with the European Commission, the European Bank for Reconstruction and Development, and the European Training Foundation. Since 2006, this index has been applied in different regions of the world: Western Balkans and Turkey, North Africa and the Middle East, and in the Association of Southeast Asian Nations (ASEAN).

The main objective of the indicator is to provide the governments with a tool that allows for monitoring and evaluating public policies aimed at driving the development of SMEs. Its implementation allows for identifying the strengths and weaknesses in specific areas associated to the decision making process, and at the same time allow for the comparability of results between countries, and facilitate the exchange of experiences that promote the cooperation in the matter of public policies for SMEs.

The design and implementation of the Public Policy Index for SMEs in the different regions of the world is based on the adoption of common priorities and criteria in the framework of a strategic plan to promote development of SMEs. In this sense, we observe that the theoretical grounds that

serves as the basis for the creation of the Public Policy Index for SMEs can be found in the 10 principles of the Small Business Act for Europe (See Annex 1); while, in its adaptation to ASEAN countries, the principles of its Strategic Action Plan served as a platform for the development of SMEs.

Now, for the case of Latin America and the Caribbean, it is obvious the absence of a common criteria and objectives for the construction of a regional strategic plan that promotes the development of SMEs. However, and in order to cover this institutional weakness, SELA has developed an Public Policy Index for SMEs in Latin America and the Caribbean (IPPALC), whose conceptual base is the transformation and productive articulation for the promotion of an innovative, productive, articulated, and competitive entrepreneurial ecosystem.

Structure of the Public Policy Index for SMEs in Latin America and the Caribbean (IPPALC)

According to SELA (2015), the elements evaluated in the Public Policy Index for SMEs vary depending on the priority objectives of each sub-region or economic block that decides to implement the tool. However, the structure for the quantification and presentation of results remains constant, based on:

- **Dimensions:** These are the thematic areas for the application of public policies for SMEs, and the pillars that support the business ecosystem of an economy.
- **Sub-dimensions:** Fundamental relevance aspects for the proper operation of the public policies in each thematic area.
- **Indicators:** Elements through which the performance of the public policies for SMEs is evaluated in each sub-dimension.

The original structure of the Public Policy Index for SMEs developed by OECD and their team, involved the study of 12 dimensions, 23 sub-dimensions and 108 indicators. On the other hand, the IPPALC comprises the quantification of 9 dimensions, 25 sub-dimensions and 120 indicators (See Annex 2).

Once the evaluation grid for dimensions, sub-dimensions and indicators to be evaluated is defined, the next step is the establishing of weightings aimed at the relative importance of each of the components incorporated, which allows for the adding of the results yielded. These ponderations are only applied at the level of indicators and sub-dimensions.

The weighting structure considered oscillates in the scale from one to three, where three is the grade for the components with the higher priority in the implementation of public policies for the development of SMEs. On the other hand, the scales 2 and 1 are for those components that fulfil complimentary functions in the driving of the activity of the SMEs.

The process of allocation of the weighting counts on the participation of technicians from the bodies responsible for the project, and local experts with a known career in the subject, who have to reach a consensus on the base of the criteria and concepts initially adopted. The weighting adopted in the IPPALC corresponds to an adaptation performed by SELA of the OECD's methodology, in the implementation of the index in other sub-regions.

In order to observe with more clarity and accuracy the structure of the Public Policy Index for SMEs, Table 6 shows dimension 4 of the IPPALC, specifying the associated dimension, sub-dimensions, indicators and weighting factors.

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TABLE 6
Structure of dimension 4 of the IPPALC

		Weighting
4	ENTREPRENEURIAL EDUCATION	
4.1	Framework of public policies for business education	3
4.1.1	Strategy for the promotion of formal business education	3
4.1.2	Strategy for the promotion of non-formal business education	3
4.1.3	Monitoring and evaluation of policies for business education	2
4.1.4	Government coordination and delegation of responsibilities for business education	2
4.1.5	Strategy for the promotion of business education for women	1
4.2	Business education in elementary and high school education	3
4.2.1	Penetration of business education in elementary education	3
4.2.2	Exchange of good practices on business education in elementary education	1
4.2.3	Penetration of business education in high school education	3
4.2.4	Exchange of good practices on business education in high school education	1
4.3	Business education in higher education	3
4.3.1	Penetration of business education in higher education	3
4.3.2	Cooperation between private companies and universities	2
4.3.3	Exchange of good practices on business education in higher education	1

Source: Prepared by the author, based on SELA, 2015.

Once the consensus for the definition of the grid for evaluation and the weighting factors that correspond to each component is reached, the next step is the implementation of the information-gathering instrument. For this, the qualified informants will value each of the indicators in a scale from 1 to 5, depending on the degree of implementation of a policy, legislation or regulation for SMEs. In an ascending scale, grade 1 is identified with the absence of laws, institutions or tools that cover the evaluated area. On the other hand, grade 5 is associated with the best international practices in the matter of attention to the subjects considered. Table 7 offers a more detailed explanation of the conceptual proposal of each level of response, considering OECD's original methodology.

TABLE 7
Levels of valuation of indicators

Level 1	Level 2	Level 3	Level 4	Level 5
There is no law, institution, tool, information or services covering the corresponding area.	There is a bill, institution, tool, information or services, as well as some signs of government activities to tackle the corresponding area	There is a solid legal or institutional framework for the corresponding area. Services and information on the corresponding area are provided	Level 3 + some concrete indications of an effective implementation of a law, institution or tool	Level 3 + elements that prove an effective implementation of the law, institution, tool or service. This level is equal to the good practices identified by OECD nations

Source: SELA (2015), based on OECD (2014-c).

New methodology for the calculation of the Public Policy Index for SMEs in Latin America and the Caribbean (IPPALC)

The need to gather more extensive and accurate information that serves as a basis for the decision making process for efficient public policies for the development of the SMEs, and the need to build a detailed procedural framework for the implementation of the Public Policy Index for SMEs, has generated the design of a new methodology for its application. This new procedural framework is an adaptation made by SELA of the new implementation process designed by the OECD and published in 2016.⁴

Even though the original methodology⁵ is a very useful tool that allowed the tackling of the institutions and the gathering of a measurement on the state of the public policies for the development of SMEs, it presented the following limitations:

- It allows for a limited comparison of the results gathered in the different regions in which the instrument was implemented.
- It does not integrate the information gathered through the instrument of the Public Policy Index into the statistics information system of the countries, the statistics of the international bodies, and the evaluations of independent companies on the performance of public policies.

In order to mitigate these limitations, a new methodological framework has been built, which specified more accurately the procedures to be followed, while it completes the processes required for the calculation of the Public Policy Index for SMEs.

The process of application of the instrument, gathering of the information, and homogenization and consolidation of the results has been carefully designed considering the qualitative nature of the information gathered through the IPPALC. In this sense, below is a schematic form of the five phases required for the implementation of the IPPALC.

PHASE 1

The first phase of the implementation of the Public Policy Index for SMEs proposes the holding of one or more meetings, in which the bodies involved (responsible for the project and qualified informants), and their responsibilities are identified.

CHART 14

Phase 1 of the implementation of the IPPALC



Source: Prepared by the author, based on SELA 2015.

⁴ OECD, et al. (2015), SME Policy Index: Eastern Partner Countries 2016: Assessing the Implementation of the Small Business Act for Europe, OECD Publishing, Paris

⁵ For further details on the original methodology see SELA (2015)

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The team in charge of the development of the project has to be multidisciplinary; counting on the participation of government agencies specialized on matters related to small and medium-sized companies, the academic sector, company incubators, technological laboratories, and SELA as a methodological advisor.

In this connection, once the responsible team has been created, public and private entities are selected, as well as a representative sample of SMEs, which will be subjected to the information-gathering instrument of the IPPALC. To this end, the selection has to be limited to the search of bodies specialized on the subjects tackled by the tool, in order to get answers adjusted to the reality of the SMEs. Next, and in accordance with the dimensions of the indicator, some environments are suggested for the selection of the institutions to be consulted:

- 1. Institutional and Regulatory Framework:** Members of government agencies in charge of tax collection, bodies involved in conflict resolution mechanisms, representative sample of SMEs, chambers of commerce, business associations, government agencies and non-governmental organizations specialized in support for SMEs.
- 2. Access to Financing:** Banks, government agencies in charge of granting financing for SMEs, representative sample of SMEs, business associations, chambers of commerce, corporations for the promotion of production, government agencies and non-governmental agencies specialized in support for the SMEs, and financing and guarantee funds.
- 3. Operative Environment / Simplification of procedures:** Government agencies involved in the process of creation and development of SMEs, representative sample of SMEs, business associations, chambers of commerce, and government and non-governmental agencies specialized in support for the SMEs.
- 4. Entrepreneurial education:** Universities and educational institutions (diversified cycle and technical), representative sample of SMEs, chambers of commerce, business associations and government agencies and non-governmental organizations specialized in support for the SMEs.
- 5. Training and capacity building:** Institutes specialized in the training and support for entrepreneurs, representative sample of SMEs, chambers of commerce, business associations and government agencies and non-governmental organizations specialized in the support of SMEs.
- 6. Innovation, technology adaptation and technology transfer:** Technological and scientific parks, representative sample of SMEs, company incubators, organizations specialized in research and development, chambers of commerce, government agencies, and non-government organizations specialized in the support of SMEs.
- 7. Entrepreneurial development services:** Company incubators, chambers of commerce, representative sample of SMEs, technological parks and government agencies and non-government organizations specialized in the support of SMEs.
- 8. Partnership and productive articulation:** Corporations for fostering production, company incubators, chambers of commerce, representative sample of SMEs, technological parks, government agencies and non-government organizations specialized in the support of SMEs and business associations.

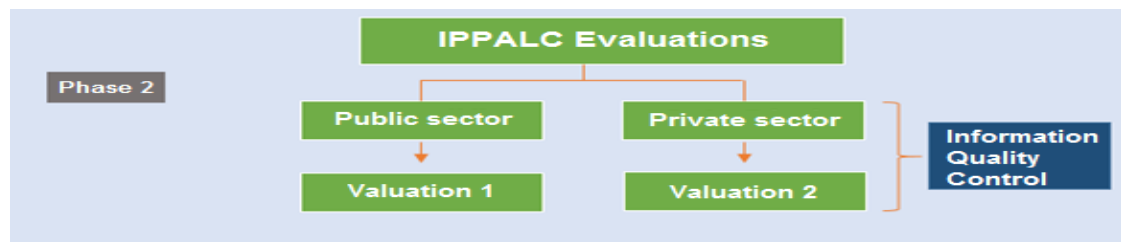
9. **Internationalization of SMEs:** Chambers of commerce, representative sample of SMEs, business associations, and corporations promoting production, government agencies that promote exports, and government agencies and non-government organizations specialized in supporting SMEs.

This first phase of implementation of the IPPALC also includes the conduction of a detailed presentation of the tool for the knowledge of all organizations and bodies involved. It is expected that this phase can be completed in two (2) months.

PHASE 2

Chart 15 presents the structure of the second phase. Once the public and private institutions to be consulted have been selected (according to the themed area of specialization and link with the development of the SMEs), the instrument is implemented. In this manner, two evaluations are obtained, which valuations of the indicators may report differences. This phase requires the constant monitoring of local and international experts, and of the organization in charge of coordinating the project, in order to guarantee non-biased, consistent answers.

CHART 15
Phase 2 of the implementation of the IPPALC



Source: Prepared by the author, based on SELA 2015.

To the effects of the aggregation of the individual evaluations of the public and private institutions, and the gathering of an evaluation for each institutional sector, it is assumed that all the bodies consulted have the same relative weight. Thus, the valuation of each institutional sector (public or private) is obtained through a simple average of the valuations of each indicator made by the entities that belong to each institutional sector.

As shown in Table 8, and taking as an example dimension 4 of the IPPALC, when obtaining the valuations of the public and private sectors, there are discrepancies in the grades of indicators 4.2.1 and 4.3.1. These differences are to be subjected to discussion (during future phases) in order to obtain the consensus and achieve an only valuation that adjusts more accurately to reality.

The evaluation process of the IPPALC reports some changes in the structure proposed in the original methodology. Although the evaluation instrument, the weightings and levels of valuation of the indicators remain the same according to the conceptual proposal of the previous methodology, the quality control process of the information gathered is added in this phase.

In order to ensure the proper gathering of information, the quality control process of the date is incorporated in this phase. The process for the verification of the quality of the data, by the agents in charge of the coordination of the project, requires three regular controls:

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- a) Ensure that the information gathering process is made during the terms established. If not, the necessary measures and correctives have to be implemented in order to guarantee the timely receipt of the responses.
- b) Exhaustively verify that the response fields are correctly answered.
- c) Find and correct the mistakes generated when entering the responses in the Web platform.

TABLE 8
Valuations by Institutional Sectors

		Public Sector	Private Sector	Weighting
4	ENTREPRENEURIAL EDUCATION			
4.1	Framework of public policies for business education			3
4.1.1	Strategy for the promotion of formal business education	4	4	3
4.1.2	Strategy for the promotion of non-formal business education	4	4	3
4.1.3	Monitoring and evaluation of business education policies	4	4	2
4.1.4	Government coordination and delegation of responsibilities for business education	3	3	2
4.1.5	Strategy for the promotion of business education for women	4	4	1
4.2	Business education in elementary and high school education			3
4.2.1	Penetration of business education in elementary education	3	4	3
4.2.2	Exchange of good practices on business education in elementary education	4	4	1
4.2.3	Penetration of business education in high school education	2,5	2,5	3
4.2.4	Exchange of good practices on business education in high school education	1,5	1,5	1
4.3	Business education in higher education			3
4.3.1	Penetration of business education in higher education	4	3	3
4.3.2	Cooperation between private companies and universities	3,5	3,5	2
4.3.3	Exchange of good practices on business education in higher education	3	3	1

Source: Prepared by the author, based on SELA 2015.

The optimal procedure for the application of the information-gathering instrument is through the design of a web system that allows users to access from their geographical location, with the creation of individual profiles by institution. The informants would have the opportunity to access the system in the opportunities they consider necessary, and shall have a period of two months to complete the instrument. Project coordinators shall have the opportunity to access the whole system created, and will have to monitor the information gathering process. This phase 2 of the implementation of the Public Policy Index can be completed in a period of three (3) months.

New OECD questionnaire

The team of the Organization for Economic Cooperation and Development (OECD), the European Commission, the European Bank for Reconstruction and Development, and the European Training Foundation have developed a new instrument for the gathering of information, with new and more robust structure and procedures.

According to OECD (2016), the new information gathering instrument consists of a questionnaire with over 400 questions, developed by dimensions and that tackles the sub-dimensions through questions divided into 3 themed blocks, associated to the decision making process of public policies: 1) Design, 2) Implementation, and 3) Monitoring and evaluation.

Two types of questions comprise the questionnaire:

- a) **Central questions:** These questions allow to obtain the grades of the evaluation and are divided into:
- a.1) Binary questions: Allow for “yes” or “no” answers, where option “yes” gets the best grade, and “no” the minimum; and
 - a.2) Multiple Choice questions: Each question presents a set of options for the informant to select from. Additionally, the informants will be able to offer comments and assessments to complement the information supplied. Each option will have a valuation in accordance with the grading scale.
- b) **Open questions:** These questions offer more accurate descriptive evidence on the subjects tackled. These questions do not have a quantitative grade.

Table 9 shows a sample of the new composition of the information-gathering instrument used in the calculation of the Public Policy Index. As seen on the table, question 3.1.1 corresponds to the central binary question category; while question 3.1.3 is a multiple-choice central question, which options can be found in the answers column. On the other hand, the comments column is available to the informants to add relevant elements.

TABLE 9
Design of the new OECD Questionnaire

		Answers	Comments
3	Design of rules according to the principle of “think small first”		
3.1	Design of institutional environment		
3.1.1	Is there a definition for small and medium-sized companies in the country?		
If the answer is Yes:	The definition includes a criteria by number of employees The definition includes a criteria by volume of sales The definition includes a criteria by income		
3.1.3	Is there a long-term strategy for the development of SMEs?	<p>Options:</p> <p>A) The strategy is the process of development.</p> <p>B) There is a preliminary strategy that has not yet been approved by government agencies.</p> <p>C) There is a strategy that has not yet been approved by the government.</p> <p>D) There is no strategy.</p>	

Source: Prepared by the author, based on OECD 2016.

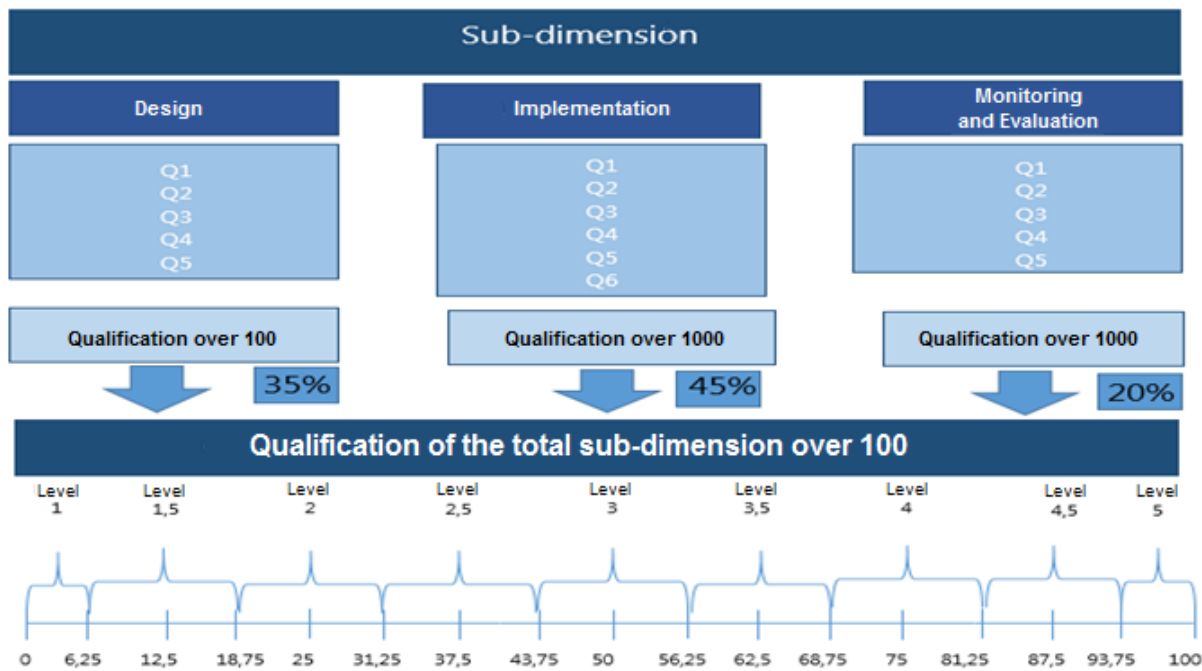
The questions that correspond to the sub-dimensions are segmented according to the phase in which they are inserted in the decision making process. As shown in Chart 16, the questions corresponding to each phase will have a different weighting, suggesting a weight of 35% for the design phase, 45% for implementation, and 20% for the monitoring and evaluation phase.

The grading of the new questionnaire applied by the OECD oscillates in the range from 0 to 100. However, the comparability with the results gathered is guaranteed, following the previous

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methodology through the harmonization of grading scales. Likewise, OECD’s new procedural framework is explicit in maintaining the calculation procedures of the original methodology, for the dimensions associated to business education and the training of the human capital (dimensions 1 and 8a of OECD’s Public Policy Index).⁶

CHART 16
Procedure to calculate qualifications (New OECD methodology)



Source: Prepared by the author, based on OECD 2016.

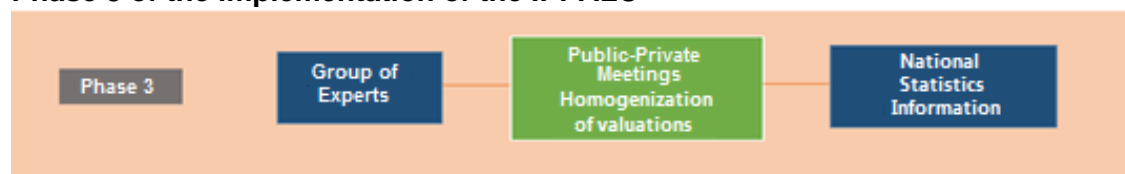
PHASE 3

Next, on Phase 3 of the implementation process of the IPPALC, the Public-Private Meetings are held, in order to homogenize the valuations of public and private sectors. Just as in the procedural framework of the original methodology, a group of local and international experts participate in this process, whose opinion facilitates the gathering of an only grade as indicator. However, as can be seen on Graph 17, the new procedural framework adds in this phase the contrasting phase of the information collected through the IPPALC with statistic information from the countries.

Particularly, IPPALC’s information is contrasted with macroeconomic data that allows obtaining information on the economic activity of the country, statistical data on the impact of public policies, and information on evaluations of companies (for instance, World Bank’s Business Environment and Enterprise Performance). This information can be collected from the bodies in charge of national statistics and from multilateral organizations. It is estimated that this phase can be completed in two (2) months.

⁶ See Annex 33.

CHART 17
Phase 3 of the implementation of the IPPALC



Source: Prepared by the author, based on SELA 2015.

As shown of Table 10, in the example of the evaluations obtained on dimension 4 of the IPPALC and the differences in the valuations of dimensions 4.2.1 and 4.3.1, it is necessary to achieve a homogenization and a single result. To this end, the Public-Private Meetings is the space for technical discussions in which a single result is defined, product of the consensus between the parties. The discrepancies that cannot be solved during this phase will be subjected to discussion on the next phase.

TABLE 10
Process of homogenization of valuations

		Public Sector	Private Sector	Homogenization	Weighting
4	ENTREPRENEURIAL EDUCATION				
4.1	Public policies framework for entrepreneurial education				3
4.1.1	Strategy for the promotion of formal entrepreneurial education	4	4	4	3
4.1.2	Strategy for the promotion of non-formal entrepreneurial education	4	4	4	3
4.1.3	Monitoring and evaluation of entrepreneurial education policies	4	4	4	2
4.1.4	Government coordination and delegation of responsibilities for entrepreneurial education	3	3	3	2
4.1.5	Strategy for the promotion entrepreneurial education for women	4	4	4	1
4.2	Entrepreneurial education in elementary and high school education				3
4.2.1	Penetration of entrepreneurial education in elementary education	3	4	4	3
4.2.2	Exchange of good practices on entrepreneurial education in elementary education	4	4	4	1
4.2.3	Penetration of entrepreneurial education in high school education	2,5	2,5	2,5	3
4.2.4	Exchange of good practices on entrepreneurial education in high school education	1,5	1,5	1,5	1
4.3	Entrepreneurial education in higher education				3
4.3.1	Penetration of entrepreneurial education in higher education	4	3	4	3
4.3.2	Cooperation between private companies and universities	3,5	3,5	3,5	2
4.3.3	Exchange of good practices on entrepreneurial education in higher education	3	3	3	1

Source: Prepared by the author, based on SELA 2015.

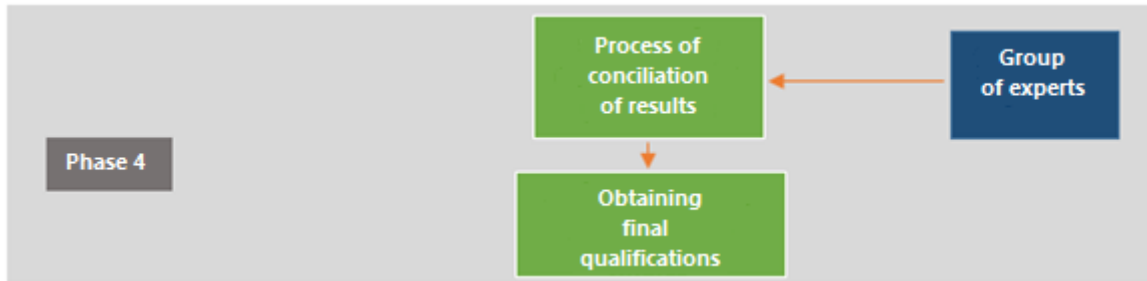
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PHASE 4

Then, on phase 4, the valuations in which no consensus was achieved through the Public – Private Meetings, are adjusted in a process of conciliation of results, with the participation of local and international experts involved in the implementation of the tool, and that ends in the collection of the final grades by indicators. This phase can be completed in one (1) month.

CHART 18

Phase 4 of the implementation of the IPPALC



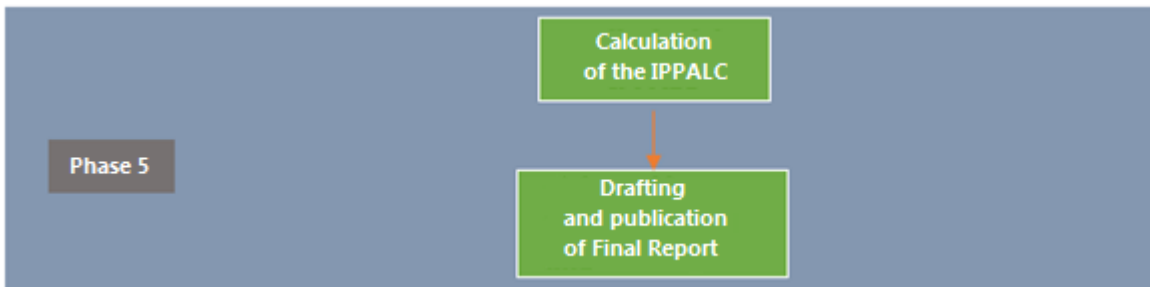
Source: Prepared by the author, based on SELA 2015.

PHASE 5

Lastly, during phase 5 of the implementation process of the IPPALC, once the final grades have been obtained, the calculation of the IPPALC is performed.

CHART 19

Phase 5 of the implementation of the IPPALC



Source: Prepared by the author, based on SELA 2015.

Maintaining the same procedural structure of the original methodology, the following formula⁷ is used in the process of aggregation of the data:

EQUATION

$$\sum_{k=1}^n \left\{ \left[\sum_{i=1}^n \left(Ind_i \times \frac{Pond_i}{\sum_{i=1}^n Pond_i} \right) \right] \times \frac{PondSD_k}{\sum_{k=1}^n PondSD_k} \right\}$$

⁷ On Equation 1, variable Ind_i refers to the i-eth indicator of the k-eth sub-dimension of the j-eth dimension. Likewise, $Pond_i$ refers to the i-eth weighting factor of the k-eth sub-dimension of the j-eth dimension. Finally, $PondSD_k$ refers to the weighting of the k-eth sub-dimension of the j-eth dimension.

As shown in Table 11, using the weighting factors defined above, first, the results of the indicators are aggregated to obtain the results by sub-dimensions. Then, sub-dimensions to obtain the valuation of the dimensions aggregate the results. The final value of the IPPALC is the product of a simple average of the evaluation of all the dimensions considered.

TABLE 11
Procedure for aggregation and calculation of the IPPALC

		Conciliated Result	Weighting
4	ENTREPRENEURIAL EDUCATION	3,54	
4.1	Public policies framework for entrepreneurial education	3,82	3
4.1.1	Strategy for the promotion of formal entrepreneurial education	4	3
4.1.2	Strategy for the promotion of non-formal entrepreneurial education	4	3
4.1.3	Monitoring and evaluation of entrepreneurial education policies	4	2
4.1.4	Government coordination and delegation of responsibilities for entrepreneurial education	3	2
4.1.5	Strategy for the promotion entrepreneurial education for women	4	1
4.2	Entrepreneurial education in elementary and high school education	3,13	3
4.2.1	Penetration of entrepreneurial education in elementary education	4	3
4.2.2	Exchange of good practices on entrepreneurial education in elementary education	4	1
4.2.3	Penetration of entrepreneurial education in high school education	2,5	3
4.2.4	Exchange of good practices on entrepreneurial education in high school education	1,5	1
4.3	Entrepreneurial education in higher education	3,67	3
4.3.1	Penetration of entrepreneurial education in higher education	4	3
4.3.2	Cooperation between private companies and universities	3,5	2
4.3.3	Exchange of best practices on entrepreneurial education in higher education	3	1

Source: Prepared by the author, based on SELA 2015.

Finally, the drafting and publication of the final report is a procedure that is incorporated in the new methodology, and in which the project coordinating organizations present the results obtained. In this report, an analysis of the strengths and weaknesses of the decision making process of public policies for SMEs and a frame of reference is offered for its optimization. This phase can be covered in three (3) months.

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FINAL CONSIDERATIONS

SMEs are important sources of economic growth and employment. However, their creation, development, growth and permanence in the market frequently pose different obstacles. In this connection, the OECD developed a Public Policy Index capable of tackling aspects that are closely linked to the working of the SMEs in a comprehensive and detailed fashion.

This tool was implemented in different blocks of countries, such as the Association of Southeast Asian Nations (ASEAN), the Western Balkans Countries and in Middle East and North African Countries. Although the OECD developed the instrument applied, each region made their corresponding adaptations according to the structural characteristics of the SMEs in those countries.

In the case of ASEAN countries, more importance is given to the dimensions related to the institutional framework, the promotion of technological innovation and the transfer of technology and internationalization of the SMEs. In addition, the application of the index allowed for the development of a Strategic Action Plan for the Development of the SMEs 2016-2025, which will tackle the main obstacles identified.

In terms of the experience of Eastern Balkan countries, the index excelled in including in its evaluation the facilities for women's undertakings, and by approaching the index under a view of sustainable development and green economies. On the other hand, this evaluation includes, in the internationalization dimension of the SMEs, the subject of the integration of Western Balkans countries with Euro-Med economies.

The information available on the situation of the SMEs in Latin America and the Caribbean allows acknowledging that its challenge differs greatly from the difficulties seen in other regions. In particular, important common obstacles are identified in the matter of access to financing, incorporation of new technologies and promotion of innovative productive processes, insertion of SMEs in international markets, and the need to simplify administrative procedures for the operation of the companies.

It is worth mentioning that the public sector fulfils a crucial role in the development of policies and action plans that facilitate the efficient performance of the business ecosystem of the countries of the region. However, this process has to be executed in coordination with the private sector, specifically with those that channel applied policies, such as the banking sector, chambers of commerce and institutions for the training of SMEs. Joint work between both sectors will allow detecting the flaws in the processes of design and implementation of public policies, in order to promote the optimization of the economic performance of SMEs.

Thus, there is a need to perform a diagnosis that allows for identifying such deficient areas in terms of promotion of SMEs. Although the Public Policy Index for SMEs has been implemented in different regions, Latin America and the Caribbean still do not have this experience. In this sense, since 2015, SELA has been making efforts to adapt the indicator to the needs and structural characteristics of Latin American and Caribbean countries, making an emphasis on the promotion of the transformation and productive articulation as the main axis of action.

In this connection, the Public Policy Index for SMEs in Latin America and the Caribbean has been structured into 9 dimensions, 25 sub-dimensions, and 120 indicators that tackle the thematic areas with the most impact in the performance of SMEs of the region. For an effective implementation of this tool to take place, it is necessary to comply with each of the phases considered in the procedural

framework proposed. In addition, it is necessary to enter into agreements that promote the participation of institutions linked to the operation of SMEs, taking into consideration the responsibilities and comparative advantages in managing information and technical competences.

The implementation process of the index proposed in this document requires a period of 11 months, and incorporates the participation of several actors linked to the performance of the SMEs, selected using rigorous and robust procedures that allow for obtaining a representative sample of qualified informants. In the process of implementation of the instrument, two aggregated evaluations will be obtained, corresponding to the public and private in a comprehensive and detailed fashion, which appreciations on the aspects consulted might differ.

To this end, and being one of the main virtues of the IPPALC, Public-Private Meetings are proposed, in which, with the participation of a group of previously selected experts and the contrasting with national statistical information, a consensus is reached on the valuations. Additionally, and as complementary procedure to obtain final grades, it is proposed to make sessions for the conciliation of results, in order to adjust the valuations that did not reach a consensus in the previous phases.

The implementation of the IPPALC has to be made within the framework of a schedule that allows for complying with each of the phases. This way, the definitive results can be obtained, which will then be analysed in a final report that will be the key piece for the optimization of the decision making process for public policies for the development of SMEs.

With the development of the IPPALC, SELA directs efforts to the promotion of the implementation of this valuable tool as a strategy to drive the transformation and productive articulation in Latin America and the Caribbean.

PRINCIPLES OF THE SMALL BUSINESS ACT FOR EUROPE

Principles of the Small Business Act for Europe and its relation with the dimensions and sub-dimension of the Public Policy Index for SMEs

SBA principle	Related policy dimension	Related sub-dimension
1. Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded	1. Entrepreneurial learning and women's entrepreneurship	Policy framework for entrepreneurial learning
		Upper secondary education (ISCED 3)
		Women's entrepreneurship
2. Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance	2. Bankruptcy and second chance for SMEs	Bankruptcy procedures
		Second chance
3. Design rules according to the "think small first" principle	3. Regulatory framework for SME policy making	Institutional framework for SME policy development
		Legislative simplification and regulatory impact analysis
		Public-private consultations
4. Make public administration responsive to SMEs	4. Operational environment for SMEs	Company registration
		Interaction with government services (e-government)
5. Adapt public policy tools to SME needs	5a. Support services for SMEs and start-ups	Information services for SMEs
		Business services for SMEs
		Business services for start-ups
	5b. Public procurement	Public procurement
6. Facilitate SME access to finance and develop a legal framework and business environment supportive of timely payments in commercial transactions	6. Access to finance for SMEs	Sources of external finance for SMEs
		Legal and regulatory framework
		Other factors that affect demand and supply of finance
7. Help SMEs to benefit more from the opportunities offered by the Single Market	7. Standards and technical regulations	Standards and technical regulations
8. Promote the upgrading of skills and all forms of innovation	8a. Enterprise skills	Enterprise skills
	8b. Innovation policy for SMEs	Policy framework for innovation
9. Enable SMEs to turn environmental changes into opportunities	9. SMEs in a green economy	SMEs in a green economy
10. Encourage and support SMEs to benefit from growth markets	10. Internationalisation of SMEs	Internationalisation of SMEs

Source: OECD (2014-c).

**PUBLIC POLICY INDEX FOR SMEs IN LATIN AMERICA AND THE CARIBBEAN
(IPPPALC)**

Public Policy Index for SMEs in Latin America and the Caribbean (IPPALC)

		Ponderation
1	INSTITUTIONAL AND REGULATORY FRAMEWORK	
1.1	Institutional Framework	3
1.1.1.	Definition of SMEs	2
1.1.2.	Government coordination for formulation of policies aimed at SMEs	3
1.2.3	Agency for the implementation of public policies aimed at SMEs	2
1.1.4	Development strategy for SMEs	3
1.1.5	Policies to support the migration of SMEs to the formal sector	1
1.2	Effective legislation and administrative simplification	2
1.2.1	Delegation of responsibilities for the regulatory reform and administrative simplification	3
1.2.2	Strategy for administrative simplification	3
1.2.3	Simplification of the current regulatory framework	2
1.2.4	Elimination of redundant regulations	2
1.2.5	Application of analysis of regulations impact	1
1.3	Public-private consultations	2
1.3.1	Frequency and transparency of the private-public consultations	3
1.3.2	Influence and representativeness of the public-private consultations	2
1.4	Think small first	1
1.4.1	The design of public policies and regulations explicitly considers the interests of SMEs	1
2	ACCESS TO FINANCING	
2.1	Legal and regulatory framework	3
2.1.1	Regulations for the credit market	3
2.1.2	Regulations for the collateral market	2
2.1.3	Gathering information on loans for SMEs	2
2.1.4	Cadastre	3
2.2	Efficient procedures for dealing with bankruptcy	2
2.2.1	Review of the status of legislations on bankruptcy	3
2.2.2	Bankruptcy time (World Bank, Doing Business)	1
2.2.3	Cost of bankruptcy, % of goods (World Bank, Doing Business)	1
2.2.4	Recovery rate, % of goods (World Bank, Doing Business)	1
2.2.5	Access to credits after bankruptcy	1
2.2.6	Non-discrimination against entrepreneurs after bankruptcy (second chance)	1
2.3	Sources of financing for SMEs	3
2.3.1	Access to securities markets	2
2.3.2	Access to venture capital	2
2.3.3	Access to investment angels	1
2.3.4	Access to microfinances	2
2.3.5	Access to financial leasing	2
2.3.6	Credit ratings for SMEs	2
2.3.7	Credit guarantees	2

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2.4	Favourable tax environment for investment	2
2.4.1	Analysis of tax barriers to SME financing through equity and venture capital	1
2.4.2	Updated analysis of tax burden for SMEs	2
2.4.3	Analysis of costs of tax compliance	1
2.4.4	Dealing with losses	2
2.5	Financial education	1
2.5.1	Programmes to disseminate financial literacy for entrepreneurs	1
3	OPERATING ENVIRONMENT / SIMPLIFICATION OF PROCEDURES	
3.1	Registration of enterprises	2
3.1.1	Cost of obtaining registration certificates	2
3.1.2	Time for obtaining registration certificates (World Bank, Doing Business)	1
3.1.3	Number of administrative procedures for obtaining registration certificates (World Bank, Doing Business)	1
3.1.4	Cost for the entry into operation of enterprises (World Bank, Doing Business)	2
3.1.5	Time for the entry into operation of enterprises (World Bank, Doing Business)	1
3.1.6	The lack of response is equivalent to consent for registration procedures	2
3.1.7	Capital requirements	2
3.1.8	Registration through Single Windows	3
3.2	E-government	2
<i>3.2.1</i>	<i>Provision of e-government services</i>	
3.2.1.1	Tax payments	2
3.2.1.2	Social security	2
3.2.1.3	Cadastrés	2
3.2.1.4	Pensions	2
3.2.1.5	Report on business statistics	1
3.2.1.6	Virtual registrations	1
<i>3.2.2</i>	<i>Infrastructure of e-government</i>	
3.2.2.1	Updated information in e-government portals	1
3.2.2.2	Connection among databases on e-government portals	1
3.2.2.3	User-friendly interfaces in e-government portals	1
3.2.2.4	Use of digital signatures	2
4	ENTREPRENEURSHIP EDUCATION	
4.1	Framework of public policies for entrepreneurship education	3
4.1.1	Strategy for the promotion of formal entrepreneurship education	3
4.1.2	Strategy for the promotion of non-formal entrepreneurship education	3
4.1.3	Monitoring and evaluation of entrepreneurship education policies	2
4.1.4	Government coordination and delegation of responsibilities for entrepreneurship education	2
4.1.5	Strategy to promote women's entrepreneurship education	1
4.2	Entrepreneurship education in primary and secondary schools	3
4.2.1	Penetration of entrepreneurship education in primary schools	3
4.2.2	Exchange of best practices on entrepreneurship education in primary schools	1
4.2.3	Penetration of entrepreneurship education in secondary schools	3

4.2.4	Exchange of best practices on entrepreneurship education in secondary schools	1
4.3	Entrepreneurship education in in higher education	3
4.3.1	Penetration of entrepreneurship education in higher education	3
4.3.2	Cooperation between private enterprises and universities	2
4.3.3	Exchanges of best practices on entrepreneurship education in higher education	1
5	TRAINING AND CAPACITY BUILDING	
5.1	Promotion of training and capacity building for entrepreneurship	3
5.1.1	Research programs on training needs	3
5.1.2	Availability of training programs	2
5.1.3	Availability of training aimed at emerging companies	2
5.1.4	Availability of training on international standards and structure of international markets	1
5.1.5	Availability of training for women entrepreneurs	2
5.1.6	Implementation of a quality guarantee system for the trainings offered	1
5.1.7	Public funds for consultancies, information and training for growing enterprises	1
5.1.8	Availability of training aimed at rapidly growing enterprises	2
6	INNOVATION, TECHNOLOGY ADAPTATION AND TECHNOLOGY TRANSFER	
6.1	Institutional framework for innovation and technology transfer	3
6.1.1	Strategies on public policies for innovation	3
6.1.2	Delegation of functions in policy-making and implementation and monitoring of policies on innovation	2
6.1.3	Budgetary provisions for projects related to innovation	2
6.1.4	Framework on Intellectual Property Rights that promotes innovation	3
6.2	Support services for innovation and technology transfer	2
6.2.1	Establishment of centres for innovation and technology parks	2
6.2.2	Information and support services for innovation	1
6.2.3	Connection among research institutes and private enterprises	2
6.2.4	Scholarships and awards for research aimed at private enterprises	1
6.2.5	Technology incubators	2
6.3	Financing for innovation	2
6.3.1	Tax credits for innovation-related activities	2
6.3.2	Financial Support for innovation	2
6.3.3	Guarantee mechanisms for investment in innovative projects	1
7	ENTREPRENEURIAL DEVELOPMENT SERVICES	
7.1	Support services	3
7.1.1	Range of entrepreneurial development services	2
7.1.2	Availability of entrepreneurial development services	2
7.1.3	Access to entrepreneurial development services	2
7.1.4	Support services for emerging companies	1
7.1.5	Action plan for entrepreneurial development services	3
7.1.6	Delegation of functions in terms of promotion, provision and evaluation of entrepreneurial development services	3

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7.1.7	Establishment of Single Windows for entrepreneurial development services	3
7.2	Information and promotion of support services	2
7.2.1	Information on entrepreneurial development services through traditional channels	2
7.2.2	Information on entrepreneurial development services through electronic means	2
7.2.3	Promotion of e-commerce	1
7.2.4	Promotion of e-government	1
7.2.5	Exclusive portal for promotion of SMEs	1
8	PARTNERSHIP AND PRODUCTIVE ARTICULATION	
8.1	Networks and business partnerships	2
8.1.1	Degree of consolidation of business partnerships and networks	3
8.1.2	Provision of services by business partnerships	1
8.1.3	Frequency of the dialogue between the public sector and business associations	2
8.2	Promotion of productive clusters	3
8.2.1	The government adopts criteria of cluster economies in the design of public policies for SMEs	3
8.2.2	Design of incentives for cluster formation	2
8.2.3	Exchange of best practices as regards issues related to productive clusters	1
8.2.4	Existence of industrial parks	2
8.2.5	Broadband infrastructure for fast connection and flow of knowledge about productive clusters	1
9	INTERNATIONALIZATION OF SMEs	
9.1	Implementation of a pro-active trade policy	3
9.1.1	SMEs export promotion strategy	3
9.1.2	SMEs export promotion agency	2
9.1.3	Provision of information and advisory for SMEs on the structure of international markets	2
9.1.4	Capacity building for exporting	2
9.1.5	Exchange of best practices as regards training of SMEs for exporting	1
9.1.6	Financial facilities for export	1
9.2	Simplification of foreign trade processes	2
9.2.1	Level of computerization of foreign trade processes	2
9.2.2	Information and advisory on regulations and procedures related to foreign trade	1
9.2.3	Information on requirements for the entry of products into the major trading partners of the nation	1
9.2.4	Establishment of Foreign Trade Single Windows	1
9.3	Taking advantage of the benefits from Latin American and Caribbean integration	3
9.3.1	Information for SMEs about the opportunities and facilities derived from subregional integration	3
9.3.2	Government strategy for cluster formation at the regional or subregional levels	2
9.3.3	Government strategy for the formation of productive chains at the regional or subregional levels	2

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