



Final Report

Economic and Technical Cooperation

*Technical Workshop on the Public Policy Index for MSMEs in Latin America and the Caribbean (IPPALC): Central America
San Salvador, El Salvador
24 and 25 October 2017
SP/TTIPPMIPYMESALC: C/IF -17*

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I. RAPPORTEUR'S REPORT

1. The [Technical Workshop on the Public Policy Index for MSMEs in Latin America and the Caribbean \(IPPALC\): Central America](#), organized by the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA), in collaboration with the Organization for Economic Cooperation and Development (OECD) and the National Commission for Micro and Small Enterprises (CONAMYPE) of the Ministry of Economy of El Salvador, was held on 24 and 25 October 2017 in San Salvador, El Salvador.
2. The objectives of the Workshop were as follows: To present and analyze policies and projects implemented at national and subregional levels to promote the development of MSMEs; review and analyze the main thematic fields of evaluation of the IPPALC in Central American countries, according to their needs and structural characteristics; and provide a space for discussion that enables participants to gain knowledge about the national visions in order to promote the launch of the IPPALC project in the Central American subregion.
3. Representatives of the governmental focal points for micro, small and medium-sized enterprises of the Central American Member States of SELA, regional and international organizations made their respective presentations, in accordance with the approved [agenda](#).
4. Participants included representatives of the following Member States of SELA: Belize, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru, Dominican Republic, Uruguay and Venezuela; Costa Rica as an observer; the Regional Centre for the promotion of MSMEs (CENPROMYPE); and the Delegation of the European Union in El Salvador. The list of participants is available at: <http://www.sela.org/media/2757269/lista-de-participantes-ippalc-ingles-vf.pdf>
5. At the opening session, the following participants took the floor: Eduardo Piña, Specialist of Studies and Proposals of the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA); Ileana Rogel, Executive Director of the National Commission for Micro and Small Enterprises (CONAMYPE) of the Ministry of Economy of El Salvador; and Antonio Fanelli, Senior Advisor of the Global Relations Secretariat of the Organisation for Economic Cooperation and Development (OECD).
6. The official videos, submitted in the language of submission, can be seen on the following link: <http://www.sela.org/es/eventos/2017/10/ippalc/videos/>
7. Photographs of the event are available in the [photo gallery](#).
8. At the closing session, the following participants took the floor: Eduardo Piña, Specialist of Studies and Proposals of the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA); Ileana Rogel, Executive Director of the National Commission for Micro and Small Enterprises (CONAMYPE) of the Ministry of Economy of El Salvador; Miosotis Rivas Peña, Executive Director of the Regional Centre for the Promotion of MSMEs (CENPROMYPE); and Antonio Fanelli, Senior Advisor of the Global Relations Secretariat of the Organisation for Economic Cooperation and Development (OECD).

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II. CONCLUSIONS

- The Public Policy Index for MSMEs in Latin America and the Caribbean (IPPALC) is a tool designed to monitor public policies for MSMEs, thus enabling the evaluation of the decision-making process within the framework of comparability of results among countries.
- The IPPALC is a conceptual and methodological adaptation, developed by SELA and the OECD, of the Public Policy Index for SMEs created and implemented by the OECD since 2006 in the member countries of the Association of Southeast Asian Nations (ASEAN), the Western Balkans and Turkey, and the countries of the Middle East and North Africa. The results obtained from these applications have led to significant advances in the design and implementation of efficient policies and strategic plans for the development of SMEs.
- Since 2016, SELA and the OECD have embarked on the task of promoting the dissemination and implementation of the IPPALC as a dynamic, flexible and complete tool that contributes to the comprehensive and systematic assessment of the operating environment of MSMEs in Latin America and the Caribbean. Thus, the project for implementing the IPPALC in the member countries of the Pacific Alliance, Argentina, Ecuador and Uruguay, whose results are expected to be presented in the second half of 2018, was officially launched in May 2017 in Mexico.
- In the region, MSMEs account for more than 90% of companies, generate 60% of employment, but only 30% of production and 11% of exports. In the OECD countries, these companies represent the same proportion and generate equal amount of jobs, but are responsible for more than 60% of GDP and 23% of exports.
- Despite their huge importance in Latin American and Caribbean countries, there is no single definition to classify MSMEs uniformly. In this connection, various criteria are used, such as number of employees, value of assets and annual sales value. At the subregional level, some progress has been made in the formalization of concepts that incorporate definitions according to national realities, such as the annual sales-per-employee ratio.
- For the subregion of the Central American Integration System (SICA), the dynamism and significance of MSMEs gain relevance. According to figures from the Regional Centre for the Promotion of MSMEs (CENPROMYPE), 97.8% of Central American productive units are MSMEs. Of them, 89.6% are micro, 6.7% are small and 3.7% are medium-sized.
- As regards their share in total exports, a wide dispersion is observed in the SICA countries. The case of Guatemalan micro, small and medium-sized enterprises stands out, with their share amounting to more than 50% of the amount exported. On the contrary, in the Dominican Republic, exports of MSMEs reach only 12% of the nation's total exports.
- Some of the internal and external factors highly determining the performance and international competitiveness of MSMEs are: Low national performance in technological innovation of products and processes, low levels of investment in research and development, low quality standards in production, high aversion to risk and shortcomings in managerial skills.

- The main problems and threats that directly affect the activity of the smallest companies are: Excessive administrative and fiscal burden, restrictive labour legislation, difficult access to financing, and high costs and large number of necessary formalization procedures.
- Within the SICA subregion, broad advances have been made in the generation and strengthening of the institutional framework governing the creation and operation of MSMEs. In this connection, the design of national development and promotion policies stands out, as well as comprehensive strategies to support the smallest companies. However, it is necessary to continue expanding the offer of services and promoting access to them by the entire population.
- In addition, some progress has been observed in the strengthening of subregional statistics with data on the labour market and the internal and external performance of MSMEs through the Regional Information System for SMEs (SIRMIPYME, by Spanish acronym). This would allow for addressing and focusing public policies efficiently and allowing a regular monitoring of the results obtained after the implementation of measures.
- As part of the opportunities, MSMEs and governments in Central America have plenty of scope for promoting a greater use of information and communications technologies, boosting articulation and productive development and fostering better access to international markets.
- In the face of threats, challenges and opportunities for Central American MSMEs, the IPPALC is presented as a mechanism for analysis of policies and the decision-making process. To that end, representatives of the OECD and SELA explained in detail the evaluation framework being implemented in the countries of the Pacific Alliance, Argentina, Ecuador y Uruguay, as well as the calculation methodology for obtaining results.
- Based on the creation of dimensions, subdimensions and indicators, the IPPALC allows an *ad hoc* evaluation of national and regional policies and programmes for MSMEs. Dimensions are large areas associated with the operation of the business fabric; subdimensions are more specific aspects linked to the implementation of policies; and indicators are the elements that allow the detailed assessment of the public performance in each area.
- With a focus on promoting productive articulation and transformation, this first IPPALC pilot project includes the evaluation of seven dimensions, twenty-six subdimensions and a large number of indicators related to the functioning of institutions, access to financing, technological innovation, productive transformation and internationalization of MSMEs.
- Thus, the IPPALC enables national and subregional authorities to have detailed quantitative and qualitative information on the process of design, implementation and monitoring of policies aimed at the smallest companies. In addition, this shared evaluation mechanism will facilitate a comparative analysis with regional partners and encourage the exchange of successful practices in the various thematic areas.
- During the discussions that took place in the Workshop, emphasis was made on the strong synergy between the structure of the IPPALC presented and the Regional Strategy for Productive Articulation of MSMEs developed by CENPROMYPE. However, participants suggest the inclusion of dimensions, subdimensions and indicators that deal with the promotion of entrepreneurship, the situation of environmental policies for MSMEs,

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entrepreneurship among young people and women and social enterprises, as well as a differentiated treatment to micro, small and medium-sized enterprises in significant aspects.

- In order to launch the IPPALC project in the SICA countries in 2018, participants undertook to inform their authorities about the information obtained during the Workshop, with the purpose of sending a letter of interest before 30 November this year. It is made clear that the development of this project do not require the allocation of financial resources by the countries concerned, but the staff of the institutions involved will be required to fill in the questionnaire and designate a national coordinator.
- After receipt of the letters of interest, SELA and the OCDE will organize the Workshop to launch the IPPALC during the first half of 2018 in order to submit a proposal for the evaluation questionnaire that includes the inputs obtained during this technical Workshop and ensures the approval of the national authorities.
- For additional information, please consult the [Joint Declaration](#) prepared and adopted at the end of this Technical Workshop on 25 October in San Salvador.