



## Final Report

## Economic and Technical Cooperation

*Presentation of the results of the Public Policy Index for MSMEs in Latin America and the Caribbean, as implemented by the Pacific Alliance, Argentina, Ecuador and Uruguay*

*Lima, Peru*

*25 April 2019*

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# **C O N T E N T S**

<b>I.</b>	<b>RAPPORTEUR'S REPORT</b>	<b>1</b>
<b>II.</b>	<b>CONCLUSIONS</b>	<b>5</b>



## I. RAPPORTEUR'S REPORT

1. The [Presentation of the results of the Public Policy Index for MSMEs in Latin America and the Caribbean, as implemented by the Pacific Alliance, Argentina, Ecuador and Uruguay](#), organized jointly with the Organisation for Economic Cooperation and Development (OECD) and CAF-development bank of Latin America, in collaboration with the Ministry of Foreign Trade and Tourism and the Ministry of Production of Peru, was held on 25 April 2019 in Lima.
2. This event aimed to: a) Present the final results of the IPPALC, as implemented in the countries of the Pacific Alliance, Argentina, Ecuador and Uruguay; and b) promote the drafting of a joint work agenda to follow up the reforms and the exchange of best practices in the sector of MSMEs.
3. The IPPALC arises from the dissemination actions that the Permanent Secretariat of SELA undertook in 2015 to adapt the SME Policy Index designed by the OECD (SME IP 2006), considering that this tool boosts the optimization of the decision-making process aimed at MSMEs.
4. Bearing in mind the successful results that the OECD methodology has had in other regions of the world, such as the Middle East and North Africa and the Association of Southeast Asian Nations (ASEAN), it was considered appropriate to disseminate it and adapt it for America Latin and the Caribbean, taking into account the structural characteristics of the region.
5. In this connection, thanks to the interinstitutional cooperation undertaken in 2017 with the Organization for Economic Cooperation and Development (OECD) and CAF-development bank of Latin America, the implementation of the IPPALC project started in the countries of the Pacific Alliance, Argentina, Ecuador and Uruguay.
6. In addition, this project could become tangible thanks to the efforts by policymakers to support MSMEs in each of the seven participating countries, as well as by the Foundation for Strategic Analysis and Development of Small and Medium-sized Enterprises (FAEDPYME) in its role as independent evaluator in the processes of collection and verification of information.
7. Findings obtained as a result of the implementation of this methodological tool in the seven pilot countries have been collected in the publication entitled: "[Policies for Competitive SMEs in the Pacific Alliance and Participating South American countries](#)", which was submitted for consideration in this regional event.
8. Participants in this event included the delegates of the Member States of SELA that were part of the IPPALC pilot project, namely: Argentina, Colombia, Chile, Ecuador, Mexico, Peru, and Uruguay; the delegates of Bolivia, Brazil and Paraguay, as observers; representatives of CAF-development bank of Latin America, the Organisation for Economic Cooperation and Development (OECD), the Foundation for Strategic Analysis and Development of Small and Medium-sized Enterprises (FAEDPYME), the Regional Centre for Promotion of Micro, Small and Medium Enterprises in Central America (CENPROMYPE), the Ibero-American General Secretariat (SEGIB), the Central American Bank for Economic Integration (CABEI), the International Labour Organization (ILO) and *Financiera Confianza* of the BBVA Foundation.

## 2

Representatives of public and private institutions, unions and chambers also participated. The full list of participants is available at the following link: <http://www.sela.org/bd-documental/documentos/participantes-resultados-ippalc/>.

9. At the opening session, the following participants took the floor: Ms. Diana Sayuri Bayona Matsuda, Vice-Minister of Foreign Trade of the Ministry of Foreign Trade and Tourism of Peru; Mr. Jonatán Ríos Morales, Director-General for Business Development of the Ministry of Production of Peru; Mr. José Antonio Ardavín, Head of the Latin America and Caribbean Unit, OECD Global Relations Secretariat; Mr. Manuel Malaret, Director Representative of CAF–development bank of Latin America in Peru; and Ambassador Javier Paulinich, Permanent Secretary of SELA.
10. Then, the authorities responsible for MSMEs in the aforementioned seven countries made their presentations, in which they expressed their impressions about the importance and relevance of the work carried out. In general terms, they agreed on highlighting the usefulness of the results achieved, not only because they will affect favourably the SME policy reforms, but also because they provide Latin American countries with the opportunity to make a comparative assessment of their peers and learn from their best practices.
11. Following are the representatives of the countries participating in the IPPALC project who took the floor: Mr. Gastón Ostrowiecki, Director of Financing for SMEs of the Ministry of Production and Labour of Argentina; Mr. Saúl Pineda Hoyos, Vice-Minister of Business Development of the Ministry of Commerce, Industry and Tourism of Colombia; Mr. Abel Benítez, Coordinator of the Division of Smaller-sized Enterprises of the Ministry of Economy, Development and Tourism of Chile; Mr. Roberto Estévez, Undersecretary for SMEs and Crafts of the Ministry of Production, Foreign Trade, Investment and Fishing of Ecuador; Ms. Ivana Fernández Stohanzlova, Deputy Director-General of the National Institute of the Entrepreneur (INADEM); Mr. Rafael Mendive, Director of MIEM-Dinapyme of Uruguay; and Mr. Domingo García Pérez, Co-Director of the Foundation for Strategic Analysis and Development of SMEs (FAEDPYME)
12. The development of this event combined two working methodologies. A first stage, open to the public, which was characterized by the participation of social media with the purpose of widely disseminating the relevance of this project for the region and promoting this experience as a best practice, in accordance with international standards and with potential for replication in the rest of the region.
13. A second stage, held in private, characterized by a technical working session in which the delegates of the participating countries and the organizations that coordinated the project made their remarks. It was also attended by special guests.
14. This technical working session was organized to discuss each of the seven policy dimensions that were considered for the construction of the Index. Representatives of the OECD and CAF carried out the analysis and explanations of the results for each dimension, at the regional level. On behalf of the OECD Global Relations Secretariat, Ms. Anna Wiersma and Mr. Jorge Gálvez-Méndez took the floor. Representing the Productive and Financial Development Directorate of CAF-development bank of Latin America was Mr. Adolfo Castejón.

15. Then, National Coordinators of the IPPALC had the opportunity to take the floor as speakers, enriching the discussion with their experiences in their respective national contexts, explaining their current policy efforts and the use of the recommendations arising from the aforementioned Index for their ongoing reform processes.
16. In this regard, the following participants took the floor: Ms. Sandra Acero, SME Director of Colombia; Mr. Roberto Estévez, Undersecretary for SMEs and Crafts of the Ministry of Production, Foreign Trade, Investment and Fishing of Ecuador; Mr. Diego Ordoñez, of the Directorate for Market Articulation of Ecuador; Mr. Mariano Perrino, Adviser to the Directorate for SME Financing of Argentina; Mr. Manuel López Bugueño, Adviser to the Ministry of Economy, Development and Tourism of Chile; Mr. Iván Ornelas, International Area Coordinator of the National Institute of the Entrepreneur (INADEM) of Mexico; Mr. Óscar Malca Guaylupo, Assistant Dean of International Business of the University of the Pacific-Peru.
17. Then, the session **Context and importance of the SME Index** addressed the background of the IPPALC project, its methodology and the overall results for the region. The following participants took the floor: Ms. Silvia Hernández, Analyst of the Direction of Relations for Integration and Cooperation of SELA; Mr. Juan Carlos Elorza, Director of the Private Sector Technical Analysis of CAF-development bank of Latin America; and Mr. José Antonio Ardavín, Head of the Latin American and Caribbean Unit of the OECD Global Relations Secretariat.
18. Session I, called **Institutional framework and business environment**, focused on the results of the IPPALC for its dimensions 1 and 2. As regards dimension 1, concerning the *Institutional Framework*, the general findings for the seven countries of the region (LA7) involved in the IPPALC project show that they have established an articulated, active and strong institutional framework, especially dedicated to promoting policies for MSMEs. However, challenges revolve around the need to link further SME policies with national plans in the field of economic and social development, in order to strengthen the mechanisms for consultation, coordination and monitoring and continue to work on the construction of more specific and cross-cutting strategies that could have an impact on the informal economy.
19. As for dimension 2, focused on the *Operational environment and simplification of procedures*, LA7 countries must work on the formulation of a strategic framework for the regulatory impact analysis, make improvements in the business environment and enhance support to companies with high growth potential. In addition, it is necessary to continue working on the implementation of single windows and harmonize the interoperability processes.
20. During session II, entitled **Access to finance and business development services**, results of dimensions 3 and 4 were analyzed. As regards dimension 3, concerning Access to finance, LA7 countries have created a favourable ecosystem that facilitates the financial inclusion of MSMEs, allowing them to access different funding instruments. As challenges, they must continue investing in financial education mechanisms and strengthening the legal frameworks to deal with insolvency and bankruptcy.
21. Regarding dimension 4, LA7 countries have reported major advances in the provision of *business development services (BDS)*. However, to make better use of these tools, it is

## 4

advisable to develop more targeted and specific BDS for MSMEs that allow them to continuously improve their performance. In addition, these countries have robust regulations for public procurement that encourage and facilitate the participation of MSMEs in these processes, although it is necessary to work on the optimization of electronic procurement platforms and the promotion of induction schemes, so that MSMEs could take advantage of the opportunities to be inserted in public procurement processes.

22. During session III, concerning **Support to innovation and promotion of productive transformation**, dimensions 5 and 6 of the Index were under consideration. In dimension 5, which deals with the importance of the value added of *Innovation and technology* in MSMEs, emphasis was made on the need for national innovation systems of LA7 countries to include the programmes to support this sector.
23. As regards dimension 6, the results show that MSMEs have an active role to encourage the *Productive transformation* of economies. They face the challenge to attach greater importance to monitoring and evaluation mechanisms than to the design and implementation of policies. Through such mechanisms, countries can assess the impact of the programmes they develop with a view to encouraging associativity and facilitating inclusion in value chains, while building productive capacities and developing new comparative advantages in economic sectors.
24. In session IV, dimension 7 on **Access to market and internationalization** was the topic addressed. In this regard, the results showed that LA7 countries have made significant progress in the development and implementation of public policies to support SME access to international markets. However, they are encouraged to join efforts in monitoring and evaluating them to ensure their impact.
25. At the closing session, representatives of CAF, OECD and SELA took the floor, as well as Mr. Óscar Miguel Graham Yamahuchi, Vice-Minister of MSE and Industry of the Ministry of Production of Peru.
26. Presentations of the event are available at:  
<http://www.sela.org/es/eventos/2019/04/ippalc/agenda/>.
27. Photographs of the event can be seen at:  
<http://www.sela.org/es/eventos/2019/04/ippalc/fotos/>.
28. The event recordings can be viewed at:  
<http://www.sela.org/es/eventos/2019/04/ippalc/videos/>

**II. CONCLUSIONS**

1. The Public Policy Index for MSMEs (IPPALC) implemented in the countries of the Pacific Alliance, Argentina, Ecuador and Uruguay, published in the report "[Policies for Competitive SMEs in the Pacific Alliance and Participating South American countries](#)", provides an analysis of the strengths, opportunities and challenges in the different areas of design, implementation, and monitoring and evaluation of policies for MSMEs.
2. With the information from IPPALC reflected in said report, policymakers in the field of MSMEs will have at their disposal substantive information that will enable them to measure the level of development of their ongoing policies and to focus on the identification and implementation of future reforms, emphasizing the construction of monitoring and evaluation systems for them.
3. National Coordinators and High-Level Authorities in charge of SMEs in the seven countries of the project expressed their satisfaction with the results, as they provide a specific diagnosis of the status of public policies for MSMEs and create opportunities for the adoption and exchange of best practices.
4. In addition, emphasis was made on the extensive and dedicated work carried out by the various public, private, academic, regional and international actors involved in the construction process of the IPPALC. This initiative represents the first opportunity that such a tool materializes in Latin America and the Caribbean thanks to the trust placed by the governments of the countries of the Pacific Alliance, Argentina, Ecuador and Uruguay, generating successful results.
5. As a first-order recommendation, countries were encouraged to update the Index every two or three years, based on this first cycle of results from the IPPALC to compare policy advances that could take place during that period. In this regard, the OECD, CAF, FAEDPYME and SELA expressed their readiness to provide all the necessary technical assistance to support countries in their reform agendas when requested.
6. The implementation of the IPPALC in the countries of the Pacific Alliance, Argentina, Ecuador and Uruguay represents a best practice in collaborative work among governments and international and regional organizations, which led to successful results that we hope will be extended to all countries in the region in future implementation of this tool.