



MESAS EJECUTIVAS

A NEW TOOL FOR PRODUCTIVE
DIVERSIFICATION



PERÚ

Ministerio
de la Producción

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Ministerio de la Producción del Perú

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Calle Uno Oeste N.º 60, Urb. Corpac – San Isidro

Lima – Perú

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Banco de Imágenes del Ministerio de la Producción y de la Presidencia de la República

Printed in Peru

July 2016

First edition

Printing

TAREA ASOCIACIÓN GRÁFICA EDUCATIVA

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Telephone: (01) 332-3229 / 424-8104

Email: tareagrafica@tareagrafica.com

Web: www.tareagrafica.com

July 2016, Lima – Perú

500 copies

Publication catalog registry number: National Library of Peru N.º 2016-09349

Acknowledgements

At the beginning of 2015, Peru launched its Mesas Ejecutivas initiative to set up government and industry teams focused on identifying and removing bottlenecks that hampered growth across various areas of the economy.

The mesas responded to obvious problems, including poor coordination among government agencies, complex coordination between government and industry, and limited State capacity to organize policies to address industry's production issues.

Two surprising developments have taken place in the year and a half since their inception. On the one hand, we confirmed much can be done in a short period of time and with scant resources. On the other, the Working Groups have elicited much interest as a productive development tool both in and outside Peru, to the extent it is suggested they could be replicated elsewhere.

As in almost everything else, people are behind the success of the mesas. My heartfelt gratitude goes to the members of the various Mesas Ejecutivas from both government and industry, all the way from MEF through Serfor, Osinfor, Ositran, Sanipes and Sunafil, to private sector representatives.

I am also thankful to my colleagues in the Cabinet of Ministers who accompanied the mesas all along the way, including Alonso Segura, Juan Manuel Benites, Diana Álvarez Calderón, José Gallardo, Daniel Maurate and Aníbal Velásquez, with whom we shared many responsibilities in the various Working Groups.

The original concept behind the Mesas Ejecutivas was nurtured by talks with René Cornejo and Ricardo Hausmann. Meanwhile, Chuck Sabel, Ernesto Stein and Gianfranco Castagnola helped us confirm how powerful the Working Groups were as tools for developing production. Bailey Klinger collaborated in systematizing the ME's methodology and preparing this document.

Produce's team led by Ivonne Echevarría deserves special recognition. Their efforts made it possible to transition the Working Groups from interesting concept to actual reality.

The Working Groups' internal dynamics shows cooperation between government and industry, an indispensable element of economic development, is possible. Though requiring painstaking effort, they show the cumulative effect of many measures can exceed the impact of large scale reforms and perhaps jumpstart to a true revolution.

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The Happy Accident of the Mesas Ejecutivas

The *mesas ejecutivas* are a happy accident that was waiting to happen—an instance of that meeting of preparation and opportunity, which, Seneca said, defines good luck.

The *mesas* are a general answer—not the only one, but one especially relevant to countries like Peru, and Latin America generally—to this paradox: Because the world is getting more uncertain—it is getting harder and harder to foresee where technology or markets are going—planning in the traditional sense of drawing up detailed blueprints for long-term action is a fool’s errand. But while the world is becoming more uncertain it is also becoming more complex: Firms have to coordinate with each other in supply chains, and with more and more demanding and capable regulators to ensure the safety of products, protect the environment, and provide safe and decent conditions of work. No coordination, no—or very little—economic development. So how do firms and public authorities organize the coordination that complexity makes necessary without attempting the kind of planning that uncertainty makes impossible?

The *mesas* ingeniously simple answer is to start solving coordination problems. What kind of problems are those? Problems involving private and public actors—and usually various actors within the public sector—big enough so that solving them makes a noticeable improvement to operations in a relatively short time, but not so big as to require substantial budget allocations or long gestation periods. That span excludes, at least initially, large infrastructure projects or investments in elaborate training programs, but includes a host of substantial problems deriving from tangled legislation and administrative guidance—for instance, should trees in plantations on land that is being reforested be treated as agricultural crops, or as trees in virgin forests? Are there firms that want to address problems like that? You bet. In Peru, as in all middle-income countries, there are already many firms that compete, or want to compete, in international markets, where they will have to meet demanding private and public standards. And in Peru, as generally in Latin America, there are firms that pay taxes and respect national legislation and regulation—and face competition from firms in the informal sector that do neither. These exporters and formal-sector firms don’t like confused and contradictory rules, but neither are they interested in simple de-regulation. They want rules, rather, that allow them to develop and demonstrate their capacities to partner companies in supply chains and to consumers. They proved to be the *mesas* natural private-sector constituency.

Do you need to a prestigious international consultancy to study which sectors make good candidates for this kind of collaboration? The lesson of the *mesas* is: skip it. If no actors in

the domestic economy have thought of an initiative, they are certainly not going to have any practical sense of the coordination problems involved in realizing it; and if they have thought of it, you are better off exploring the possibilities of collaboration in informal discussions (as Produce did) rather than paying a consultant to act as a go between. In any case the good candidate sectors are often obvious: Peru has the second largest forested area in Latin America, the ninth largest in the world, but exports little and imports much of the wood it needs for construction. There are investors, domestic and foreign, eager to develop large, reforestation plantations, or to develop ecologically sustainable silviculture in the natural forests. Including forestry in the list of *mesas* was not a close call.

But how do you know whom to invite? Again the answer is close to self-evident: Focus on the leaders of firms (because they know the obstacles to improving productivity or entering new markets first hand, and because they can convene their peers) and decorously de-emphasize leaders of trade associations (whose expertise is lobbying for traditional state favors such as subsidies, tax exemptions and trade protection). Invite technically competent people from the principal departments and ministries with jurisdiction in the sector. Can you be sure to have invited the right people? No, you should assume you haven't, if only because you are almost sure to have overlooked small producers (who often lack organized representation) and local players (in Peru, for instance, the local authorities of mixed repute with crucial authority over certifying land title and issuing permissions to log). But, as we will see in a moment, it is easy enough to correct the inevitable mistakes once the *mesas* are up and running. And what about setting the agenda? Again, the answer is to take a relaxed approach: Let the group pick three or five topics, set up working groups to pursue each, and see what emerges. Here too the assumption—underpinning the work of the *mesas* in general—is that it is easier and more fruitful to improve initial, provisional responses than to spend time, and possibly generate conflict, trying to arrive at definitive answers before getting down to business.

Once a *mesa* has been constituted on these lines, how does problem solving proceed? Rapidly and relentlessly. The *mesas* typically meet once a week for several hours, with their associated working groups meeting in parallel. (Yes, you are understanding correctly: public-private partnership or dialogue means, in this strikingly successful case, that prominent business people and able administrators meet every week to devise solutions to intricate problems of administrative law that often cut across departments and ministries.) Weekly meetings serve two, closely related purposes. First, they permit continuous monitoring of the progress of each project: Weekly review makes it possible to identify problems early and to take countermeasures, such as, for example, inviting additional—and previously overlooked—participants with relevant expertise and authority. Second, weekly meetings make it possible to launch new projects rapidly—new topics can literally be broached one week and on the agenda for a working discussion the next. The crucial and general rule is that whoever proposes a new topic for the *mesa* undertakes to present a proposal for addressing it—elaborated, typically, with others, some of whom will be invited for that purpose—to the next weekly session (or the one after that), and the progress of every proposal that meets with approval is monitored until completion. Note that applying this rule makes it possible to correct, as necessary, the inevitable oversights in the original composition of the *mesa*.

What happens if there is a deadlock, for instance if representatives of different ministries or public entities disagree? Then—and only then—the problem gets escalated to higher authority—the minister sponsoring the *mesas* (in this case Piero Ghezzi of Produce) takes responsibility for unblocking the situation by alerting the relevant minister-colleague to the problem, not, however, by intervening in the *mesa* or at a higher level to deal with it substantively. Ministerial authority and ministerial attention are both in short supply and the *mesas* succeed in part because they do not put undue burdens on either. Ghezzi's authority and influence were important in convening the *mesas*—a point to which we return in a moment—but once they were going neither he nor any other higher took charge or proceedings. He was aware of developments, and general awareness of his awareness—and willingness to intervene in fraught situations—no doubt created incentives for the participants in the *mesa* to work things out amongst themselves rather than risk provoking an intervention with unpredictable effects.

Yet even though Ghezzi did not take a direct hand in running things, and the *mesa* participants had ample incentives to work together, the *mesas* did not run themselves. On the contrary: careful and continuing moderation during meetings and supportive counseling and cajoling between them is necessary to keep the fast moving, and changing, agenda on track. This is provided by experienced and talented public servants. Without their deep knowledge of Peruvian public administration—their understanding of when officials are ducking responsibility by hiding behind formalities and jurisdictional lines, but also how to engage those highly competent administrators who take deep pride in their work—as well as their skill in inducing the private sector actors to cooperate (without offending the uncooperative ones) the *mesas* could not have achieved the unbroken attention to complex, concrete problems that allowed the actors to relax, if not forget, their assumptions about the intentions of the others long enough to appreciate the possibilities of collaboration.

But with this important qualification the *mesas* have become, in less than two years of existence, an institution, regulated by routine. The answer to each of the questions posed above can be formulated as an institutional rule of behavior; and those rules, combined with the general requirement of supplying a proposal with each suggestion for a new project and monitoring each project until completion, together form a kind of users' manual for *mesas* or problem solving/coordinating institutions like them.

But how were the *mesas* established? And, even supposing we had a reliable users' manual for them at hand, can they be constructed elsewhere in Latin America? Or beyond? The answer to the first question was suggested at the outset: The *mesas* were a happy accident waiting to happen. A bit more precisely: They weren't planned, but they didn't just happen. Ghezzi participated in an event that sought to improve coordination between various parts of the State and representatives of the private sector to ensure that an irrigation project in the north of the country had better connectivity (roads, ports and airports) and access to workers (by creating a new city), in order to be competitive in agro-exporting. That experience alerted him to the general possibility of achieving significant productivity gains by solving coordination problems that cut across jurisdiction lines. That idea was the germ of the *mesas*. At the same time, Ghezzi was leading an initiative to facilitate the emergence of new economic sectors and diversify the economy. The *mesas* were a tool to achieve that goal

without ‘picking winners’ or falling into the errors of Latin America’s old industrial policies. By good fortune the wide range of public sector experience among the public administration professionals recruited at that time for Produce made it possible to implement that idea. And once the *mesas* were a going concern, they began to generate their own private sector constituencies, thereby creating a shield against capricious interference.

The answer to the second questions—about the generalizability of the *mesas*—is more difficult, and depends in part on the interpretation of the first. If you think the outcome results from a lucky and singular chain of events—a thought-provoking irrigation project, the need to create a tool for productive diversification, and the chance availability of experts with just the needed skills, —you will be inclined to see this as a bit of good fortune for Peru, but of not much interest to others. Indeed, on this first view the *mesas* might not even survive the changes in background conditions brought by the recent change of government.

On the other hand, you may be inclined, as I am, to see each of these components are reflecting very general developments: coordination problems becoming ubiquitous, a new generation of public administrators used to problem solving across jurisdictions and with private actors, ministers with experience of the “new” economy of team or co-production involving many disparate actors, and ongoing relations with regulators. In that case it still took the insight and drive of Ghezzi and his collaborators to create the *mesas*. And significant effort in the day to day to make them work; but they were assembling pieces that are likely to be found in related form in many other places, and the institutional rules upon which they wittingly stumbled are likely to serve as a useful guide to solving coordination problems in various national and local contexts. At the very least we would expect, on this view, that the constituencies generated by the *mesas* will protect it from disruption by the new government. (Even the most advanced of the current *mesas*, for forestry, is still far from achieving its central goals. One participant compared it to a building of twenty stories, of which the first—and most difficult—five had been built. With great gains in sight the *mesa* participants are, on this view, very unlikely to abandon the institution without a fight.) In addition, if this second view is right, there should be efforts to emulate the *mesas* in the many other parts of Latin America that face similar challenges of improved coordination.

The emergence of institutions that, like the *mesas*, use diagnostic monitoring--continuous review of projects to detect and correct problems as they arise—in settings quite different from the Peruvian one lends plausibility to this second interpretation. One example is the Malaysian Performance Management and Delivery Unit (PEMANDU). PEMANDU, formed in 2009, organizes public-private coordination in defining and carrying out ambitious plans for development in various sectors of the economy (palm oil, paddy rice, electronics, tourism) as well as public sector reforms and projects (transit systems and environmental cleanup in Kuala Lumpur; the reform of public schools and the police). Its projects are longer term, have incomparably larger budgets and are based on more much extensive and rigorous stakeholder consultation than the *mesas*’. But these differences notwithstanding the continuing adjustment of means and ends in the light of experience, as reported as frequent working meetings, is common to both—it is estimated

to 70 percent of PEMANDU's (elaborately made) plans are substantially revised as they are implemented—as are the procedures for escalating deadlocks to higher authority. (It is worth mentioning that had the *mesas* been started at the beginning of the Humala government, instead of, as happened, less than a year and a half before its end, it is likely that they would have included infrastructure projects, and the program might well have more closely resembled PEMANDU.)

A second example are the institutions for linking various private actors in supply chains with each other, with regulatory authorities and with public providers of technical support services in rice growing and processing in the Argentine province of Entre Rios, and in viniculture in the province of Mendoza, also in Argentina. Similarly there are successful agricultural extension services, national in scope but operating through regional centers with governance board's composed of local stakeholders, in Brazil (EMBRAPA) and Argentina (INTA). In all these cases close and continuous monitoring of inputs, treatments and outputs has, given short, natural growing cycles, made it possible to institutionalize rapid and systematic improvements in productivity and the development of new, superior products.

Placed on the continuum of institutional contexts defined by these polar cases the *mesas* occupy a middle position. Unlike PEMANDU they do not depend on the concerted efforts of state (or at least an elite) willing and able to commit to big projects and budget accordingly. But neither do they depend on the informal ties and sense of mutual obligation, born of a shared heritage in a common place, that seem to underpin cooperation in Entre Rios or Mendoza. Rather the success of the *mesas* stands for the idea that given (initially) thin agreement on common purposes, and rules (such as the obligation to make concrete proposals and monitor their progress) that focus attention on solving pressing problems, relative strangers, linked neither by a shared culture nor subject to a common authority can quickly learn to collaborate productively. To the extent that Latin American states do not always excel at setting and maintaining developmental priorities, but neither can economies in the region rely on a heritage of shared obligations as the foundation of cooperation the *mesas'* lucky invention of an institutional path to collaboration among public and private actors may be of enormous importance.

The next few years will tell. But one way or another the *mesas* have given us a glimpse of a answer to a paradox that confronts and confounds our age, and pointed us to truths that will have to be rediscovered if, perversely, and certainly against my own hopes, they do not survive and spread from this source.

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INTRODUCTION

Peru clearly needs to transform its structure of production and diversify its exports to reach higher levels of income. This need features prominently in the country's growth diagnostics (Hausmann y Klinger 2008), government strategies (Ghezzi 2016), and was in the economic platforms of nearly all political parties during the recent elections¹. The question is not if, but how.

In early 2015, the Ministry of Production (Produce) embarked on a new policy initiative: the *Mesas Ejecutivas*, or *MEs* by their Spanish Acronym. This literally translates to 'Execution Tables', and a google image search of that term will show the challenges of this translation. Nevertheless, the literal translation is important, as these are groups for execution in the sense of taking action. They are not groups for dialogue as has been the case with past working groups. As such, we will continue with the Spanish name *Mesas Ejecutivas* or *Mesas*, and the Spanish acronym *ME*.

These *mesas* were designed to build upon the reforms and progress of the past 25 years, but address what those policies had not yet solved, in order to unleash productive diversification. This paper describes the *mesas*, their impact, and the lessons learned.

MEs are temporary, public-private working groups that are focused on a very specific sector or factor of production. Leaders from the private sector and relevant government ministries and agencies meet weekly not only for dialogue, but for action. The *MEs* identify the key bottlenecks that are holding back a particular sector or factor. They are charged with simplifying procedures, adapting and updating laws and regulations, opening new markets, creating or improving needed government agencies, providing adequate infrastructure, ensuring sufficient incentives for innovation, and so on.

Sometimes, the challenge is a bureaucratic hurdle, a poorly designed or implemented regulation, or unjustified delays in one part of the government apparatus. In other cases, there is a completely missing public good or service needed for production, or a regulatory gap. This role of the *mesas*, by interacting and coordinating with the range of relevant public and private actors, allows it to identify these needs so that the State can prioritize its efforts.

¹ <<http://www.votoinformado.pe/voto/plan-de-gobierno.aspx>>.

That is to say, the *MEs* help the government organize itself in terms of providing the public goods and services that a sector or factor of production needs. The *mesas* help to cut red tape, but that is not all. For example, the forestry *mesa* helped identify a key technology gap facing the industry, and designed improvements including the creation of a Center for Productive Innovation and Technology Transfer (CITE) for the sector.

The *MEs* do not require long periods of time or large budgets to be effective, but instead depend on an engaged and proactive private sector, skilled public administrators, and an involved ministry that can get into the details and resolve technical challenges. Chapter 1 describes why these *mesas* are needed and how they solve a critical bottleneck in achieving productive diversification.

The first *mesa* was launched in early 2015, reaching 6 *mesas* by mid-2015 and 9 *mesas* as of mid-2016. Chapter 2 describes how these *mesas* were selected and created. Each *mesa* develops and refines a detailed list of problems facing the sector that are within the role of the state to resolve. The *MEs* do not provide subsidies and special treatment to compensate for low productivity, rather they raise productivity by solving legal and regulatory bottlenecks and coordinating investments in innovation and infrastructure, and filtering out challenges that are the private sector's responsibility to solve. In other words, the *mesas* don't "pick winners", but instead they allow sectors to succeed or failure internationally based on their true potential, by making sure the government is doing everything it is supposed to do and not doing anything it shouldn't do. Chapter 3 describes in detail how this is done.

This new methodology of public-private learning and coordination has achieved major successes in a short time. Peru's forestry sector can now register plantations in 3 days instead of 6-12 months. It has improved access to finance due to, on the one hand, legal improvements that allow productive stock to be used as collateral, and on the other, a new fund created by the national development bank (Cofide) in close coordination with the private financial system. And soon it will have a CITE that will help close productivity gaps in the country and increase the productivity of both small and large modern producers. Peru's aquiculture sector can soon export shrimp to the Chinese and other international markets thanks to a reinvigorated national sanitation authority, has significantly reduced regulatory delays, and will have access to new tools for innovation. And the transversal logistics *mesa* has been able to reduce waiting times at the port of Callao from more than 6 hours to 2. In the nine months they have been operating, there have been a variety of improvements, which are generating increases in economic activity and planned investments. These achievements are described in the Appendix.

Finally, Chapter 4 provides a frank discussion of the key lessons learned during the past 18 months, along with future directions the *mesas* could evolve. The *mesas* are a policy that has been 'made in Peru', with a great deal of learning and adjusting along the way. These lessons will be very useful not only for future improvements to the *mesas*, but more generally to improve state effectiveness across a range of

areas. The experience of the *mesas* described in this book show the importance of fostering productive, legitimate, and detailed coordination between the public and private sector as well as the value of an agile, iterative approach to policy innovation that emphasizes experimentation, learning and improvements over time.

I. WHAT ARE *MESAS EJECUTIVAS* AND WHY ARE THEY NEEDED?

The idea of bringing together the public and private sector is not new. Public-private working groups are a common tool that can be found in many developed and emerging markets. Peru also has a history of a variety of '*mesas*' (technical groups, working groups, dialogue groups, etc) with relatively little to show for it. The *Mesas Ejecutivas* (MEs) are distinct. They've developed a particular form, oriented towards the particular challenges that hold back productive diversification. That form of working, and those challenges, are the subject of this chapter.

What is a Mesa Ejecutiva?

MEs are temporary, public-private working groups that are formed to enhance productivity for a specifically targeted vertical sector (such as forestry, textiles or aquaculture) or horizontal factor of production (such as logistics or capital markets).

MEs are temporary in that they are not meant to replace existing government ministries and agencies, nor private trade groups and associations, and instead to draw in participants from across these public and private entities. However, as part of its work a ME may reform or create these agencies.

They are working groups to the extent that are focused on rapid action and implementation of potential solutions, meeting weekly and showing continuous progress. This is not a space for high-level dialogue and understanding. This is a place for action.

The MEs are focused on one single vertical sector or horizontal factor of production, rather than more abstract discussions of general economy-wide competitiveness. This is for an important reason: the majority of the unresolved problems that are hindering structural transformation in Peru are unique to particular sectors and activities, and can only be identified and resolved at that level.

Why are MEs important for productive diversification?

In an ideal world with a well-functioning state and private sector, MEs would not be needed. Ideally, the public sector should be able to organize itself and coordinate its

activities across ministries and government agencies. A large number of skilled and motivated public administration specialists in government should be able to interface with the private sector at all levels about the impact of its regulations and the value of its set of potential investments in infrastructure, education and innovation. And this complex public-private dialogue should be transparently focused on mutually-beneficial productivity growth.

Clearly, no country fully realizes this ideal. But the further and further one is from it, a set of dysfunctions emerge which are particularly harmful for productive development and structural transformation.

First, there is an accumulation of coordination failures within the public sector, organized around line ministries and government agencies that can often become 'stovepiped'. Most sectors have to interact with more than one ministry and regulatory agency. For example, the forestry industry in Peru has to interact with the national Forestry and Wildlife Service (Serfor), the Supervisory Agency for Forestry and Wildlife Resources (Osinfor), the Agency for the Evaluation and Inspection of the Environment (OEFA), the Ministry of Agriculture (Minagri), the Ministry of Production (Produce), regional governments, municipalities, etc.

The Aquaculture sector needs to deal with the National Fishery Sanitary Organization (Sanipes), Produce, OEFA, the National Water Authority (ANA), the regional governments, municipalities, etc. Each of these public agencies has its own set of incentives and actors. Such limited incentives to coordinate amongst each other result in a series of problems, from duplicated paperwork and approvals to suboptimal investment decisions in infrastructure and other public goods.

Second, there is an accumulation of public-private coordination failures. Peru has a long history of mutual distrust between the public and private sectors. The private sector does not trust a State that generally does not work effectively and puts up barriers, and many public sector officials distrust a private sector that they perceive to be solely self-interested without a perspective of the country as a whole. The distance between these two groups often results in interventions and regulations from the public sector free of interaction with the private actors that will be impacted by them. This leads to public investments that do not improve productivity, and regulations that may look good on paper but in practice do not reflect the productive realities on the ground and do not achieve the desired impact.

These public-public and public-private coordination failures are harmful to all economic activity and sectors. But they are particularly that they are particularly damaging for incipient and new sectors which are needed for structural transformation. Traditional sectors have already somehow overcome these challenges, and the necessary inputs to production, both public and private, exist. At the same time, the largest established industries in the country have greater representation in associations and trade groups. Given these sectors are large and have existed for a longer time, the public sector is more aware of them and their needs in terms of public goods, and better organized to meet those needs.

Incipient sectors do not have these same channels to raise coordination failures with the public sector. Their output is not large enough yet to give them a major voice in associations or to be at the top of mind of the public sector. And, at the same time, these sectors will actually suffer from a larger number of coordination failures precisely because the sectors are new and therefore many of their needed inputs do not yet exist. Each sector requires a unique set of public goods such as infrastructure and regulation, and those unique requirements for new sectors more public sector knowledge and coordination.

For these new sectors to successfully emerge and contribute in a meaningful way to output, they have an outsized need for new regulations and standards, new specialized infrastructure and skilled workers. And since they were not the activities in mind when existing regulations were written, they are most likely to suffer from unintended consequences of the existing legal environment. For example, in Peru since September 2015 the regulations for forestry were written for permanent production forestry, ignoring plantation forestry. Similarly, until that same year aquaculture was put under the same regulatory requirements as ocean fishery. In short, incipient sectors are both more likely to suffer from these coordination failures and less able to resolve them than dominant industries.

These public-public and public-private coordination failures are both more frequent in emerging economies, and are particularly damaging for the process of productive diversification. In Peru, as in other emerging markets, the public sector has a limited number of effective proactive public administration professionals with an open mind to listen to the private sector, learn, and solve problems. In this initial phase, *MEs* focus that limited bandwidth of highly skilled public administrators on the sectors that could most contribute to future diversification and growth. This has shown itself to be a highly effective approach, akin to focusing effective medicine on a particular part of the body that needs it: it generates a rapid, outsized impact on the overall health of the economy.

Why do MEs have to be for particular sectors?

The idea that improving public-public and public-private coordination is needed so that the government can enhance private sector growth is not particularly controversial. Most countries have chambers of commerce and industrial associations whose mission it is to seek to dialogue with the government to achieve an efficient and favorable business environment for investment. And there has been a proliferation of indicators and rankings of competitiveness and business environment that governments are increasingly targeting directly.

However, forming *MEs* focus on specifically targeted sectors may be more controversial. Aren't those more horizontal economy-wide efforts sufficient to overcome potential public-public and public-private coordination problems and achieve diversification, without the risks and costs of 'picking winners'?

The emerging consensus is no, they are not, and for one very important reason: both the

public goods needed by each sector, as well as the regulatory bottlenecks they face, are frequently highly specific to each sector. Some things, like inflation and interest rates, are relatively horizontal. But even though we give generic names to the host of other public inputs to private production like ‘infrastructure,’ ‘regulations,’ and ‘rule of law,’ in practice they are not generic. They are highly specific. The mining sector requires different infrastructure than the agricultural sector, the sanitation authority that can get Peruvian’s access to foreign markets is very different from the regulatory agency that certifies forestry extraction, and inconsistencies in interpretation of the labor code for the textile sector has little to do with delays in customs processing at the port.

Therefore, when it comes to resolving barriers and providing public goods that the private sector requires, particularly incipient industries, it must be done at the sector level. And since a public sector with limited bandwidth cannot simultaneously coordinate with all sectors and private sector actors simultaneously, it is “doomed to choose” who to work with first (Hausmann & Rodrik 2006). In most cases that will be for a particular sector, though this year we have launched two *MEs* focused on horizontal factors of production (infrastructure and high-impact entrepreneurship). The logistics *ME* touches multiple sectors, but is defined narrowly enough to not lose the abovementioned specificity, as it centers on logistics through the country’s largest port in Callao.

Given the history of industrial policy and the costs of ‘picking winners’ in Latin America during the second half of the 20th century, there is a strong aversion to any government initiative that is not horizontal. But there is no alternative when the needed public goods and the bureaucratic barriers are sector-specific. Importantly though, when done correctly this does not involve picking winners. Each sector will have to sink or swim based on its own competitiveness and comparative advantage. What the *MEs* ensure is not the sector’s success, but merely that each sector achieves its true productivity, which is not artificially reduced by either not doing something the government should (missing public goods) or doing something the government shouldn’t (increasing costs with inadequate regulations). What the *MEs* will have to do is sequence and prioritize which particular sectors they work on first, given the realities of bandwidth. The next chapter addresses this selection process in detail, followed by a chapter detailing what a *ME* does (and doesn’t) do once it is launched.

II. FORMING MESAS EJECUTIVAS

The *MEs* were conceived as a way to directly address these public-public and public-private coordination failures that are particularly harmful for productive diversification. But the key first step in launching them is deciding where to focus this new tool. What sectors and factors should get a *mesa*, and how should they be limited? Those questions are addressed in this chapter.

How to define a sector or factor for a ME?

When we talk about *MEs* having to be focused on a particular sector or activity, how specific does that have to be? In Peru for example, could there be a *ME* for agriculture? Or for agriculture in the Ica region? Or for a particular product like blueberries or asparagus? In our experience to date, we have followed a few key principals in deciding how to define a sector that may get a *ME*, though this is admittedly more of an art than a science.

1. Be as narrow as necessary

As discussed above, *MEs* are necessary to arrive at the level of detail where public-public and public-private coordination failures are resulting in bottlenecks and missing public inputs that are holding back structural transformation and growth. Therefore the sector must be as narrowly defined as is necessary to get at this relevant detail. If the regulatory barriers or infrastructure needs are not common enough among all the actors in that sector, the sector must be more narrowly defined.

For example, the forestry sector may require a new regulatory regime to ensure sustainability, agriculture in the mountainous region may be missing reliable cold chain infrastructure, and the IT sector may need new rules for importing foreign experts. Lumping all three of these sectors together into a single *ME* would lose the necessary specificity for each sector, and the *ME* would fail to address the issues reducing productivity growth and diversification.

2. Subject to rule #1, be as broad as possible

The *MEs* need to be narrowly defined enough to be effective, but when that is achieved, the broader the better. Grouping together various narrow activities that suffer from a shared set of public-public and public-private coordination failures will maximize the impact of solving those problems. Given limited bandwidth, it is necessary to prioritize *MEs* that are for sectors that have, or could soon have, a relevant macroeconomic impact. This means the most broadly-defined sectors possible that are still narrow enough to be able to work with them.

For example, for the national government, a *ME* for plantation forestry in Huanuco is too narrowly defined: it is reducing its potential impact by not including other very similar sectors that suffer from the same coordination failures between the multiple agencies regulating forestry in Peru. On the other hand, a *ME* for all natural resources in Peru is so broadly defined that it would not address the unique problems facing the forestry sector. *ME* for the entire forestry sector, both natural and plantation and across the entire country, was just right.

3. Rely on self-organization as much as is possible

Private sector actors tend to self-organize around particular shared challenges and needs. They form trade groups and associations, and within those groupings often create sub-groups based on common problems. Therefore it is highly effective to create *MEs* for a private sector that is self-organized around a common set of interests. In other words, instead of creating a *ME* first and then trying to bring together members in an arbitrary group, it is more useful if the private sector sees its own common challenges and self-organizes around them, and using that group as the private sector counterpart for a *mesa*.

These three guidelines are oriented towards sectoral *MEs*, which is the majority of them in our experience to date. However they also apply to so-called factor or horizontal *MEs* for a particular factor of production. First, it has to be narrowly defined to get to the specific bottlenecks that are causing problems. For example, in the case of the logistics *ME*, the entire logistics system for the country was clearly too big of a subject, so the *mesa* focused initially on the port of Callao, through which 81% of national trade flows, and which is uniquely fraught with public coordination challenges. There were a common set of problems for all types of firms moving products through this port, and its share of the country's trade made it very relevant for macroeconomic performance. Finally, there was already a grouping of firms that had formed around concerns for this logistics point.

Selecting sectors for a *ME*

Using these principals, it is necessary to then generate candidate sectors/factors for a *ME*. Our focus was on identifying sectors that existed today but were much smaller than their potential size, and realizing that potential would make significant contributors to macroeconomic figures within 5 years. In the future, focus could extend to more strategic sectors that do not exist at all today in the country and which would require a longer gestation period to become relevant to GDP growth (see Chapter 4 for more details).

Though all *MEs* focus on sectors that have future growth potential, we can differentiate between three types. First, those that haven't grown (at least sufficiently) in the past due to a lack of attention from the government in providing the needed public inputs. Some examples of this type are forestry, aquiculture, creative industries, and non-metal mining. Second are those that have grown in recent years, but require improved coordination with the public sector for this growth to continue in the future. Examples are the agroindustry and gastronomy sector. Third are sectors that are very important for the macroeconomy but are under threat from international competition. For example, the textile industry.

A valid concern prior to launching this process of forming the *MEs* was how to select in a legitimate and transparent way which sectors would receive a *mesa*. We expected this to be one of the key challenges, but it turned out to be surprisingly straightforward in practice: the private sector proposed sectors, and we jointly evaluated if the sector/factor proposed met the necessary conditions for a *mesa*. Throughout the past year and a half, Produce has continued to receive proposals for potential *mesas*, but we've never been in a situation where we had to pick one *mesa* out of a large number of feasible proposals. Each decision was taken individually, based on the following question: does this proposal constitute a *mesa ejecutiva*?

Naturally, there will always be a limit to the number of *mesas* that Produce can manage at once¹. At the outset it was not clear what that limit would be, so it was considered best to start small. We started with one *mesa* in early 2015, expanding to 3 *MEs* by mid-year, by the end of the year, and ultimately reaching 9. Over time, it will be necessary to prioritize the sequencing of new *mesas*, that is, we could accept new *mesas* as past *mesas* launched by Produce are concluded or are moved to other ministries.

To generate candidate sectors for *mesas*, Produce coordinated proactively with the country's major associations: the National Society of Industries (SNI), the Association of Exporters (ADEX), the Lima Chamber of Commerce (CCL), the National Confederation of Private Enterprises (Confiep) and the Society of External Commerce (Comex). These associations in turn are composed of a large number of sub-associations or committees organized around more specific industries, and this self-organization was not only based on the physical similarity of their products, but based on shared opportunities and challenges, making them a sensible level of level of aggregation for a *ME*.

Evaluating if a sector or factor possesses the characteristics needed to form a *mesa* involves a variety of criteria, which naturally were refined as we learned with experience. A first simple criteria is based on data. What is the potential of the sector in question, using neighboring countries with similar comparative advantages as an indication? This was relatively straightforward, as some incipient sectors clearly demonstrated both high potential and current underperformance.

For example, while Chile exports approximately \$5.5 billion dollars of forestry products, Peru exports \$140 million (and imports \$1 billion). This is despite the fact that Peru has millions of hectares for permanent production forestry, and significantly more space for plantations with obvious comparative advantages (more sun and warmth in the jungle, lower energy and labor costs, and faster growth speed of high quality bolania compared to Chilean radiata pine).

A second criteria is information obtained from the private sector that would potentially be the counterpart if a *mesa* is launched. A *ME* only works if there is a counterpart from

¹ Eventually, there should be *MEs* in areas of the government other than Produce, which could work as an incubator. This is discussed in Chapter 4.

the private sector that is has the interest and commitment to engage in weekly meetings and participate proactively in problem definition and problem solving. And these have to be the right people: those with intimate familiarity with the day to day operations in the sector. It is critical that the actual general managers that run these businesses are the ones that participate in the *ME*, and when necessary, delegate to their internal specialists depending on the topic at hand. In some cases, these were the participants in the proposal meetings, in other cases not, which was an important filter for deciding which *MEs* were viable (continued participation of these key managers in weekly meetings is also a key signal if the *ME* is operating effectively: these executives are busy and if the *ME* is not quickly solving problems they will quickly stop attending weekly meetings).

In addition, it becomes clear very quickly in the meeting what is the level of internal coordination and consensus coming from the private sector regarding the sector, its opportunities, and its challenges. For the forestry sector for example, it was obvious that more than for any of the other sectors that pitched for a *ME*, the private sector leaders in this sector had self-organized into an association that represented the majority of the country's current output, that they communicated a vision of how the sectors' growth could contribute to the country at large rather than only considering their individual companies, and that they had alignment amongst themselves on what the principal challenges were and how to solve them.

For this reason, one of the key concerns, that bureaucrats would be "picking winners", turned out to be a non-issue. The forestry and aquaculture sectors had such a clearly large path for rapid growth by comparing relatively low current output, despite clear natural comparative advantages to neighboring countries. And compared to other potential *MEs*, they were a level above in terms of self-organized private sector representation that was cohesive, proactive, and open to engagement. As these initial *MEs* began to show successes, and through continued outreach efforts, the number of sectors pitching for a potential *ME* began to increase, and subsequent decisions were not quite as obvious, but remained relatively clear. It turns out that it less important and difficult to decide which sector gets a *ME*, and relatively more important what is done once that *ME* is formed, which is the subject of the next section.

But it is worth emphasizing first that, in retrospect, probably the most important determinant of the level of success a *ME* has is who the private sector counterpart is. Leaders of the industry that are willing to show up week after week, proactively engage in creative and practical problem solving, and who focus on the sector's contribution to national advancement are the single most important ingredient. This can be impacted significantly by individual personalities, more so than by technical characteristics of the sectors themselves. Evaluating it, rather than trying to force a *ME* into being because it ranks high on other technical indicators, is of the utmost importance. And it is by its nature as much art as it is science. The need for judgement does open up the risk of favoritism and capture, but forcing a process that is purely technical would be much more costly as it would act as a straightjacket that results in *MEs* that simply do not have the needed ingredients for success. Instead of forcing formality, a better solution is to maximize transparency, for example with rolling open invitations for pitches and by publishing meeting materials and justifications for *ME* formation decisions online.

The next chapter explores who participates in a *mesa* in practice, and how they work.

III. RUNNING *MESAS EJECUTIVAS*

The real determinants of success or failure of a policy like the *mesas* is in the details: who participates, what do they focus on, and how do they actually work. There was no blueprint to follow, and these critical details had to be figured out with experience. This chapter describes the methodology that has evolved out of the past 18 months of learning and improvements.

Who participates in a ME?

There are three key groups of participants in *MEs*:

Private Sector Representatives

These are the principal actors in the *ME*, as they represent the companies that will actually be creating the employment and output in the sector. They are designated by the relevant associations. They should be the executives that really run the business and make the decisions, so that they can correctly identify the key challenges, and their potential solutions. Crucially, they should help the rest of the *ME* participants, particularly from the public sector, better understand the sector.

When relevant, the executives may designate this work to specialists in their organizations that know the operational details that are needed. For example, the regular participants of the textile *ME* are the top executives of the businesses in the sector, but when the group took up issues relating to labor issues like workplace inspection protocols, they turned to their human resource managers.

Commitment from the private sector to continue regular participation in the *MEs* is a precondition for success. This commitment will only be maintained if the *ME* can show progress. If there are early successes, this generates an enthusiasm that increases commitment, which increases the changes of future success, creating a virtuous circle.

Representatives of the various parts of government that have some relationship with the sector/factor

This will be unique to each sector, depending on its characteristics. Over time, as new challenges across the public sector are identified and resolved, this group may change. Generally, there are some central ministries and agencies that are permanent members

of the *ME* (for example: Serfor and Osinfor in the forestry *ME*, the National Port Authority and Osintran for the transversal logistics *ME*, Sanipes for the aquiculture *ME*, etc.), and others that are brought in for a shorter period of time regarding one particular problem in their ambit, such as the national labor authority (Sunafil) for labor inspection issues.

Produce representatives that work directly for the *ME*

Within this group are three roles:

a. The *ME* session moderators: they chair the *ME* sessions, note the commitments made for future sessions and ensure those are carried out. It is their job to ensure the *MEs* are rigorous, all open issues are followed-up, and responses are detailed and satisfactory.

b. Technical secretaries: responsible for issues like organizing meeting logistics, noting key meeting outcomes and agreements, following-up on next steps, and so on.

c. Public administrators from Produce: these are highly skilled public administration professionals, with deep public sector experience. They set the agendas of the *MEs*, assist in the preparation of legal and regulatory changes that facilitate the work of other public entities participating in the *ME*, and participate in the bilateral meetings that happen in addition to the weekly meetings.

This third role is the highest-skilled position from the public sector on the *ME*, as these individuals are responsible for the dialogue process in uncovering and resolving opportunities to improve the sector's productivity. They work across the full range of the public sector to ensure that the solutions identified by the *MEs* are approved, and only the larger intractable challenges rise to the level of the minister. They ensure public functionaries from other areas participate in the sessions, and that regulations are correctly published. When the requests from the *MEs* involve other arms of the government, particularly the ministry of finance (MEF), they ensure that proposals are technically viable. This group includes a technical secretary that is the main link with the minister of production.

All these participants (from the private sector, *ME* staff from produce, and other relevant public sector actors) represent the first level of operations for a *ME*. They attend the *ME* meetings and it is they who directly scope and understand problems and work on solutions. This proximity provides them with the best information and context about the private sector and its challenges. In many cases, the identified problems are resolved at this level. Depending on the case, Produce facilitates the progress of the *ME*, proposes solutions, provides guidance and even implements the solutions.

The second level of operations for a *ME* is the ministerial level, which is used only when problems go beyond a purely technical solution and need the convening ability,

persuasion, and ability to resolve problems and assign resources normally reserved for the ministerial level.

The minister of production is the nexus of the *ME* with the rest of the ministers and has to be up to date on the day-to-day of the *ME*, its problems, its progress, its challenges, etc. The minister is the main filter to ensure the requests of the *ME* are disciplined, reasonable, technically sound, and will increase the productivity of the sector. Unreasonable requests can create false hopes and will cost the *ME* credibility when they are not met. The minister informs the rest of the cabinet of a sector's challenges and opportunities. By involving other ministers, they provide a signaling of the importance of the problem to the other ministries.

The fact that the minister of production and other ministers do not participate in the regular *ME* meetings increases their bandwidth. If the ministers had to participate in all of the meetings, the number of *MEs* that could operate at one time would be very restricted. At the same time, the fact that the public administrators that participate in the *MEs* are empowered by the ministers makes the private sector more open to participate, as they appreciate that their public sector counterparts have the authority to make decisions and implement.

How often should the ME meet?

In our experience, the right meeting frequency has been weekly. This is more frequently than we had initially expected, and is surprising to some. However, it has turned out to be very important, because the steps described below require multiple iterations to discuss and enact.

Naturally, however, there is not a single right answer for how frequently *MEs* should meet, and it could vary by *ME*. But generally, for us a weekly frequency has been best. The weekly meeting acts as a forcing mechanism for the participants, who know that they will have to report their progress at the next meeting. Since procrastination is human nature, a monthly frequency would risk reducing the pace at which the *MEs* progressed, as work would only accelerate as the next meeting approached. A weekly frequency ensures constant pressure for progress.

Of course, the fact that the meetings are weekly doesn't necessarily imply that every to-do has to be completed by the next meeting. Some actions may require more than a week to complete. As such, the responsible public sector actors may be scheduled to return to the *ME* after the requisite time has passed to advance the work stream. But the principle is the same: fixed deadlines and the need to report progress to the *ME* generates a strong incentive to come through.

What other meetings does a ME have?

Just as important as the weekly meeting is what happens between each of the meetings. This is the time in which the *ME* staff engages in smaller bilateral meetings and is constantly following up on the implementation of the solutions that have been identified by the group.

One important set of bilateral meetings that occur in addition to the weekly meetings are those among the public sector participants alone. This is important because some internal government coordination issues may have to be resolved behind closed doors. For example, the public administration specialists may know that publicly ‘calling out’ one particular agency or individual, particularly in front of the private sector participants, will reduce their level of cooperation. In such cases, they will meet with their public sector counterparts in private to gain alignment first. In other cases, there may be a set of requests from the private sector that have multiple potential solutions, but one that is optimal from the perspective of the public sector. In such cases, it is useful for the public sector leaders to agree among themselves and then provide a consistent united message to the private sector.

The ME's Operations

As described previously, the objective of the *ME* is to identify the problems that are negatively impacting the productivity of a sector, and work to resolve them. It is important that a *mesa* gets off to a good start. To that end it is important to have clarity about the problems by the time the first official meeting happens. This implies that even before the first official meeting of the *ME*, Produce has had meetings with the rest of the public and private sector. The ideal is to arrive at the first meeting with 3-4 clearly identified problems.

In that first session, it is important to establish that the purpose of the *MEs* is to act, not just exchange opinions. That is achieved by starting to resolve problems from the very first meeting. To a certain extent, resolving some of the initial problems is prioritized over adding to the list of problems to solve. Peru has a history of other public-private working groups that dedicated too much time to generate detailed matrices with a growing list of diagnosed problems, but with few results to show. By focusing on execution, we have successfully avoided repeating those past mistakes.

Therefore, instead of working sequentially, first generating a detailed and exhaustive list of problems to solve, we’ve normally started with 3-4 problems and moved directly to resolving them. Progressively, as those initial problems are resolved, new problems are identified and then addressed. That is done always keeping in mind that the objective is to identify and remove barriers to improved productivity in the sector.

This iterative approach to identifying and resolving problems is one of the key features that has made the *MEs* a more effective strategy than the linear ‘master plans’ that were common in the past.

a. Identify and filter the list of problems causing low productivity

Many of the problems facing the private sector in the *ME* relate regulatory complications, bureaucratic red tape, absent regulations, inadequate public services, or missing infrastructure. Essentially, cases where the government is doing something it shouldn’t, or isn’t doing something it should. Both hold the sector back. The Appendix provides a variety of examples. The private sector is simply asked “what are the key limitations and barriers that are reducing your ability to grow and create jobs?”

This is definitely the most important part of the process, and requires quite a few iterations. Generally, the initial set of problems suggested by the *ME* in the first meeting is refined over time. What may at first seem like a fundamental problem suggested by the private sector leaders may actually just be the symptom of a different underlying problem. For example, the private sector may say that they are unable to compete with low-cost foreign competitors in the main export market. We need to dig into that more: why? Is it because they are at a relative disadvantage because the competitor country faces lower tariffs thanks to an FTA? Is it because the growing season in our country is shorter? Is it because of shipping delays in the port for phytosanitary approvals? Each one of these problems has a different potential solution, making it critical to drill down to key root causes.

This example also shows why the next step is important: to filter the list of identified problems. Some of the problems identified point to things the government has a legitimate and agreed-upon role in resolving. But others not. One of the key lessons from failed industrial policies of the past is the negative effects of ‘picking winners’ and then subsidizing and protecting them to compensate for low productivity. The *MEs* do not pick winners in the sense that their job isn’t to make a particular sector successful. The sector will have to live or die based on its productivity and comparative advantage. Instead of picking winners, what the *ME* does is enable the sector to compete based on its true productivity in the country, unencumbered by the government either doing something it shouldn’t or not doing something it should. In other words, providing all of the sector-specific public goods that are the government’s job to provide, and ensuring that costs aren’t inflated by poor regulations and deficient public services.

How do we filter the list of problems to only include those that are legitimate public functions? In our case, we were very up-front with the *ME* participants about a dividing line between “YPs” and “MPs”: ‘your problems’ versus ‘my problems’.

It is the job of the private sector to identify attractive business opportunities in which they have the ability to compete and win, and to exploit those opportunities with the right strategies to build thriving profitable organizations. So from the perspective of government, “your problems” are things like comparative advantage, product design, pricing strategy, and competitive pressures, as well as the private market-provided inputs to production. “My problems” are issues that relate to the public inputs to production.

There is no controversy that it is the government's job to provide things like regulations, infrastructure, and rule of law, and it is generally accepted that the state also has some role in addressing market failures in areas such as innovation. So it is 'my problem' if the sector's productivity is being harmed by these public goods being either absent, poorly designed, or poorly implemented. If the public sector is not doing something it should (like having a national phytosanitary body to gain access to international markets, or implementing an already passed forestry law), or is doing something that it shouldn't (like slowing down exports with unnecessary red tape), those are the "MPs" that remain on the list.

Helpful in this filtering process is distinguishing between inputs to production that are public goods versus market-provided inputs. Public goods are clearly the government's responsibility to provide. But inputs typically provided by the private market, such as financing and innovation, are more complicated. There are clear economic justifications for the public sector to solve market failures in the provision of some of these market inputs, yet this must be compared to the well-known risks of government failure in these interventions. When filtering the list of problems facing the sector, missing market-provided inputs should receive additional scrutiny.

The following examples show this process in action: what were the initial symptoms presented by the private sector, what problems were discarded by the *ME* for being a market-outcome that is "YP", and underlying causes were eventually agreed upon for the *ME* to take-up.

Example 1

During the meetings of the forestry *mesa* in early 2015, the sector identified one of the key 'barriers' to the growth of plantation forestry as the lack of tax subsidies/benefits. They requested that the MEF extend the tax exemption to them granted in article 12.3 of Law 27037 (the Amazon investment promotion law). However, the lack of a tax exemption is not a barrier to productivity. After further discussion, the real underlying barriers were revealed to be a lack of financing for the long terms required for plantation forestry (the Peruvian financial system had no experience with long-term financing of this type), inappropriate regulations (the Forestry and Wildlife Law had been passed but not implemented in over 4 years, the Forestry Tribunal hadn't been formed, and there were clear problems with excessive bureaucratic red tape and delays, etc) and insufficient investment in productive capabilities (few resources dedicated to innovation, human capital formation, process improvements, etc.).

Therefore, it was decided that the solution was not to extend tax exemptions (which increase the sector's profitability without improving productivity) but instead to address these underlying barriers directly, thereby improving productivity.

Example 2

In August 2015, in the first meetings of the Textile *Mesa*, the private sector requested

that the reduction in the drawback rate (a rebate regime for tariffs on imported inputs) be reversed. They held that the sector had lost competitiveness for a series of reasons, including labor laws, regulations, red tape, informality, a lack of investment in innovation, unfair competition, and so on. For those reasons they argued it was not wise to continue with the reduction in drawback rate.

The *ME* focused on attacking the root causes of this loss of competitiveness. To that end, the *mesa* is completing a significant improvement in the labor regime. Specifically, the non-traditional export law is being clarified to use the special legal regime for textile exporters. At the same time, the *mesa* has been working with the National Superintendency of Labor Inspections (Sunafil) on protocols and alignment to the sector's unique characteristics. The private sector in the textile industry recognizes that if those issues are resolved, it would more than compensate for the reduced drawback rate.

Example 3

The aquaculture sector frequently requested the restoration of the special 15% income tax rate (half the regular rate) that it had enjoyed until December 2013. The MEF did not renew this tax break, unlike its renovation for the agriculture sector, because unlike the agriculture sector the aquaculture sector did not demonstrate the rapid growth during the first period of the tax benefit. The *ME* set aside the discussion of the tax benefit and in its place focused on the underlying causes of low productivity and growth in the sector. Up to 2014, this was in large part due to the lack of a national sanitary authority that could open new markets for the sector.

As such, the *mesa* helped the new sanitary authority for aquaculture, Sanipes, to establish itself internationally. Among other achievements, the General Administration of Quality Supervision Inspection and Quarantine (Aqsiq) in China has officially declared that Peru now meets the requirements to export shrimp (one of Peru's key aquaculture exports) to that country. Sanipes is also currently completing an MOU to open the Brazilian market as well as maintaining access to the European market, and the American FDA made its first technical visit to Peru for the aquaculture sector.

The value of a tax break pales in comparison to the value of opening these new markets for the Peruvian aquaculture sector.

b. Identify feasible solutions to each problem, and implement them

Just as the process of identifying problems involves a filtering MPs (problems for the government to address) versus YPs (problems that are the private sector's responsibility to solve), we kept the same focus while identifying solutions, looking at improving

productivity rather than just profitability. This is a key way that the *MEs* differ from failed industrial policies of the past, which sought to compensate sectors for their low productivity with tax breaks and trade protections. Here, efforts are targeted on improving productivity directly.

It is important to understand what are the types of solutions that the public sector is willing to explore. One set is related to the provision of public goods, for example:

1. Simplifying regulations and administrative procedures.
2. Adapting regulations to the productive realities of the sector.
3. Filling gaps in laws and regulations.
4. Opening international markets (which also include regulatory and administrative improvements).
5. Public-public and public-private coordination (for example, easier access to the port in Callao).
6. Creating new public entities (or improving the performance of existing entities) that reflect the productive needs and realities of the sector.
7. Infrastructure that is sufficient for the productive needs of the sector.

Another set relates to resolving market failures:

1. Insufficient innovation due to positive spillovers
2. Lack of finance due to the absence of a deep capital market

In other words, the *MEs* help the State organize itself to provide the range of public goods and services that are productive inputs for an important sector or factor, and also corrects market failures.

The least controversial solutions are those in the vein of reducing bureaucratic and regulatory constraints to growth. Fixing coordination problems within government to reduce the number of steps needed to open a new aquaculture operation, reducing the time taken for certification of wood sourcing for export, or specifying the interpretation of the labor code in the textile industry to remove the uncertainty have wide support across the political spectrum. These are the analogues to the more horizontal “doing business” and investment climate type reforms, but which differ from industry to industry and thus

require a sectoral focus to achieve. Solutions that involve the provision of new public goods, such as a new piece of infrastructure or founding a new regulatory body are also public goods and are therefore less controversial, but they do involve new investment decisions and expanding the scope of government.

The more controversial set of solutions, but which still often have a place in the toolbox of *MEs*, are interventions in the provision of what are typically market-provided inputs, like financing or innovation. Market failures can justify these interventions, when weighed against the potential pitfalls of the intervention. But they will require closer scrutiny and justification than providing public goods.

One interesting example is the case of the forestry sector, where the lack of appropriate financing was cited from the first meeting of the *ME* as a major obstacle. Both to dig down to root causes, as well as to first identify actions squarely related to public inputs, the *ME* eventually identified that one problem was a failure of the regulatory system to allow for forestry stock in production to be pledged as collateral for financing. Moreover, producers who possessed land to reforest but not formal titles could not use that land as collateral. Both of these regulatory gaps were fixed with the implementation of the Forestry and Wildlife Law. After these problems were resolved, it was still found that because this kind of specialized financing had not been done before in Peru, large private sources of capital were hesitant to come in. This was particularly the case of plantation forestry, which requires long-term financing with repayment grace periods to match the productive cycle which is weighted to the end of the crop's growth.

To solve this problem, a small fund was created in the national development bank (Cofide), which came in as a "second tier" source of capital to fund or guarantee up to 70% of loans from the private financial system to the forestry sector. This co-financing will allow the private financial system to learn about the forestry sector to ultimately finance it independently.

Finally, in our experience, the *MEs* should work in parallel on two types of problems. First, it should take up some problems that can be solved very quickly with focused effort. Quick wins creases the momentum needed to resolve other problems that may only have longer-term solutions. They also demonstrate that the *ME* is serious in its work and is a worthwhile investment of the private sector participants' time. In parallel to these quick wins, important problems which may not have quick solutions can be taken on.

Example 1

Entry to the APM Terminals port concession took 5 to 6 hours. To resolve this problem, the Logistics transversal *mesa* created a working group lead by the national port authority (APN) and incorporating the Ministry of the Interior (Mininter), Provias, the national Union of Truck Owner Transporters (UNT-Peru), the national police (PNP) and

the Callao municipal authority (MPC), which implemented a pilot project. Using feedback from the private sector, they re-programmed poorly timed stoplights in the area, the MPC implemented new signage, Mininter established three control points, and Provias adjusted other lights.

In order to improve coordination between all of these relevant actors, they created a WhatsApp chat group to follow, minute to minute, the flow of traffic in the port and adjust efforts. This was a highly effective solution and cost the state absolutely nothing, demonstrating that improving coordination is both highly important while not necessarily expensive.

The result is a reduction of waiting times for trucks to enter the terminal from 5-6 hours to 2 hours, and the *ME* continues to coordinate and work to reduce this time further.

Example 2

The forestry *ME* identified duplicated efforts and responsibilities between the public entities responsible for the forestry sector, particularly Serfor (National Forestry and Wildlife Service, which is under the Ministry of Agriculture - Minagri) and Osinfor (Supervisory agency under the presidency of the cabinet - PCM).

In reality, there was not major overlap, but there was a clear lack of coordination, which was resolved by interventions of the forestry *mesa*. There are a variety of examples showing the impact of this coordination:

Through the *ME*, Serfor and Osinfor coordinated the issuance of new guidelines needed by the sector, such as:

- Detailing the management declarations for concession contracts used for agroforestry systems.
- Detailing the management declarations for concession contracts used for residual or remnant forests and their respective formats.

Society in general could not easily access information regarding forestry concessions, title holders, and sanctions, among others, and had to formally and manually request each piece of information from each institution. The *ME* has spurred the publication of this information on the Serfor and Osinfor websites. In addition, Serfor implemented the first module of the National Forestry Information System (SNIF) in July 2016, an information system for wood traceability. This system can be integrated with the Osinfor Management Information System (SIGO) which shows the advances and results of supervisory and inspection processes for title holders.

Serfor and Osinfor have begun launching joint training programs for the private sector in a variety of regions across the country (Ucayali, Madre de Dios, Loreto, etc.), to better share the new regulations and develop capacities to manage forestry resources in the private sector.

Example 3

The lack of available finance that is appropriate for investments in forestry was one of the key barriers identified by the forestry *ME*. There was no supply of long-term investment financing that matched the productive and cashflow cycle of the sector. These investments were considered to be high-risk by banks, and therefore restricted with a very high interest rate that made most investments unprofitable.

To address this problem, the *ME* pursued a set of improvements, including:

- Creating a detailed diagnostic of financing in the forestry sector
- Launching a regulatory reform that allowed second-tier financing of forestry plantations and concessions with Cofide's MSME fund
- Implementation of the Forestry and Wildlife law, which allowed forestry concession licenses to be pledged as collateral, to reduce risk
- Publicized and assisted the implementation of these initiatives

Other Best Practices for *MEs*

One core tool used by all of the *MEs* is the matrix shown below. This is the document where the initial sets of problem are listed (grouped into categories), and then refined over several weeks of discussion within the *ME* and background work between meetings. Each problem has a corresponding set of solutions listed, mutually agreed upon next steps, assigned individuals responsible for implementing those actions, and timelines for their completion. Being specific on responsibilities and timelines is quite important to achieve continuous forward movement and success within the *ME*.

This matrix is truly a living document. As initial solutions are implemented, new problems and follow-on actions are identified. This matrix is updated on a weekly basis if not more, and is the core document reviewed by the *ME* in each meeting. It is the record of what the participants of the *ME* have agreed to, and will be working on between meetings. It also allows for strategic oversight of the *ME* by the minister.

AREA OF INTERVENTION

BARRIER 01

N.º	Problem identified	Request from the private sector	Alternative Solutions	Person Responsible	Timeline	Status	Progress report
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IV. LESSONS TO DATE AND THE FUTURE OF THE MEs

At the time of transition to a new government, it is an important moment to reflect on what key general lessons can be taken away from the *mesas* and their progress to date. This chapter reviews those lessons, and begins the discussion of what some of the key future priorities and opportunities are for the *mesas*, including which new sectors could be targeted, how the *MEs* can be wound down or graduated, and if and how they can be institutionalized.

Key Lessons from the experience of the ME

One of the main lessons of the *mesas* in the past 18 months is that identifying high-potential sectors and deciding which ones will form a *ME* is neither as difficult nor as controversial as one would expect. The key part of that process is not just the technical characteristics of the sector, but even more important is finding a capable and organized private sector counterpart that knows the business in detail, with a global vision of the sector (or of the problems of a set of firms that are representative of the reality facing others in that sector) and which can identify problems that are resolvable. The experiences of the past 18 months show that an effective way to do this is to rely on self-organization of the private sector and to make use of the existing structure of associations and trade groups in the country.

Another lesson has been that instead of a 'big-bang' approach where a large number of working groups with a linear working style that develops a master list of problems and then a single package of investments and reforms to resolve them, a more agile iterative approach is much more effective. This can be seen throughout the process. First in selecting sectors to receive a *ME*, an iterative approach is useful because initial focus is on a small number of the most obvious sectors, and over time new proposals for new sectors emerge. Second, within each *ME*, the list of problems evolves significantly over time, and new problems are identified only after other problems are resolved.

Closely related to this is the lesson of how important it is to start quickly and show rapid progress to the private sector. There is a very small window of time to demonstrate to the private sector that the *MEs* are for action, not only dialogue, and that it is worth their time to continue participating. Instead of long periods of consultation with the private sector

and detailed consulting reports, it is critical that some problems are identified that can be, and are, rapidly resolved by the *ME*. This solidifies the participation of the private sector and builds positive momentum that is needed to work on other important problems that may take longer to resolve, and are attacked in parallel.

This agile approach is also important for the methodology of the *mesas* itself. The methodology was not meticulously designed before it was launched. Instead, the *MEs* were started quickly at a small scale, and the methodology was refined over time based on what worked. This is important because there is some 'art' to this policy intervention, and it's necessary to be flexible to adapt to the unique situation of each sector. Not every *ME* matured at the same rate, and there were some which advanced much more rapidly than others. But eventually each *ME* found a path forward. This demonstrates the value of the approach independent of which particular sector or factor is chosen, but it also shows the need for the methodology to be flexible and adaptive, rather than overly formalized and rigid.

Another lesson is that, at least at first, it is not necessary to provide the working groups with large budgets, and instead it is much more important to find public administrators that can get things done across government. For this to work, the public administrators have to be able to listen with openness and humility, without preconceived notions. That is what allows them to really understand the situation facing the private sector. It is natural to only accept praise and to react negatively to criticism. But if the private sector does not perceive a receptive attitude from their public sector counterparts, they are unlikely to feel comfortable sharing their problems.

At the same time, the public sector participants of the *MEs* have to keep clear that their objective is to increase productivity, and to that end, filter the requests from the private sector. It is natural that the private sector asks for exemptions, subsidized interest rates and lower taxes. But those activities increase profitability but not necessarily productivity. The public sector must clearly differentiate between problems that are its responsibility to solve (MP) from those that are the responsibility of the private sector (YP). Maintaining that discipline is crucial to avoid the political economy problems that can come with interactions between the State and interest groups.

Finally, and from the point of view of the government, the experience to date has shown that the *mesas* rely heavily on the public officials that participate, particularly the senior public administrators. Increasing the future scale and the impact of the *mesas* requires building up a larger team of these professionals, so that only the most critical issues have to go up to the nivel ministerial, and the minister's attention can be spread across a larger number of *MEs*.

The future of the MEs

The results achieved over the past 18 months clearly show that the *MEs* have been a successful policy initiative. The impact has been large and rapid, and the cost minimal. International institutions are also examining the experience to draw lessons for their own efforts to promote productive diversification, and the Peruvian private sector has called for this initiative to continue in the next government.

Yet the *MEs* are also a very new policy initiative. The *MEs* do not have an international road map like other policy interventions that have been undertaken in the past across many countries. They are a new creation. And within Peru's government, the *MEs* have been run in an ad-hoc manner and are not institutionally established. For continued success and a greater expansion of their impact, the *MEs* require continued experimentation, learning, evolution, and systematization, as well as eventual institutionalization in order to truly achieve their potential in accelerating productive diversification. Below we discuss some of the most significant questions looking towards this future.

a. Closing MEs

As discussed in Chapter 1, *MEs* are not meant to be a new permanent structure within government. Rather, they are temporary groups working across that structure to improve its internal and external coordination and performance. Though their problem-solving may result in the creation or strengthening of particular ministries and agencies, such as the case of SANIPES in the aquaculture *ME* or SERFOR in the forestry *ME*, they themselves were not originally conceptualized to be permanent entities within the government.

However, it is very difficult to close a successful *ME*, which has resolved the majority of coordination failures, has put in motion the needed investments in public goods and only has a small number of remaining issues to work through. Such a *ME* will have made a dramatic improvement in the investment climate facing a particular sector. Industry leaders will suddenly be faced by a public sector very different from the past, one that is actively soliciting their concerns and working intensively to resolve them, with powerful results. That is a hard thing to give up once you have it. And it is not obvious that it should be given up.

Instead of a time-bound closing of successful *MEs*, what might be a more natural process is of "graduation", where the *ME* begins to be managed from a line ministry or public entity where it has a natural home. That ministry or agency would have been participating in the *ME*, and know not only the challenges and the individual participants but also would have learned the *ME* methodology. In that case, instead of closing, a *ME* could graduate to become a more permanent way of doing business within the relevant parts of government.

This process of graduation should be gradual. Produce has accumulated significant know-how in operating the *MEs* due to economies of scope. That means that when it occurs, graduation should include initial support and guidance from Produce.

This would be a rather attractive path for *MEs* to follow. The ministry that launches and manages the *MEs*, in this case Produce, ultimately hands them off to line ministries and government agencies who incorporate the key principles (transparent, productive, and impactful public-private interaction) into their regular way of working with the private sector. Produce could continue to provide support services to those graduated *MEs*, and also then launch new *MEs*. This increases the bandwidth of the public sector and allows the government to operate more *MEs*.

b. The Next *MEs*

At 9 *MEs* as of the change in government, we may be near the limit at how many *MEs* can be effectively run at the same time. But, some of the current *MEs* could soon be ready for graduation.

Should new *MEs* become feasible, below are our ideas of what sectors and factors would be top candidates for new *MEs*.

One obvious vertical sector for a new *ME* is tourism. It is a very important and fast-growing sector of the Peruvian economy. It has many of the attractive characteristics outlined in Ghezzi (2016), in particular that it is tradeable and intensive in employment. Even though it does clearly have a 'home' ministry (Ministry of Trade and Tourism - Mincetur), it touches an extremely broad swath of the public sector and therefore is prone to suffer from coordination failures across government that the *MEs* are made to resolve. And the sector is intensive in a large number of relatively specific public goods. It requires specific infrastructure in particular locations, combined with work on safety and security, training and human capital.

One horizontal factor that could benefit from a *ME* is capital markets. Although Peru is progressing and is seen as a regional leader in terms of retail banking, which is expanding financial inclusion, the country has not yet developed properly functioning capital markets. In addition, this is a highly horizontal factor with a large number of public and private actors that often do not coordinate amongst one another.

Lastly looking ahead we expect that a *ME* will have to be formed for one or a few more 'distant' sectors. As discussed above, because the *MEs* are a new methodology, and there was little time remaining in the government's mandate, it was decided to focus on existing sectors, be they incipient sectors, sectors with past growth but requiring public action for continued growth, or troubled sectors. Incipient sectors, like forestry, textiles, aquaculture, and creative industries already had an established base of activity in the country with relevant levels of employment and output. Increasing their share to a more macro-relevant percentage of exports would represent the productive diversification that Peru sorely needs, as discussed in the introduction, but they are not completely 'new' sectors.

There is reason to expect that although Peru has a variety of these more obvious, ‘low-hanging’ fruit sectors to fuel the first stages of productive diversification, more will eventually be needed. Chile provides an example of this challenge (Atlas of Economic Complexity 2016), all the more relevant to Peru since many of the low-hanging fruit sectors Peru can further exploit are ones that Chile has already exploited. Indeed the private sector in Peru often identifies and evaluates commercial opportunities based on what Chile produces, where comparative advantage is the same or even better for Peru (for example, forestry and agriculture).

The *ME* methodology described above would have to be adapted somewhat to facilitate the emergence of completely new sectors instead of supporting the growth of incipient sectors. For a completely new sector, there will not be established producers in the country with their own sub-groups in industry associations and trade groups, so who would be the counterpart to propose a sector for a *ME* that could inform the public sector about the constraints to growth? Completely new sectors also represent greater risks, as the comparative advantage of the sector has not gotten the initial validation of incipient production from the country. Moving to new sectors is something that Peru will have to do, but should be done carefully and fully conscious of the risks.

Given these risks and challenges, an appropriate approach for Peru may be to launch a *ME* targeted on foreign investors who know the new sector and its needs from their operations in other countries, and engage with them to facilitate investment in Peru. This FDI 2.0 proposal, suggested in Hausmann (2016) differs from traditional FDI assistance the same way the *MEs* differ from traditional industrial policy: instead of offering fiscal incentives and tax breaks to compensate for low productivity or spillovers, the task is to provide investors with higher productivity by resolving regulatory barriers and identify investments in new public goods that they need.

Such a proposal requires further development, and there may be other ways to facilitate the emergence of completely new sectors. But what is quite certain is that sometime soon, Peru will run out of incipient sectors and have to diversify into completely new activities to fuel subsequent phases of economic development. Starting now to experiment with the *ME* methodology to learn how to facilitate this is therefore a timely consideration for the next government.

c. Institutionalizing *MEs*

Lastly, it is important to note that the *MEs* are in not yet ‘institutionalized’ in any way in Peru. They were an ad hoc initiative launched by and managed from the office of the minister of production, with a focus on rapid action and refining the methodology with experience.

But over time, institutionalization will be possible. Not only is it possible, but it is necessary in order to scale the *MEs*. The country needs a larger number of *MEs* than feasible today, operating across a variety of sectors and factors and improving the government's ability to engage with the private sector and better coordinate internally. Scaling *MEs* requires institutionalization, though it is premature at this point.

CONCLUSION

The previous sections provide the clear justification for *MEs*, as well as all of the experiences, examples, and best practices developed to date. We've provided specific details about how the *MEs* work, both to inform both the next government's efforts to continue and improve the policy as well as for other countries enacting similar efforts.

Both within and outside Peru, many of these specific details will likely change over time and be adapted for new environments. It is therefore worth highlighting what are probably the two most important, more 'philosophical' characteristics of the *MEs* that make them successful. These will be generally applicable across a variety of methodologies and institutional forms.

The first characteristic is the need for learning and cooperation between the private and public sector. The history of mutual distrust and distance between the public and private sector in Peru is a hindrance to economic development. This interaction has to be legitimate, transparent, and focused on the win-win of increased productivity rather than zero sum bargaining over rents. And importantly, it has to be detailed, not just happening between the president and the head of the largest associations, but simultaneously at all levels, managerial and technical, sector by sector, so that the specific barriers and unique public inputs needed for the private sector to succeed can be identified.

The second general characteristic of the *MEs* key to their success is the value of starting small and starting quickly, and rapidly iterating to improve and scale up over time. Contrast this approach with a more linear approach to private sector development, where a master plan is developed with one large-scale effort to identify sectors and one large scale effort at reforms. Compared to that methodology, the *MEs* follow a model of organizational design and innovation proving itself in Silicon Valley: rapidly develop the minimum viable product, launch, iterate and learn from real use, scale. Instead of starting big and having to get everything right the first time, the *MEs* were successful precisely because they started small, learning what worked with experience, and scaling that up. This iterative approach is critical in order to drill down to key causes and sequentially solve problems with multiple layers, and to build momentum with continuous progress and success.

An example of this non-linear iterative process is also in how problems were solved. Instead of first focusing on creating a master list of problems and only then working to solve them, we started with an initial set problems in each *ME* and quickly emphasized resolving them, while in parallel adding new problems to address as the others were

solved. What was never lost was the clear goal of identifying bottlenecks holding back a sector (or factor) and resolving them in order to improve productivity. The path was non-linear but the goal was singular and unchanging.

These two ingredients, close transparent and detailed interaction with the private sector and iterative improvements rather than linear master plans, were key to *MEs* success. No matter what form the *MEs* take in Peru in the future, and no matter what alternative policy designs that other countries decide to pursue in order to accelerate productive diversification and structural change, such efforts will be significantly improved by incorporating these two general principals.

APPENDIX

a. Description of advances in existing Mesas Ejecutivas

The previous chapters provided some examples of the *mesa* methodology. This chapter provides a more systematic overview of each *ME*, including details of who participated, how the *MEs* operate and their accomplishments to date. It is important to take into account that all of these *mesas* continue to meet regularly, so the list of initiatives and accomplishments continues to grow weekly.

Forestry

In early 2015, the Forestry *Mesa Ejecutiva* was set up to identify barriers to this industry's growth. Forestry's potential in Peru is clear. The country has about 18 million hectares of forests, of which approximately 10 million hectares are in the Amazon forest. Out of eight million hectares of franchised forest land, less than two million have been developed. Peru's output is high-quality wood, ready for use if sustainably managed. In addition, the Andes and Amazon hold approximately nine million hectares of "reforestable" land waiting to be planted. However, less than 40,000 hectares have been reforested.

Consider the potential of only one of the innumerable varieties that grow in the Amazon. Bolaina (*Guazuma crinita*), a species that until recently was practically unknown, reaches its optimal production size in just 8 years, compared to 23 years for the radiata pine, a species with similar properties grown in Chile.

Despite its huge diversity and potential, Peru sells abroad only approximately US\$150 million worth of forest products per year, compared to Chile's US\$ 5.5 billion, though Chile has far less forest land.

The forest value chain embraces several processes, including (1) production at nurseries and native forests and plantations that use seeds and seedlings as their main inputs; (2) transformation, both primary (sawmills, lumbering communities, and logistics and services companies) and secondary (furniture and wooden goods manufacturers), who use machines, resins, chemicals and tools; and (3) marketing.

In addition, government agencies are engaged throughout the process in industry regulation, oversight or policy making (some of these agencies include SERFOR, OSINFOR, Minam, Minagri, regional governments, Produce, etc.), as well as training and technical

assistance organizations, including newly created technological innovation centers (CITEs), universities, etc.

Because the forestry value chain embraces various ministries and their agencies, as well as private companies, setting up the Forestry Working Group has helped address coordination issues within and between the public and private sectors.

To this end the Working Group prepared a comprehensive industry diagnosis and identified three types of barriers: (a) poor regulation and overwhelming red tape, (b) lack of innovation and low productivity, and (c) insufficient funding.

In addition, construction of the facilities for the newly-established Pucallpa Forest CITE will begin shortly to foster innovation in production processes, transfer technology to small and medium enterprises, and attract qualified foreign experts. Its laboratories will award quality certifications and the CITE will help in standardizing manufacturing, improving wood drying and cutting, now far from ideal, and creating the competitiveness needed to take full advantage of Peruvian timber's outstanding quality. Thanks to the new CITE, laminate floor tests will take only 10 to 15 days, compared to 3 to 6 months as is the case now.

Forest permitting has been streamlined. Procedures are simplified, allowing forest flight (production) to be used as loan collateral. Non-timber goods manufacturing and tourism are also allowed.

Very soon the first tender for a forest concession in 14 years will be called, with qualifying processes much shorter than previously. A new scheme for forest concessions, called the "Expedited Procedure", has been rolled out to allow regional governments to call public tenders for certain types of land. Private companies need only file an application to be granted a forest logging franchise.

OSINFOR and SERFOR, Peru's forestry regulator and park service respectively, now coordinate their data and publish on their websites information on concessions, operating permits, surveillance and sanctions, among others; the procedures backlog substantially decreased to almost zero; the export permitting scheme was dramatically streamlined; the five-year audits' management information system was rolled out, and offenses and penalties' regulatory schemes were likewise improved. Finally, the forest tribunal was set up, after an eight-year wait.

In addition, construction of the facilities for the newly-established Pucallpa Forest CITE will begin shortly to foster innovation in production processes, transfer technology to small and medium enterprises, and lure qualified foreign experts. Its laboratories will award quality certifications and the CITE will help in standardizing manufacturing, improving wood drying and cutting, now far from ideal, and creating the competitiveness needed to take full advantage of Peruvian timber's outstanding quality. Thanks to the new CITE, laminate floor tests will take only 10 to 15 days, compared to 3 to 6 months now.

Forest plantations ideally require financing terms 10 years or longer, and provide long

grace periods to make up for negative cash flows that build up through harvest time. This type of financing has not been in general available for plantations, and financing for primary forest concessions was likewise restricted. Also, in the past, concessions were never accepted as collateral.

To begin addressing the issue of access to capital, a S/.200 million fund enabled the Development Finance Corporation (Cofide) to provide seed second-tier funding (i.e., through private or public financial institutions) that is expected to spur larger private financing. The first forestry investments have already been made, with insurance companies and domestic and foreign pension funds expected to follow suit, as natural investors in the forestry industry sector.

To substantially increase the planted acreage, we must begin by identifying the land suitable for foresting. Efforts are underway to prepare a forest land cadaster with San Martín and Huánuco regions (states). More regions (Loreto, Madre de Dios, Ucayali) are expected to join. SERFOR, the park service, is preparing a single integrated and systematized database. Soon too, a supreme decree (executive order) will authorize forest plantations in border areas (Madre de Dios region).

Some neighboring countries decided years ago to boost their forestry industries through subsidies. In many cases, it worked. However, unlike its neighbors, and in view of current fiscal restrictions, Peru has rather chosen to focus on measures to drastically improve productivity.

In the last year and a half, thanks to the Forestry *Mesa Ejecutiva*, this industry has made more progress than in the entire history of Peru as a republic. But for the forestry industry to finally take off, some additional efforts will be needed. Industry will require stable rules of the game and continuous support to introduce adjustments as necessary, and to further strengthen the logistic infrastructure, among other measures.

Aquaculture

Also in early 2015, the Aquaculture *Mesa Ejecutiva* we set up to identify and resolve barriers to growth in that sector. Peru's aquaculture industry has promising potential, and quite clear comparative advantages stemming from plentiful water (naturally in the sea, but also in the Amazon and Andes mountains), sunny skies, a flexible labor market and cheap energy. Aquaculture exports have grown an annual clip of close to 25% though starting from a very low base, so we still lag far behind our more successful neighbors.

The *ME* identified regulatory hurdles, bureaucratic roadblocks, and barriers to investment in research, development and innovation (R + D + i), as well as food health issues. One of the most important steps forward with respect to regulatory issues was the enactment of the Aquaculture General Law in August 2015, and its regulations, adopted in March 2016. The most important change to the rules results from having

adopted an aquaculture-centered vision of the industry, rather than a fisheries approach, as reflected in the following developments:

- Unnecessary requirements were removed, such as wastewater discharge permits to be obtained from the National Water Authority.
- Research is permitted on up to 20% of the concession without need for additional authorization.
- Applying for a marine reserve now requires posting a warrant bond to fight speculation in water areas good for aquaculture and help eradicate reserves endlessly successively franchised.
- An Aquaculture Register was set up in the Public Registries so aquafarmers can use their registered title as loan collateral.
- Obtaining a concession, which could take up to 2 years, now takes six months and efforts are underway to bring waiting time down to 90 days. Moreover, the cost of franchising is now 70% lower.

As for management and bureaucratic obstacles, OEFA, ANA, Produce and Sanipes's duplicate procedures have been removed. A state of the art aquaculture cadaster application gathers updated information that helps aquafarmers make sound investment decisions.

To encourage innovation, three new public aquaculture innovation and technology transfer centers -or CITEs- are planned in Piura, San Martin and Puno. Cayetano Heredia University (UPCH) already runs a private CITE in Tumbes region. A US\$117 million World Bank (WB) loan is underway under the National Fisheries and Aquaculture Innovation Program – PNIPA, and Innovate Peru has set up a competitive funding scheme specifically focusing on aquaculture.

As for food health, the National Fisheries Health Agency (Sanipes), operating since late 2014, has brought substantial changes. Support from the Aquaculture Working Group has helped Sanipes very quickly get up to speed.

Sanipes services are public goods, including food health permits and certifications, laboratory assays, market opening, and others that are indispensable for growing the aquaculture industry. Previously they were provided by the Instituto Tecnológico Pesquero but their quality was extremely poor and in practical terms they were an obstacle to -rather than a driver of- aquaculture's development and growth.

Moreover, Sanipes is essential to open markets. It is called on to play a similar role to that of the National Agricultural Health Service (Senasa) for agricultural exports. Initially, it has targeted new markets. For example, it managed to open the Chinese and Brazilian markets for Peruvian frozen prawns and shrimp, and is negotiating a memorandum of understanding (MOU) for aquaculture products with the US FDA.

Additionally, some processes have been simplified; for example, authorizations that previously took 45 days and were good for one year now take 12 days and are good for three years. Also, Sanipes is strengthening its infrastructure by:

- Remodeling and certifying its laboratories in Lima.
- Opening three new laboratories (Piura, Tumbes and Puno).
- Remodeling its seven existing decentralized offices.
- Opening seven new decentralized offices.
- Acquisition and implementation LC Mass-to-mass equipment.
- Implementing the TRACES system.
- Getting accreditation. In 2014, Sanipes had a single international accreditation. Today it boasts six.

Logistics

Since its inception in February 2016, the Logistics Transversal *Mesa Ejecutiva* has principally addressed and unlocked the main logistical barriers to the development of value chains and added drive to the main engines of economic growth.

According to the World Economic Forum's competitiveness ranking, Peru has climbed from slot 86 in 2007-2008, to 69 in 2015-2016, principally thanks to its stable macroeconomic policies. However, the publication mentions a series of challenges Peru will face in coming years, especially strengthening its institutions, enhancing innovation, health and education, improving infrastructure, and fostering technology. Peru must rise to these challenges if it envisages long term competitive and sustainable growth. Higher productivity is key to compete, but not enough. Logistics costs can form an important component of products' retail prices and significantly dampen competitiveness.

Logistic processes include all the operations needed to ensure goods are delivered, from delivery of raw materials to product delivery to end customers. Logistics involves processes as diverse as volume planning, designing goods' origin and destination networks, groupage and intermediate storage or distribution, multimodal transport, customs inspections and fees, and packaging, filling and quality control. Logistics' ultimate goal is to ensure timely product availability.

Government members of the Logistics *ME* include officials from the ministries of Production (Produce); Transport and Communications (MTC); and Foreign Trade and Tourism (Mincetur), and also from the Public Transport Infrastructure Investments

Regulator (Ositran) and APN, the National Port Authority. Industry is represented by the National Society of Industries (SNI), the Exporters Association (ADEX), the Foreign Trade Society of Peru (COMEX), the Lima Chamber of Commerce (CCL), the National Confederation of Private Business Institutions (Confiep), the Peruvian Association of Port Operators (Asppor) and the Association for Infrastructure Advancement (AFIN).

Because of the above, the logistics chain includes functions of various ministries and their agencies. The Transversal Logistics *ME* has helped to address coordination issues among them (and between them and industry) given the transversal nature of logistics' operations across industries and government roles.

The Logistics *mesa* prepared a comprehensive diagnosis and identified four types of barriers: (a) inadequate port services by Callao Port's North Pier concessionaire; (b) inefficient traffic management; (c) dangerous roads, and (d) regulatory and red tape issues.

In just a little over four months, the Working Group managed to coordinate various industry guilds to seek solutions to the problem of failure to meet contract-based service and productivity target levels (NSP is the Spanish acronym) the APM Terminals concessionaire had consistently failed to meet since 2012. The concessionaire committed to purchase the equipment needed to meet NSP indicators at an approximate cost of US\$ 9.8 million before VAT (IGV is the tax acronym in Peru). In addition, the Port Authority has prepared its draft APM Terminals Operating Regulations to clarify and improve the rules governing the port concessionaire's duties so as to meet the required NSPs. The improved regulations will fill existing voids and the lack of adequate information that result in unauthorized charges, in addition to improving key customer services including: (a) direct unloading and dispatch of clamshell solid bulk freight; (b) functions of the pre-operation and operation boards; (c) management of damaged and lost freight; (d) ship damage management, and (e) use of operational areas for loading and shipment of containers and general cargo.

As for the inefficiencies in traffic management, waiting time for inbound trucks at APM Terminals was cut from 6 to 2 hours thanks to a pilot project prepared by a team consisting of representatives from the Ministry of Interior (MININTER), Provías, the National University of Trujillo (UNT), the National Police (PNP) and the Provincial Municipality of Callao (MPC), and led by the Port Authority.

To address various regulation and red tape problems, the Working Group called on various public agencies to coordinate efforts quickly and directly.

At the request of the Working Group, Senasa prepared a Contingency Plan for Lima and Callao in case of system crash of the Foreign Trade One Stop Shop (VUCE in Spanish), now live in Lima and Callao, and expected to be soon implemented throughout Peru. Before the contingency plan was in place, a VUCE system crash resulted in delayed inspections because the agency would not accept document hard copies.

The Occupational Safety and Health Law (LSST) required giving occupational safety and health induction to anyone entering warehouse premises even if already trained at another

warehouse, with the resulting increase in warehousing costs. The *ME* invited the National Labor Inspection Office (Sunafil) to rule that one year certification induction courses could be taught covering all warehouses across the country, provided they addressed all the existing risks at the participating companies. This measure saved money and time to warehouses and carriers, the warehouses' main clients.

Meetings with Sunat, the tax and customs administration, coordinated several red tape and regulatory changes within its mandate, including the publication for Working Group members' comments of the amended General Customs Law Regulations (D. S. 163-2016-EF).

Sunat - Customs has drafted the "Inspection protocol for frozen, chilled, fresh, and cold chain freight" guiding inspections and actions at checkpoints for goods aimed at cold chain transport and thus requiring certain special treatment to protect them from inspection-related damage. The formerly mandatory Nautical Chart has been replaced by an affidavit, saving three days previously needed to get a Primary Zone extension from the Callao Maritime Customs Intendent's Office.

To reduce error rates in the documentation submitted by users for final exports and correcting them, Sunat - Customs committed to do more training on the main reasons for rejection (scanning errors, bills of lading, etc.) and standardize customs officials' information requests.

To streamline carriers' port operations, Sunat has agreed to accept automated scale tickets in lieu of bills of shipment for merchandise bound for bonded customs warehouses. This procedure would eventually be extended to all cases (and not only apply to transport to a temporary storage or bonded warehouse) and would streamline filling out of bills of lading, as all processes would be automated.

Finally, we have been working to achieve a comprehensive solution to the problems of transport and road realignment in Callao and Metropolitan Lima. The Working Group is coordinating with representatives of transport associations, MTC, Provías and the Metropolitan Municipalities of Lima and Callao, and seeks to solve issues carriers face due to the need to comply with the Weights and Measures Regulations approved by MTC. Efforts are likewise underway to take account of objections made by the Andean Community to the Regulations under the General Customs Law (D. S. 163-2016-EF).

Textiles

The Textile *ME* was set up in August 2015. This sector has traditionally been a major source of formal quality jobs. Its comparative advantages include the quality of fibers used, such as Peruvian pima cotton (extra-long staple), Tangüis cotton (long staple) fibers and South American camelids' fibers (alpaca and vicuna), the proximity of its main market, the United States of America; and a skilled workforce.

However, the sector has been losing share in its main foreign markets for cotton products as a result of competition from cheap labor countries and an environment that was not conducive to more innovation and positioning of Peruvian apparel in high end market segments. In addition, the Working Group identified serious labor, regulatory, red tape, market informality and unfair import competition issues. Moreover, government is not responsive to the new “just in time” production conditions where this industry must compete worldwide.

After having identified labor related hurdles and discretionary oversight and poor knowledge among labor authorities of the industry’s production environment, a sub-working group was set up to organize workshops with industry associations’ representatives, prepare guidelines on social, labor and occupational health and safety issues, as well as the following protocols:

- General inspection rules.
- Directive for the exercise of the inspection function in occupational safety and health.
- Protocol for the oversight of contracts subject to special conditions.
- Protocol for occupational safety and health oversight in manufacturing industries.

In addition, the draft “Protocol for monitoring industry’s compliance with affirmative action rules for persons with disabilities” was published for comments.

In coordination with ADEX, it has trained Sunafil’s inspectors about the textile and apparel market, including production processes and specific industry characteristics.

The Working Group identified issues related to the contents of Decree Law 22342 governing hiring by non-traditional textiles exporting companies that will require a Supreme Decree to regulate labor regimes since the lack of a clear policy entails unnecessary disciplinary procedures against these companies. The main initiatives are the following:

- Creating the National Register of Manufacturers of Non-Traditional Exports, which will be managed by Produce and help to identify companies allowed to adhere to the labor regime under D. L. 22342.
- Deciding if temporary hiring of administrative workers is allowed when their jobs are linked to specific export orders.
- Ruling that employment contracts must state the objective causes for hiring under the decree law on “export contracts, purchase orders, and originating documents” and the “export production program” documents, and further defining the “originating documents” and “export production program” concepts.

- Ruling that the contracts must be approved within five working days. Presently the Ministry of Labor and Employment Promotion (MTPE in Spanish) takes between 35 and 60 business days to grant its approvals.
- Listing the express grounds for denaturation of the employment contract under D. L. 22342.
- Charging MTPE with authorizing model work contracts for non-traditional exports.

This project was crafted by the Working Group together with guilds' representatives and was then presented to the MTPE which discussed it with the textile workers' labor federations. As this paper goes to press, employers' associations and workers' federations are preparing a consensus version.

In addition, since the 2008-2009 crisis, apparel trade worldwide has gone through important changes. Large department stores began to place smaller orders and keep lower inventories. Therefore, local producers must juggle many contracts, and different models and designs. "Just in time" manufacturing and marketing have become industry standards. For companies to be able to react to global demand in real time, they need governments, particularly customs administrations that understand new market realities of 'fast fashion'.

Another major problem highlighted by the Working Group relates to dumping of goods imported under tariff headings 61 and 62 that seriously hurt the textile and apparel industry as garments are imported below their real cost, giving way to unfair competition. Customs found a management solution to this issue raised by the Working Group, including:

- Using the price / kilo ratio suggested by the Textile Working Group for all its textile tariff related inspections.
- Increasing the CIF / kg value for heading 61 goods, from US\$ 6.5 / kg to US\$ 11.6 / kg.
- Increasing the CIF / kg value for heading 62 goods, from US \$ 8.6 / kg to US \$ 11.0 / kg.
- Controls for natural persons is at 97%, with an 83% incidence effectiveness rate.
- Customs and tax departments at Sunat now cross-reference natural persons' data to identify the origin of capital used for these imports.

Private operators are not generally aware of the Authorized Economic Operator (AEO) option that identifies them as reliable operators, assigns them a Sunat point of contact, requires them to undergo less physical export inspections, cuts down time needed for certain export formalities, allows direct shipments from the exporter's premises, and gives them preferential treatment for contingencies and eventualities, such as closed ports or airports.

It is also currently analyzing issues surrounding cotton and expanding extra-long staple cotton growing. Efforts are underway to set up a privately run cotton CITE. In addition, four South American camelid textiles CITEs will be set up in Cusco, Puno, Huancavelica and Arequipa departments.

Naturally, beyond these initiatives of the *Mesa Ejecutiva*, the textile industry must address its own international competitiveness issues, including its failure to penetrate high-end market segments.

Gastronomy

The Gastronomy *ME* was set up in November 2015. A study on the contribution of gastronomy to Peru's society and economy conducted for Apega, the Peruvian Gastronomy Association (Dimensiones del aporte económico y social de la gastronomía en el Perú, Arellano Marketing 2013), reveals the gastronomy value chain is worth over S/40 billion, or 11.2% of GDP (2009).

The study also reveals that restaurant sales reached S/.12.4 billion in 2013, and employed directly and indirectly some 5 million people throughout the supply chain (20% of the working population), from extraction, through industrial food processing to food-related services. In addition, cooking finds a strong comparative advantage in the country's biodiversity and multicultural background that nurtures and allows it to compete internationally as an export product.

Indeed, the restaurant industry is a value chain stretching from the agricultural and fisheries industries to industrial processing of foodstuffs (particularly agribusiness) and services provided by markets, shops and caterers, among others. It has also become a major tourist attraction for Peruvian and foreign nationals alike and it links up with many other industries, such as manufacturing of kitchen and restaurant utensils, tableware and furniture, and other metal and wood products.

Because the gastronomic value chain cut across several government departments, such as the ministries of foreign trade and tourism, production, agriculture, foreign affairs, education and many of their agencies, it made sense to set up this *Mesa Ejecutiva* to better coordinate various public and private efforts seeking to ensure the industry's robust growth.

The boom of Peruvian cooking is a consequence of industry's own independent efforts, with limited government involvement. For gastronomy to remain on its growth path and reach the next stage of development, it needs to strengthen the internal value chain and stronger coordination between government and industry.

The Gastronomy *mesa* has worked along several fronts. With regard to red tape barriers, perhaps its most striking accomplishment deals with regulations on restaurants' sanitary conditions. The previous regulatory body was procedure- rather than outcome- driven. For example, it required restaurant personnel to wear white clothes, purportedly to ensure cleanliness, regulated dish and food washing, and walls' materials and colors, etc. (More details in an appendix). The new standard (in print as this document goes to press) completely changes the oversight approach. It requires restaurants to focus on measures to mitigate risks related to manufacturing and preparation practices, facilities (infrastructure, basic services, health and hygiene programs) and operators (health, appearance, hygiene, etc.) that suit each restaurant's peculiar conditions and capabilities.

The *ME* also commissioned Universidad Nacional Agraria La Molina - UNALM to prepare a catalog of agricultural products with the following information: product description and diversity, types of product market presentation, geographical distribution and seasonality of local products, substitute products, nutritional value, etc. that can help in assigning denominations of origin and price differentials. Similar efforts are underway for fish products. Along with Minagri, the *mesa* also helped set up the National Register of Agricultural Producers and launched the first "Innovation in gastronomy" contest. Finally, the Gastronomy Working Group has encouraged preparing the public policy guidelines for groceries' markets, commissioned the first national census of groceries markets, and sponsored the National Award for Food Markets' Management ("My Favorite Market").

The Gastronomical *ME* faces other future challenges including addressing in more detail issues around licenses, technical inspections, permits, excessive municipal controls, and shortages of trained waiters, kitchen help, and others.

High Impact Entrepreneurship

In 2016, we set up this *Mesa Ejecutiva* to strengthen Peru's high-impact entrepreneurship ecosystem. An entrepreneurship ecosystem is a group of entities whose actions and relationships determine the emergence of companies that thanks to their differential and innovative features, as well as their growth and job creation potential, can have a strong impact on the economy at large. Typically, they are service industry companies characterized for their development and intensive use of information and communications technology (ICT). They grow significantly in their early years (more than 30% annually) and tend to expand internationally in the short term. Studies by the Organization for Economic Co-operation and Development (OECD), the Inter-American Development Bank (IDB) and the International Monetary Fund (IMF) show in a healthy economy these businesses generate between 40 and 75% of new quality jobs.

A country aspiring to diversify its output and improve productivity in the medium term should develop a strong sector of high impact enterprises that create value-added

services for industry diversification and trigger productivity leaps in more traditional sectors through innovative products and services for the production value chain.

Peru boasts a high rate of entrepreneurial activity. According to the Global Entrepreneurship Monitor, entrepreneurial activity grew from 23.4% in 2013 to 28.8% in 2014, ranking Peru as one of the most entrepreneurial countries in Latin America, surpassed only by Ecuador (32.6%) and well above the region's average (17.6%). The percentage of established entrepreneurs increased from 5.4% to 9.2% and, for the fifth consecutive year, opportunity enterprises trended upwards, as the study shows that 58.9% of companies are created to tap an opportunity or to increase independence/revenues.

However, growth is well below ideal. Very few new enterprises scale up to small business status (i.e. annual sales above 150 tax units – UITs in Peru) after a few years, and even less transition to become medium or large companies. Only 10.8% of enterprises born in 2007 grew up to become small businesses by 2014, and only 0.4% and 1.0% went on to become intermediate and large, respectively, while 87.9% remained in the micro-company tranche (annual sales under 150 UITs).

Innovation figures are not encouraging either. The World Economic Forum's annual global competitiveness index shows Peru's greatest weakness lies in its poor innovation and business sophistication capacities. In 2010, Peru ranked 89th in this pillar. By 2015, it had dropped to the 106th slot. These indicators are consistent with poor spending on research and development (R&D) as a percentage of GDP, around 0.15% of GDP for almost 10 years. Similarly, regarding rates of R&D expenditure by companies as a percentage of sales, Peru ranks near the bottom of the regional ranking.

Economists today widely accept that states need to encourage the emergence of high-impact ventures. In fact, in its report on Latin American startups, the OECD shows many of this club of mostly developed countries have set up public seed capital programs, and foster high-impact entrepreneurship through various schemes. Despite their varying degrees of success, in most cases, they have yielded significant returns in terms of jobs, taxes, innovation and other externalities. It is part of the Working Group's task to guide the State towards promoting the emergence of such enterprises through improved public programs and complementary tax and other regulatory measures.

The Transversal High Impact Entrepreneurship *ME* has met seven times since its inception. Already an ad hoc work team within the Transversal Cultural and Creative Industries Working Group in the second half of 2015, it explored issues around high-impact entrepreneurship, and blazed the trail to subsequently organizing the High Impact Entrepreneurship Working Group.

Some of the achievements of the high-impact entrepreneurship Working Group include better processes, more satisfied customers and greater awareness of the scheme and

instruments available from the Startup Peru and Innovate Peru grant funds mostly used for high-impact projects. For example, streamlined procedures cut time to access funding by half, from the time of the call for applications to the signing of the award contract. It has also implemented a Customer Service Platform to attract and support potential fund applicants.

An average 145 people visited the platform monthly in 2016. Furthermore, as a result of recent changes, unsuccessful applicants now also get significant feedback on the reasons for their rejection, resulting in higher customer satisfaction. Changes in technical and financial reporting have enhanced accountability. For example, petty cash, transport, materials / inputs and other expenses surrender by affidavit rather than by uploading proof online. These costs account for 40% of the budget, but 80% of transactions. Uploading expense and other information previously took as long as two hours. Now it takes 20 seconds.

InnGenius², a new user-friendly and intuitive platform, since February 2016 supports applicants by bringing together Sunat, Reniec, Concytec, SIAF and other e-government platforms to facilitate agencies' data retrieval automatically. It also assembles the organization's functional (database development, competitions, evaluation, project monitoring) and support processes (legal, administration, communications, management monitoring, document management) to speed up work flow.

Grant fund spending has tripled between 2012 and 2015, and doubled compared to 2013 through a significant increase in annual calls for application and new funding schemes.

Faster fund spending will require fresh money and projects from 2017. Since 2015 Mipyme Fund's instruments totaled S/.55 million finance for clusters and supplier development programs. In IQ2016 a CITEs performance agreements program worth S/.20 million will run under the SME Fund. Also the first quarter of 2016 saw the roll-out of the Framework Fund for Innovation, Science and Technology (Fomitec) totaling S/.50 million to ensure the continuity of the Startup Peru seed capital program. Finally, the Ministry of Finance (MEF) and IDB have committed US\$100 million for a project to foster productive innovation nationwide.

New instruments were designed and rolled out to find private sources of funding for high-impact projects, particularly through networks of angel investors and venture capital funds. Before these measures, there were no consolidated venture capital funds and angel investor networks. Consistent and visible deal flow is needed to

² <<http://inngenius.innovateperu.gob.pe>>.

attract capital that will regard high-impact entrepreneurship as a clear investment opportunity. On the other hand, high-impact projects fail to grow and expand, because they need venture capital to develop.

This vicious circle hampers the entrepreneurial ecosystem's growth despite existing investment opportunities for high net worth individuals, family offices, and institutional and multilateral funds. A competition to strengthen networks of angel investors was launched on May 6 2016. The contest awards up to S/.700,000 in non-reimbursable 3-year grants to private entities seeking to establish and manage angel investor networks. These networks are key to boosting angel investment by identifying and sensitizing potential angel investors, preparing entrepreneurs for investment, organizing meetings between entrepreneurs and investors, etc. Between two and three networks of angel investors are expected to be financed.

A venture capital instrument to promote high-impact projects was approved June 24 awarding up S/.5.7 million to cover management expenses of venture capital funds operating in Peru, via a decreasing funding scheme for private management fees based on the amount of private capital raised. Three funds worth US\$ 5 million each will be supported. The first call will be launched on July 21, 2016.

Additionally, efforts are underway to prepare legal instruments and schemes that will help lure and recruit non-domiciled foreign talent to foster high-impact entrepreneurship as well as public and private innovation promotion entities. The recruitment of non-domiciled experts is heavily taxed (30% withholding). Partial progress has been made to help mitigate this problem, including:

- To facilitate the recruitment of non-domiciled highly qualified technical experts in December 2015 a competition was designed and launched which awards up to S/.530,000 for 2-year full time hires.
- On the government side, the 2016 Budget Act includes a provision allowing innovation promotion agencies to pay travel, room and board expenses of non-payroll professional, scientific and technical qualified, domiciled and non-domiciled experts, in and outside Peru.

Non-domiciled digital services are heavily burdened by withholding taxes. Yet, services including hosting, storage, and online advertising account for 25% and 75% of high-impact projects' operating costs in their first 5 and most fragile years, significantly hampering Peruvian enterprises' competitiveness vis-à-vis its neighbors (e.g. Colombia or Chile), that charge lower taxes (10 to 20%) or regard digital as provided abroad and therefore not subject to income tax. An amendment to the Income Tax Law is underway to exempt non-domiciled digital services.

Creative Industries³

Cultural and creative industries enhance identity and creativity to generate value in diverse activities with major impact on production, such as audiovisual and film production, performing arts, publishing, music, design, software and advertising, among others.

Although still in their infancy, cultural industries have experienced significant growth in recent years. Publishing in 2013 quadrupled 2002 figures and took off when the Book Act went into force. Filmmaking has grown steadily in recent years both by number of moviegoers and value of box-office value. New Peruvian releases jumped from 12 in 2013 to 30 in 2015 (2.5 times), and more films are now made in the regions of the interior.

A growing urban middle class in Peru is demanding more cultural goods, thereby expanding market opportunities for local and international creative producers. However, the potential of our cultural and creative industries is not fully exploited. While globally the contribution of the creative industry (products and services) to GDP is 6%, Peru's formal cultural industries contributed only 1.58% to its GDP.

The *Mesa Ejecutiva* was set up in June 2015 and, to date, has met 12 times and previously more than 15 times with various actors in the cultural scene, to identify the issues they face and assess solutions through public-private dialogue. Over 40 meetings, workshops and specialized consultancies were organized with industry companies to carry out the cultural agenda.

The Creative Industries *ME* has engaged in talks with various public sector entities, including the Ministry of Culture, Produce, Mincetur, MTC, Minedu, MININTER, PromPeru, Sunat and the National Competition and Intellectual Property Institute (Indecopi).

The Working Group has likewise sought an extension for Book Act incentives and the VAT exemption for creative industries' exports. Other efforts aim at unlocking specific bottlenecks related to tax returns and tariffs, and issues with the National Migration Superintendency concerning the hiring of foreign artists.

Similarly, it is driving aggressive promotion schemes through Innovate Peru's competitive funding. It has decentralized training in business management through the Create and

³Unesco (2014) defines the cultural and creative industries as "those sectors of organized activity whose main purpose is the production or reproduction, promotion, distribution and / or marketing of goods, services and activities with cultural, artistic or heritage/related content." This approach emphasizes not only the products of human creativity which are reproduced industrially, but also includes production and initiatives that bring contents to the public, such as advertising, graphic design and even architecture.

Enterprise program. It has created a platform providing information on locations and services to attract foreign investments to audiovisual production in Peru; joint initiatives with Indecopi to educate the concerned public on the nature and extent of copyright and related rights, and others.

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b. Detailed Actions by Mesas

This section provides additional details on participants, activities & achievements by each ME.

Forestry ME

- The Forestry ME was created by Ministry Resolution 399-2014-PRODUCE and its first meeting was December 22, 2014.
- The Forestry ME is made up by PRODUCE, MINAGRI, MINEM, MINAM, MINCETUR, MTPE, SERFOR, OSINFOR, OEFA, ITP. Besides, private companies are represented by SNI, ADEX, CONFIEP and COMEX.
- Until May this year, the Forestry ME has had 76 sessions.
- It led to publication, after 4 years, of 4 regulations that conducted to the Forestry and Wildlife Law – Law 29763.
- The following slides show the industry's potential and the forestry MEs main achievements.

Forestry Potential

- The industry has a great comparative advantage due to water, sun, cheap energy and forestry-potential area. 82% of our territory (106 million hectares) is "suitable for forestry".
- We have approximately 10 to 12 million hectares of Amazon Forest ready for forest concessions. We only use 2 million. We also have 12 million hectares belonging to Native Communities, mostly for sustainable forest management.
- Besides we have approximately 9 million "reforestable" hectares for plantation. In the jungle where we have our greatest comparative advantages, we have approximately 2 million and have reforested only 35 thousand.
- We have not profited from our potential. Bolaina grows in our plantations in 8 years as compared to 23 years of the Chilean radiata pine. However, that country exports around US\$5.5 billion in forest products as compared to US\$150 million in Peru (besides we import more than US\$1 billion).
- The forestry industry might easily generate US\$10 billion in investments and 1 million direct jobs.

Forestry ME Achievements: Summary

- Production (or forest flight) can be used for secure loans, and certificates of possession can be used as real collateral for mortgages.
- A S/200 million fund is created for co-financing the industry (together with IFIs).
- Time to register plantations is reduced from 6-12 months to only 3 days and to register extraction from 4-8 months to 0 days (with updating at the RPNF).
- Procedure time for extracting non-lumberable forest products goes down from 60 to 12 days. The presentation of the annual operational plan is eliminated.
- The PAU burden in OSINFOR is eliminated.
- Duplication of audits by OSINFOR and FSCs is eliminated; 5 additional months of procedures are eliminated.
- The Forest Management Plan is acknowledged as an Environmental Impact Assessment, eliminating a procedure of 1-3 additional months.
- OSINFOR and SERFOR database coordination. This eliminated delays and unnecessary procedures.
- Launching of the Managerial Information System (SIGO) to guarantee legal lumber trade in real time.
- Inception of the forest tribunal to solve case appeals.
- Preparation of a methodology and database at SERFOR to identify lands available for forest plantations.
- Regional Governments -GOREs- from Loreto and Ucayali are launching their first forest concession in 14 years.

Forestry ME: Achievements

PREVIOUS SITUATION	CURRENT SITUATION
<p>The procedure to register plantations in private property lands took between 6 and 12 months and a file had to be submitted containing:</p> <ol style="list-style-type: none"> 1. Plantation registration application letter. 2. Plantation coordinates (perimeter and centroid). 3. Property title authenticated copy. 4. Single Tax Payer Number Sheet, Current Power of Attorney, legal representative National Identity Document (DNI). 5. Forest Management Plan (more than 100 pages). 	<p>The Registration Procedure at the National Forest Plantation Registry (RNPF) lasts at most 3 days. It is automatic and free of charge.</p> <p>(Regulation on Forest and Wildlife Law 29763, SD 020-2015-MINAGRI, which is currently applied)</p>
<p>Extraction permit procedure took between 4 and 8 months and applicants had to submit:</p> <ol style="list-style-type: none"> 1. Extraction permit application letter. 2. Plantation registration number. 3. Plantation coordinates (perimeter and centroid) 4. Property title authenticated copy. 5. Tax Payer Number Sheet, Power of Attorney, legal representative DNI. 6. Volume to be extracted. 	<p>No extraction permit is required. Only RNPF updating is required for forest harvesting. The information will be verified by the ARFFS through field inspection. However, verification is not a requirement for extraction and transportation.</p>
<p>In case of forest concessions in natural forests, production or forest flight cannot be used for secure loan operations. Only the concession could be mortgaged (real collateral).</p>	<p>Now both real estate and movable collateral can be used.</p>
<p>In the case of concessions for forest plantations, production or forest flight could not be used as movable collateral. Only the concession could be mortgaged (real estate collateral).</p>	<p>Now both real estate and movable collateral can be used.</p> <p>(Articles 86 and 87 of the LFFS Regulation)</p>
<p>Forestry entrepreneurs who did not have property titles (only certificates of possession) Could not apply for mortgages and did not have the benefits of the forest plantation promotion regime (D.S. 017-2014-MINAGRI).</p>	<p>Those who have certificate of possession can use it as collateral for mortgages. Since they can now apply for "concession contracts for agroforestry systems," which can be mortgaged.</p> <p>Additionally the forest flight (production) can be used as movable collateral.</p> <p>(Articles 86 and 87 of the LFFS Regulation)</p>

Forestry ME: Achievements

PREVIOUS SITUATION	CURRENT SITUATION
In case of forest concessions in natural forests, production or forest flight cannot be used for secure loan operations. Only the concession could be mortgaged (real collateral).	Now both real estate and movable collateral can be used.
In the case of concessions for forest plantations, production or forest flight could not be used as movable collateral. Only the concession could be mortgaged (real estate collateral).	Now both real estate and movable collateral can be used. (Articles 86 and 87 of the LFFS Regulation)
Forestry entrepreneurs who did not have property titles (only certificates of possession) Could not apply for mortgages and did not have the benefits of the forest plantation promotion regime (D.S. 017-2014-MINAGRI)	Those who have certificate of possession can use it as collateral for mortgages. Since they can now apply for "concession contracts for agroforestry systems," which can be mortgaged. Additionally the forest flight (production) can be used as movable collateral. (Articles 86 and 87 of the LFFS Regulation)
Concessions and communities that had Voluntary Forestry Certification (FSC) were also required to approve a five-year audit by OSINFOR (less demanding). This process implied 5 additional months. This is despite the fact that by having a Voluntary Forestry Certification concessions and communities are complying with a higher standard than that required by national five-year audit regulations.	Duplication was eliminated. Now the Voluntary Forestry Certification acts as a five-year audit, provided it is in effect and that the right holder has not incurred in serious or very serious infractions according to OSINFOR's report (article 202 of the forest management regulation).
The Forest Management Plan was not acknowledged as an Environmental Impact Assessment (EIA). Although the Forest Management Plan already included an EIA, the approval process could take between 1 and 3 months depending on the GORE.	Now the Management Plan is explicitly acknowledged as having the same level as an EIA and is the single management document for forest right holding. (Article 57 "Technical Guidelines for the Forest Management Plan" of the Forest Management Regulation, Executive Directorate Resolution 046-2016-SERFOR-DE)
There has never been legislation in the country for the forest plantation industry. Regulations refer to concessions in the primary forest.	Forest plantations have their own legislation now in the forest regulation (Supreme Decree 020-2015-MINAGRI). The regulation gathers differences and specificities of plantations, which have similar characteristics to those of crops. This is how registering and extracting in forest plantations has become easier.

Forestry ME: Achievements

PREVIOUS SITUATION	CURRENT SITUATION
<p>There were delays in solving Single Administrative Procedure Resolutions (PAUs). This generated juridical insecurity in entrepreneurs regarding infractions to them. In 2015 2422 PAUs were started. Some came from 2011.</p>	<p>OSINFOR implemented the “0” burden strategy and 2005 to 2014 PAUs are currently legally assessed at 100% and 99.6% of processes are concluded.</p>
<p>There was a risk of concessions becoming terminated because no manual had been approved for five-year audits. Therefore, said audits were not carried out. They were necessary for eventual renewal or expiration of granted concessions.</p>	<p>In April 2015 the five-year Audit Manual was approved. From December 2015 OSINFOR started to implement five-year audits.</p>
<p>OSINFOR and SERFOR databases were not coordinated. This generated delays for users and unnecessary procedures to access public information. SERFOR, OSINFOR and Regional Government authorities, as well as citizens at large, could not easily access information on concessions, titles, supervisions, sanctions among others, because information had to be requested from each competent institution.</p>	<p>They are now coordinated. SERFOR and OSINFOR publish information in their respective websites.</p> <p>Additionally SERFOR is expected to implement the National Forest Information System (SNIFF), an IT application on wood traceability that can be integrated with the information shown by OSINFOR’s managerial information system (SIGO) that shows progress made on results of supervision and control of concession title-holding.</p>
<p>Identify the legal status of lumber was very difficult for inspectors and buyers. There was no tool to show results of OSINFOR’s supervision and control processes.</p> <p>Buyers and supervisors could not see this information online. Regional authorities and SERFOR did not have updated information about resolutions issued by OSINFOR when they carried out their inspections. This raised doubts about the legal status of lumber due to procedures started against forest use right holders. Besides, there was no knowledge about precautionary measures that could prevent or delay exporting of their products.</p>	<p>Now we have the SIGO tool. The Managerial Information System (SIGO) was created following the initiative of the forest MES and was launched on May 19, 2015. SIGO is an IT tool that contains results of implemented supervision and control processes regarding forest and wildlife right holding, mainly aiming at contributing to guarantee legal lumber trade. It allows:</p> <ul style="list-style-type: none"> • Access for the private sector regarding the risk level for legal lumber trading by right holders (concessions, permits or authorizations). • Access to institutions in charge of controlling lumber transportation regarding the risk level of right holders of lumberable forest concessions, permits or authorizations. • Real-time access for the general public to the main results of supervision and control actions undertaken by OSINFOR. <p>Before SIGO, since January 2015, OSINFOR included in its portal updated information about right holders on which precautionary measures were applied to prevent them from exporting lumber.</p>

Forestry ME: Achievements

PREVIOUS SITUATION	CURRENT SITUATION
<p>There was no forest tribunal. Therefore, there was no second instance to appeal OSINFOR's PAUs resolutions. The Tribunal should have been created eight (8) years ago.</p>	<p>The forest tribunal was created in November 2015. It is already operating. The first Tribunal session took place on November 24, 2015. 52 cases are being seen. There are 535 cases pending resolution.</p> <p>(Supreme Resolution N° 259-2015-PCM pointed the two Tribunal members that were missing and Presidential Resolution N° 144-2015-OSINFOR appointed the Technical Secretariat).</p>
<p>There were no identified and available lands for forest plantations.</p> <p>There were several registries prepared by National and Regional Government institutions which have not been systematized or integrated to provide information about the accurate location of available lands.</p> <p>Without such information, it was difficult to attract large investments to the sector.</p>	<p>We are working on identifying lands with two regions (San Martin and Huanuco). The Loreto, Madre de Dios and Ucayali regions will be included afterwards.</p> <p>SERFOR has prepared a methodology that consists in a single systematized and integrated database. This work will then be validated in the field and will allow to know in detail what is the current state of lands (occupation, invasion, deforestation, etc.).</p> <p>Supreme Decrees are also being issued to authorize forest plantations in border zones (Madre de Dios).</p>
<p>No forest concession has been granted for 14 years in the country. Preparation and public tender processes for forest concessions took up to 2 years (1 year for preparation and 1 year for public tender).</p> <p>The last public forest concession tender processes in the country led by Regional Governments were between 2002-2004.</p>	<p>The Loreto Regional Government has launched the first call for forest concessions. SERFOR has fixed a term to correct some mistakes in the tender documents.</p> <p>Besides, the Ucayali Regional Government has shown interest in launching its call for tenders. We expect to reduce the time in public tenders so that they should approximately take two months.</p> <p>This is thanks to the guidelines proposal for forest concessions that SERFOR has been working out. These guidelines seek to provide the necessary information to call for tenders and establish adequate qualification criteria.</p>

Forestry ME: Achievements

PREVIOUS SITUATION	CURRENT SITUATION
<p>There was only one way to access forest concessions and it was through public tender. This meant that the private sector could not have access to some lands (reverted or not granted) because they were not included in public tenders.</p> <p>Regional Governments did not call for forest concession tenders due to a number of reasons, such as:</p> <ol style="list-style-type: none"> 1. GOREs did not have a budget to call for a tender that was lengthy and costly. 2. The only mechanism to access a concession was a public tender. 3. The private sector requested more information on species in areas to be concessioned and GOREs did not have such information. 4. The lands to be concessioned were not legally cleared. 5. Lands reverted to the State and those that were not granted in public tenders could not be attained by investors, and calling for new tenders was costly. 	<p>A new mechanism has been created to access forest concessions: the ABBREVIATED PROCEDURE by which it will not be necessary for GOREs to call a public tender. The Company shall submit its application so the forestry concession is granted. The process may take 30 days if there is no opposition of other private parties and 45 days in case there is more than one proposal.</p> <p>(First Transitory Complementary Provision in Law 29763)</p> <p>This kind of abbreviated procedure applies for lands:</p> <ul style="list-style-type: none"> • Reverted to the State by 01.01.15 • Not granted after a public tender and provided it has an Ecologic Economic Zoning by 07.22.11 • Not granted in concession after at least two public tenders. <p>(Article 82 - Forest Regulation)</p> <p>Since then, SERFOR has prepared a proposal of "Guidelines for granting forest concessions aimed at lumbering through the abbreviated procedure" based upon the new Forest Law and its Regulations issued on 2015 that shall be approved in June 2016.</p>
<p>Extremely limited funding for forest plantations. This was due to the fact that investment terms were long due to the forestry productive cycle (from 8 to 20 years) and also because the industry was not well-known. There was no fund supply for existing demand.</p> <p>Limited funding for concessions in natural forests aimed at lumbering. This was due to lack of information about the industry and because the concession could not be used as collateral for mortgages (another barrier that has been removed).</p>	<p>Loans have already been granted or about to be granted for S/180 million. Approximately S/36 million out of the S/200 million from the Cofide Mipyme Fund are being used for these loans. These S/200 million will be allocated for plantations and for concessions in natural forests.</p> <p>In the case of plantations, the fund can be used in loans and/or as collateral for installing forest plantations and for buying fixed assets related to transformation and working capital.</p> <p>In the case of forest concessions in natural forests, they can be used as collateral to buy fixed assets related to transforming and working capital.</p> <p>The fund covers 70% of the funding need of each loan at most. The remaining amount (30% or more) comes from own resources of IFIs Eligible in the Program.</p> <p>(Legislative Decree 1223 that strengthens the MIPYME Fund and Supreme Decree 345-2015-EF amending the Regulation).</p>

Forestry ME: Achievements

PREVIOUS SITUATION	CURRENT SITUATION
<p>Currently, it is almost impossible to manufacture laminate flooring in Peru. Each test batch can take between 3 and 6 months.</p> <p>This is so despite the fact that laminate floors (a thin wood sheet overlapped on a wood sheet structure) has the same appearance as fine wood floors and at much lower cost.</p> <p>Currently the process is the following:</p> <ul style="list-style-type: none"> -Acquisition of hard wood from 35 concessions in Puerto Maldonado. - Transformation of hard wood in sheets (Lima). - Extraction of wood from certified plantations in Huanuco. <p>Gluing tests in the only available press located in Tingo Maria, 2.600 km from Puerto Maldonado.</p> <p>Drying in Pucallpa, 300 km away from the press.</p> <ul style="list-style-type: none"> - Final product tests in Lima 400 km away from Pucallpa. 	<p>All the machines are going to be placed at the Pucallpa forest Productive Innovation and Technological Transfer center –CITE-. Each test batch will take between 10 and 15 days.</p> <p>The Forestry CITE will supply technical aid, training, productive support, competent certification, laboratory assays, technological information and research (I+D+i) services.</p> <p>It will also promote innovation and competitiveness by improving quality at different wood transformation and industrialization stages. Besides, it will develop applied research programs in the productive chain and will be used as technological support to production in the lumbering and furniture industry.</p>
<p>A Forest Management Plan, which preparation could take 30 days and approval by the Regional Forest Authority another 30 days was required to extract or collect non-lumberable forest products (such as tara, nuts and brazil nuts, cochineal, camu camu, carambola, etc.). This implies a total of at least 60 days.</p> <p>Annual Operational Plans to be prepared and signed by a forestry consultant should also be submitted. This meant 30 more days plus consulting cost.</p>	<p>Now non-lumberable forest product extraction is done only following approval of a management declaration. Its preparation contains 5 days and its approval 7 days. In total 12 days.</p> <p>Besides, no Annual Operational Plan is required. Therefore, the approval term and the need to hire a consultant have been removed.</p> <p>To do so, SERFOR issued the “Guidelines to the preparation of management declarations for the use of non-lumberable forest products” based on article 55 in the Forest Management Regulation. (D.S. 018-2015-MINAGRI)</p>

Aquaculture Mesa Ejecutiva

- The Aquaculture ME held its first session on May 19, 2015.
- It brings together officials from PRODUCE, SANIPES, PROMPERÚ, SNI, ADEX and SNP.
- The Aquaculture ME has met 46 times since its inception.
- One of its most important tasks was drafting the New General Aquaculture Law (Legislative Decree N° 1195, dated August 30, 2015) and the corresponding regulations (Supreme Decree N° 003-2016-PRODUCE, dated March 25, 2016). Both regulations were prepared from contributions from various organizations, stakeholders and regional governments.
- The following transparencies detail the Aquaculture ME's main accomplishments.

Aquaculture Industry Potential

- The aquaculture industry has a significant development potential given the extensive water resources on Peru's inland territory (particularly the Amazon rainforest), but also its vast oceans, abundant sunshine, mild climate and cheap energy.
- Aquaculture's potential is particularly significant in Piura, Tumbes, Ancash, Ica, San Martín, Puno and Junín regions (states).
- However, this potential is not fully tapped. While worldwide 50% of fishing is extractive and the balance comes from aquaculture, in Peru 90% of fishing is extractive and only 2% comes from aquaculture.
- In absolute figures, it exports approximately US\$ 270 million worth of products, principally scallops and shrimp, compared to Chile's US\$ 4 billion (salmon, barnacles and scallops) and Ecuador's US\$2.5 billion (principally shrimp and tilapia)
- Peru's aquaculture output reaches 136,000 tons annually compared to China's 41 million.
- Aquaculture could attract fresh investments to produce 70,000 tons of output with sales worth US\$ 690 million to 2021. In addition, it would create livelihoods for some 500 thousand rural people.

Accomplishments of the Aquaculture ME: A summary

- Removal of requirements pertinent only to the fishing industry
- Removal of duplicate requirements by OEFA, SANIPES, ANA and PRODUCE
- A «zero requirements» process has been established at the Authorization One Stop Shop.
- Concessions in 6 months, down from previous 2 years; eventually in 90 days.
- No more speculation with marine reserves. Posting warrant bond now a requisite.
- Concessionaires can now use up to 20% of the concession area for research. Previously an authorization was required, typically taking several months.
- Competitive funding is now available for innovation in aquaculture. A World Bank loan is underway.
- A private technology center (CITE) and three government ones have been created in Piura, Puno and San Martín regions (states).
- Aquaculture concession (real guarantees) now allowed as loan collateral.
- Aquaculture cadaster prepared.
- New markets for Peruvian shrimp are prospected in China, and efforts are underway to lift barriers to aquaculture exports to the European Union.
- Sanipes, the fisheries health agency, now operates 14 facilities nationwide, compared to its previous seven operations out of Lima. Three laboratories will be set up in the interior, and the Ventanilla laboratory is being upgraded.
- A new indicators handbook was approved outlining the standards required by Peru's main aquaculture export markets.
- Certification of aquaculture facilities which formally took 45 days for a 1 year permit now take 12 days for 3 years.
- Fondapes, the fisheries development fund, is streamlining all its lending processes.

Aquaculture ME: Accomplishments

BEFORE	NOW
A number of requisites had to be filled though they pertained to fishing rather than aquaculture. For instance, ANA required aquaculture concessions to get spilling authorizations,	Requirements related to fishing repealed as for instance, the spilling authorization. (LGA and regulations thereunder).
Cumbersome and costly requirements. For instance, a large scale aquaculture concession cost S/. 3073.6.	PRODUCE's administrative procedures were streamlined to remove all requirements related to fishing. The concession fee is now only S/. 931.8.
Limited access to financing. Loans could only be collateralized with the concession's products.	The new Aquaculture Registry allows concessions registered at the Public Registrar to be used as mortgage collateral or using output as chattel collateral for loans. (LGA and Regulations thereunder)
Aquafarmers who were interested in connecting research within their concession required a special authorization typically taking six (6) months. This authorization had to be requested from the regional government and included: Filing an application. Preparing a project document and environmental impact statement. Paying a fee.	Aquafarmers do not require special permits and can use 20% of the concession area for research purposes. (LGA and Regulations thereunder).
Duplicate environmental monitoring. Out of the 30 aquaculture environmental monitoring analyses conducted by OEFA (RM 019-2011-PRODUCE) the six most important ones were also required by SANIPES resulting excess expenses borne by aquafarmers.	Duplications removed. Laboratory tests are not needed for environmental assessments as they are already filed with SANIPES (MR 141-2016-PRODUCE amending Annex I to the Guidelines for Aquaculture Monitoring Reports)
Duplicate documentation required for environmental monitoring by OEFA (for environmental assessments) and PRODUCE (environmental statistics)	Now only filed with OEFA, who will send a copy to PRODUCE (MR 141-2016-PRODUCE)
Duplicate procedures within Produce. For instance, farmers submit their environmental impact assessment before the DGSP and their environmental monitoring before DGCHD while output assessments are filed with DGCHD and DGP.	New Produce ROF. Environmental roles are combined in a environmental General Office. The Ministry's environmental-related procedures will now be clearly outlined.
The water area reserve procedure gave users indefinite renewals thus excluding other users with legitimate investments interests and fostering speculation	Less speculation. A warrant bond is now required to reserve a marine area, thus preventing speculation, in particular in aquaculture areas. Undeveloped projects lose their franchise and the warrant bond is cashed. The franchise is released and may be developed by other investors. (LGA and Regulations thereunder).

Aquaculture ME: Accomplishments

BEFORE	NOW
Aquaculture research, development and innovation not encouraged.	INNOVATE PERÚ has created competitive funding focusing on aquaculture innovation. The National Fisheries and Aquaculture Research Program will be put in place with 206 million WB loan.
No productive innovation and technology transfer centers (CITEs in Spanish) for the aquaculture industry.	A private CITE run by Cayetano Heredia University and three public CITEs (Piura, Puno and Ahuashiyacu localities) will transfer technology for scallops, alevins (newly hatched fish) and egg hatcheries, management of embryo eggs and floating-cage fish farming technology.
A concession award could take up to two years.	Concessions now are awarded in 6 months. The one stop window will be improved to further cut award deadlines to 90 days.
Potential investors were not provided updated information about aquaculture across Peru.	The Aquaculture Cadaster was established with data reviewed and consolidated by DIAC including information from several organizations. Regional governments now provide same day reserve award data.
Water mirrors with aquaculture potential not mapped.	Water mirror registry. The aquaculture frontier was expanded by 10,649 hectares with 11 lagoons assessed in 2015. Another 20 water mirrors will be assessed in 2016. To date, eight water mirrors have been assessed, adding 5,592 hectares with aquaculture potential.
The existing Aquaculture One Stop Window was inefficient. Parallel procedures with other related agencies (DICAPI, ANA, SERNANP) were allowed.	The zero load policy for the Aquaculture One Stop Shop, the number of pending applications dropped from 700 files to 114 in 4 months. In 30 days-time the applications back log should fall to zero. Also, processing time has been reduced and will be further cut down when simultaneous applications with other government agencies are allowed through amended Ministry Administrative Regulations. (TUPA).
BEFORE - SANIPES	NOW - SANIPES
Previously the General Directorate for Fisheries Health National Service in place reported to ITP. insufficient, financial, staffing resources and lack of autonomy and a total budget of 9 million soles resulted in limited initiatives.	The National Fisheries Health Body - SANIPES - was created by Law N° 30063 in 2013, followed by its Regulations pursuant to SD N° 012-2013-PRODUCE). This is now a sanitary agency recognized in Peru and abroad. Its present budget totals S/41 million.
Seven (7) offices were located across Peru in Lima, Pisco, Sechura, Paita, Chimbote, Iquitos and Tacna. An additional facility planned in Tumbes, on the Ecuadorian border.	Fourteen (14) deconcentrated facilities operating in Sechura, Tumbes, Paita, Chimbote, Pisco, Puno, Iquitos, Madre de Dios, Junín, Tacna, Arequipa, Ilo, Lima and Tarapoto, together with three border controls at Tumbes, Iñapari and Desaguadero. This brings the health agency closer to Peru's main aquaculture areas and ensures all aquaculture products are safe for human consumption.

Aquaculture ME: Accomplishments

BEFORE - SANIPES	NOW - SANIPES
Staff at the agencies was insufficient and undertrained. SANIPES was established with only 60 personnel.	Laboratory and inspection staff at all the facilities is now regularly trained and must be SANIPES-certified. Total staffing now reaches 365 workers.
No laboratories were available in the provinces of the interior. The Ventanilla (Lima) laboratory was not equipped to properly oversee sanitary conditions resulting in excess costs to farmers who had to send their samples to Lima, with significant delays.	Laboratories have been set up in Sechura, Ventanilla (Callao) and Tumbes and the Puno laboratory will start operating this year. Almost 13 million Soles have been appropriated for the new Lima Laboratory with the resulting time and cost savings to users.
China market closed to Peruvian shrimp.	China (AQSIQ) officially replied on May 2, Peru now meets the standards for shrimp exports to China. Efforts are underway to sign the corresponding protocol.
Exports to Europe were threatened because analyses were conducted using lipophilic biotoxins and a mice biological model. Tests lasted 48 hours and yielded qualitative (positive or negative) results. This method was suspended by the European Union in 2015 threatening Peruvian exports. In Peru, only one private laboratory analyzes biotoxin samples and can only test 309 samples daily, for S/. 1,700.	Uninterrupted exports to Europe. A laboratory equipment requested by the European Union has been purchased at a cost of S/. 3 million for lipophilic biotoxins analyses. The mass-mass equipment allows performing a certified chemical method analysis in 7 minutes with greater accuracy. Quantitative results are provided for eight molecules. The SANIPES fee schedule has been changed so mass-mass sampling can be done for clients. This laboratory will examine up to 90 samples a day, for S/.1200.
Brazil has banned shrimp imports from Peru.	A request has been made to Brazil to allow sales of Peruvian shrimp.
SANIPES is not recognized by the U.S. Food and Drug Administration (FDA) as a sanitary surveillance agency.	Sanipes has filed for recognition. An FDA team visited Peru from 16 to 31 May to ensure nPeru's food health systems ensure products' safety. Sanipes also wants FDA to allow Peruvian imports of fresh scallops.
Previously efforts focused on preserving existing markets for Peruvian products.	Information is provided on rules and regulations in several countries including Japan, China, Canada, Korea, Brazil, USA, Vietnam, Chile, Philippines, Honduras, Mexico, Nicaragua, Colombia, Argentina; economic blocs including the European Union, the customs unions, and international organizations such as FAO, CODEX, etc.

Aquaculture ME: Accomplishments

BEFORE - SANIPES	NOW - SANIPES
Sanipes had only an ISO 17025 international accreditation for its (first stage) laboratories.	Six accreditations have been obtained , namely ISO/IEC 17020 (technical accreditation as inspection body), ISO/IEC 17025 (expanded technical certification for laboratory assays), ISO 9001 (official sanitary certification services), UNE 93200 Certification (Service Charter), ISO 14001:2004 (environmental management), OHSAS 18001:2007 (labor, health and security). For 2016 the following certification are planned: ISO 27001 (for information technologies), ISO 17065 (Requisitos para organismos que certifican productos, procesos y servicios, Requirements for goods, processes and services certification bodies) and ISO/IEC 17043 (For reference laboratories). No Latin American country is ISO/IEC 17043 certified. Peru will be the first such country, putting us at a par with other countries including England, Australia and Spain.
Absent from international fisheries and aquaculture fairs.	SANIPES attended the SEAFOOD EXPO GLOBAL BRUSSELS (26 to 28, April) to showcase Peruvian aquaculture and provide information about procedures, costs, protocols, import permitting, etc. Meetings were held with sister organizations (DG Sante, FDA, AQSIQ) to address pending issues.
Outdated TUPA administrative protocols. Expensive authorizations. For instance, the technical protocol for bivalve mollusk production area cost S/. 2113.8 and took 22 days. Correcting a sanitary certificate cost S/. 74.9 and took 20 days.	Lower costs and delays The technical protocol for bivalves production area now costs S/. 1126.6 and is delivered in 15 days; correcting the sanitary certificate now costs S/. 46.4 and takes 3 days.
Outdated regulations: Handbook of Indicators and Criteria for Food Safety and Hygiene for Fish and Aquaculture Meal and Feed (ITP's Executive Department, 2010). This regulation required the same standards for exporting to all countries, whereas each country has its own requirements; moreover it did not distinguish aquaculture from fisheries.	An updated standard was prepared: the Harmlessness and Quality Sanitary Indicators Handbook for Fisheries and Aquaculture Products for local and export markets was prepared setting forth the requisites by target market. For instance, previously nine tests were required to export scallops to Europe at an approximate cost of S/. 7,000. Now, only four tests costing approximately S/. 2,000 are required. (RD 057-2016-SANIPES/DE)

Aquaculture ME: Accomplishments

BEFORE - SANIPES	NOW - SANIPES
Five samplings were required un summer and one in winter, without technical justification.	One summer sample and another one in winter is required.
Expensive laboratory tests (US\$ 150 each) were required even if historical test results did not evidence any toxins.	Less frequent biotoxin analysis (only for scallops): <ul style="list-style-type: none"> Amnesiac biotoxin (ASP): from weekly to monthly Paralytic shell fish poisoning (PSP): from weekly to biweekly
Two full bio-toxins tests (each one S/. 1,700) were required for harvested scallops, one in water and another for the frozen product	An unnecessary frozen products test was repealed.
Aquaculture plant certification took 45 days and was good for one year.	Certification now takes 12 days for a one year.
No effective traceability system was available: Hand filled extraction statements were used; however, they could be forged and used to harvest scallops from contaminated areas.	A traceability system was introduced in Sechura using electronic harvest affidavits, safety seals for nets, barcodes with harvest data and a mobile application for barcode readers.
Concessions in Puno (Peru's largest trout producer) without health certification.	Approximately 150 aquaculture farmers from Puno will be certified for health conditions in three months. SANIPES has signed an agreement with Sierra Exportadora. Talks organized with INNOVATE PERÚ and FONDEPES.
San Martín authorities can't provide health certifications.	Approximately 100 aquaculture farmers from San Martín will be certified in three months. SANIPES together with INNOVATE PERÚ and FONDEPES give talks to encourage local aquafarmers to attend.

FONDEPES - BEFORE	FONDEPES - NOW
Loan approvals required certification from four departments including the General Planning and Budget Office, the General Council Office, the Secretary General and the General Loan Department. Approvals took approximately 40 days.	Approvals are evaluated and approved only by the General Loan Department in 12 days.
A «purchase commitment» required to show producer sold production in advance.	The «purchase commitment» was cancelled since sales will depend on market conditions.
The guarantor was required a notarized or judge of the peace certification.	No special document is required since the guarantor signs the loan agreement together with the borrower.
Loans had to be repaid in full before applying for a new loan.	Borrowers having paid 75% of their loan can apply for a new one.
No business plans available by species. For instance, tilapia farmers in San Martín were required to follow business plans for trout farming.	Business plans are prepared by species, so effective support can be given to borrowers with loans larger than eight tax units.

Aquaculture ME: Accomplishments

FONDEPES - BEFORE	FONDEPES - NOW
Six month grace period and repayment in three installments.	Eight month grace period and repayment in four installments.
Eight month grace period and repayment in four installments.	Small loans for up to 16 tax units (S/. 63 200 in 2016)
After a loan was given, borrowers were expected to repay without any additional assistance given.	For loans larger than eight UITs, business plans are prepared and farmers walked through their business.
Aquafarmers receive loans only for balanced feed.	Two types of credit available now: (a) infrastructure and balanced feed, (b) infrastructure for hatcheries, (c) infrastructure for isothermal chambers up to 4 tons capacity and (d) materials and equipment for an equivalent of up to 16 tax units. In addition, combo loans can be requested for feed and infrastructure, materials and equipment, etc., i.e. combining the various options above.

Logistics Mesa Ejecutiva

- The logistics ME was created by virtue of Ministerial Resolution N° 059-2016-PRODUCE. It held its first session on 10 February, 2016.
- The Logistics ME includes representatives from: PRODUCE, MTC, MINCETUR, OSITRAN, APN, SNI, ADEX, COMEX, CCL, CONFIEP, ASPOR and AFIN.
- The Logistics ME has held 19 sessions since it was established.
- Some of the sectorial working group's most important accomplished tasks were preparing the Callao Port Road Reorganization Pilot Program, the APM Terminals' operational regulations, and its contribution to Streamline Bills of Lading.
- The following transparencies detail the Logistics ME main accomplishments.

Entrance to Callao Port

- Entrance to Callao port franchise to APM Terminals took between 5 to 6 hours because of vehicle congestion outside the port.

Which resulted in:

- Additional charges by APMT.
- Higher freight rates paid by vessels because of their longer stay at port.
- Increase cost of truck rentals and longer waiting times.
- Exposure of carriers to unsafe city conditions while waiting outside the port.
- Low Callao port competitiveness, compared to other regional ports.

Action taken

The Road Reorganization Pilot Project was put into practice to reduce heavy duty vehicles' congestion in thoroughfares near the port.

- The Plan's implementation was led by a working group led by the National Port Authority (Autoridad Portuaria Nacional, APN) and including representatives from MININTER, PROVÍAS, UNT, PNP and MPC.
- Three port entrance lanes were opened along Manco Capac avenue.

- Poor calibrated traffic lights were rescheduled by PROVIAS.
- MININTER, together with the Road Police, set up a 3 check points to ensure faster traffic flow at:
 - Contralmirante Mora and Atalaya avenues' intersections,
 - Atalaya and Guardia Chalaca avenues' intersections; and
 - Manco Cápac avenue.
- APN created a WhatsApp group for urgent communications among the working group's members to quickly address traffic problems.
- Industry (represented by ASPPOR) has coached its drivers on Pilot Plan characteristics.



Outcome

Truck waiting time at port entry trimmed to under 2 hours.

Logistics ME

ISSUES	OUTCOMES
<p>Entry to the APM Terminals port franchise took between 5 and 6 hours.</p> <p>Inefficient traffic in Callao neighborhood resulted in difficult access of goods' transportation vehicles to the port.</p> <p>APM TERMINALS and the National Police had not coordinated the flow of traffic by destination port. (Trucks were dispatched by the port concessionaire).</p>	<p>Truck waiting time to enter the port has been cut down to 2 hours. efforts and coordination continue to reduce waiting time.</p> <p>This outcome resulted from a Pilot Project to address this issue, undertaken by a working team led by the National Port Authority (APN) and including representatives from MININTER, PROVÍAS, UNT, PNP and MPC.</p> <p>One of the solutions was as easy as reprogramming poorly calibrated traffic lights.</p> <p>APN set up a WhatsApp group for urgent communication among group members.</p> <p>MININTER and the traffic police accepted to help improve traffic flow. MININTER and the traffic police set up 3 control points in i) Contralmirante Mora and Atalaya avenues' intersections, ii) Atalaya and Guardia Chalaca avenues' intersections, and iii) Manco Capac avenue.</p> <p>Industry (represented by ASPPOR) has coached its drivers on the Pilot Plan's characteristics.</p> <p>PROVIAS is considering rescheduling traffic lights on the proposed thoroughfares, to match traffic flow.</p>
<p>APMT introduced a "Compensation chart for non-used gang". This extra fee was charged when no trucks were at the terminal.</p> <p>The additional fee is charged when the concession holder has a schedule workers to load or unload the goods on the clients' trucks, but the vehicles are out of schedule.</p>	<p>"Compensations chart for non used gang" have fallen by 70% after putting in place the road reorganization pilot Project outside the port, as it has a entry is now faster. This shows trucks fail to enter the terminal at their scheduled loading or unloading times because of APMT management issues, and not because of traffic congestion outside the terminal.</p> <p>Thanks to the Pilot Project to address traffic congestion, vehicle flow and organization outside the APM Terminals was solved. However, the concessionaire must still improve in bound vehicle traffic. It is presently considering ways to improve its Operations Regulations to provide a comprehensive solution to this issue.</p>

Logistics ME

ISSUES	OUTCOMES
<p>Logistics operators reported SENASA does not heed their inspection requests because the one shop stop (VUCE is the Spanish acronym) constantly breaks down and no contingency procedures are in place.</p> <p>SENASA lacks a contingency procedure to face eventual VUCE system interruptions. Officials or operators will not accept paper documents to authorize inspections. This results in delays and economic losses to users.</p> <p>For instance, a ship could not unload in Mollendo port for 5 days because the scanned documents could not be uploaded to the VUCE and SENASA operators could not carry out the health inspection.</p> <p>The loss to the logistics operator reaches approximately US\$ 30,000 per day, for 5 days, or a total US\$150,000 not including additional expenses to carriers, final users and others.</p>	<p>At the request of the sectorial working group, SENASA has prepared a Contingency Plan for Lima and Callao that may be used when the VUCE system breakdown. The plan has been tested and the contingency protocol is already used in Lima and Callao.</p> <p>This will allow not to interrupt logistics operations at the port as users may hand in paper copies for SENASA inspections when VUCE stops operating.</p> <p>The Contingency Plan was submitted to the Logistics Transversal Working Group and approved. Additionally, it will be filed for approval and used nationwide. MINCETUR is presently coordinating with SENASA to enhance the Contingency Plan and prevent breakdowns of its VUCE system.</p> <p>SENASA reported it has already successfully used the Contingency Plan in Lima and Callao when a power outage disrupted the system.</p>
<p>A proposal has been made to amend the General Customs Law's regulations. However, industry had not been informed.</p> <p>The regulations under the General Customs Law have been interpreted variously. Also, certain gaps were identified. This creates legal uncertainty among operators. The Logistics Transversal Working Group needs to identify the scope of the regulatory changes and their pre-publication, for contributing comments.</p>	<p>A Supreme Decree was published amending the Regulations under the General Customs Law to identify legal voids. (DS N° 163-2016-EF). Working Groups members sent their comments to MEF.</p> <p>MEF does not typically pre-published regulations. However, these regulations were published in advance pursuant to RM N° 088-2016-EF/15</p>
<p>Long delays in providing the Nautical Chart and authorization to request extension of the Primary Zone in the Callao Maritime Customs Intendent's Office. Three-day longer processing time.</p>	<p>SUNAT - ADUANAS has removed the request to submit the Nautical Chart, and replaced it by an affidavit.</p>

Logistics ME

ISSUES	OUTCOMES
<p>APMT has repeatedly breach the service and productivity standards (NSP in Spanish) since 2012, as reported by OSITRAN. In particular, since that year, it has failed to share a listing of new equipment requirements. APMT has failed to meet the following NSPs, as prescribed in the concession contract:</p> <p>QUARTERLY MANDATORY AVERAGE NSP INDICATORS:</p> <ol style="list-style-type: none"> 1. General bulk solid freight yield. 2. Bulk fertilizers solid freight yield. 3. Time for goods' renewal. 4. Time for beginning of unloading (quarterly average). <p>NSP INDICATORS FOR INDIVIDUAL OPERATIONS</p> <ol style="list-style-type: none"> 1. Time to begin unloading per individual operation <= 30 minutes. 2. Time for vessel's weighing anchor by individual operation <= 30 minutes 	<p>APMT has already submitted APN the list of equipment to the purchase. This information is included in a technical file pending of approval. This is result of the request made to APMT to specifically commit to purchase equipment needed to meet the minimum NSP indicators. The equipment's cost estimate reaches approximately US \$ 9 '719,000 .</p> <p>Additionally, APN has prepared a draft APMT Operating Regulations to detail and establish better requirements to be met by the port franchisee, in line with required NSPs, concerning the following operations:</p> <ol style="list-style-type: none"> 1. Direct unloading and dispatch of solid bulk freight, as clamshell. 2. Functioning of the Pre-Operations and Operations Boards. 3. Care of damage and missing freight. 4. Care of damage to vessel. 5. Use of operations areas for loading and dispatching containers and general freight. <p>Meeting NSPs will prevent charging undue fees for:</p> <ul style="list-style-type: none"> - Not utilized gangs - Special services
<p>Bills of lading are completed manually by carriers since about 20 years ago at the port's exit. This process is old fashioned and increases transportation time.</p> <p>This issue is even more serious now that APM Terminals has banned filling out bills of lading inside the port.</p> <p>Consequently, bills of lading are filled out manually by carriers and the Customs Clearance Agency when trucks leave the port terminal, resulting in lost time and traffic congestion. Additionally, carriers are exposed to attacks and poor security conditions in Callao.</p> <p>Now, SUNAT allows using the automatic port scale ticket in place of the bill of lading when the goods are travelling to temporary warehouses. This automated process results in shorter times. It has been used since 2008.</p>	<p>A request was made to use the scale ticket as a bill of lading for all cases (whether the final destination is a Temporary Warehouse or not). This joint solution currently prepared with SUNAT-ADUANAS will reduce the time needed to fill bills of lading. The process will be automated in all cases.</p> <p>The data included in the scale ticket covers 12 items already included in the bill of lading. Only 4 additional pieces of information will be required (Customs Form, point of arrival, vehicle brand and name of carrier) so the data would be identical in both documents.</p> <p>SUNAT has announced it will allow using the port scale ticket (automatic ticket) as bill of lading also when the goods are sent to customs warehouses.</p> <p>In all of the cases when the final destination is not a temporary or customs warehouse, SUNAT will prepare a decision allowing to use the scale ticket as Bill of Lading</p>

Logistics ME

ISSUES	OUTCOMES
<p>Enforcing the Labor Safety and Health Law (LSST in Spanish) increases costs, particularly because of the following:</p> <ol style="list-style-type: none"> 1. Warehouses must provide training on labor safety and health to all persons entering their facilities, even if they have already been trained at other warehouses. As a result, a single person is inducted several times. 2. An interpretation of LSST mandates getting Risk Work Complementary Insurance for anybody entering the temporary warehouses. This is also requested from carriers, although they do not perform any risk work at the temporary warehouses. 3. APM Terminals does not allow shippers to stay within their premises more than 8 hours. They argue SUNAFIL inspectors may hold a work relationship has been established between carriers and the port franchisee. 	<p>SUNAFIL attended the sessions of the Logistics Transversal Working Group where it heard the issues mentioned by logistic operators. It has recognized that more accurate operational rules are needed because of the peculiarities of port work, compared to other industries.</p> <p>SUNAFIL has prepared a technical report addressing issues posed by the working group. This technical report will allow operators to meet their labor safety and health conditions, and covers the following items:</p> <ol style="list-style-type: none"> 1. Induction session may be scheduled for all warehouses nationwide. They will be good for one year, provided all risks faced by participating companies are addressed. 2. The complementary risk work insurance is mandatory for anybody who enters the warehouse facilities. The employer and the warehouse operator will be held jointly liable. 3. It is not correct to hold persons may be regarded as company's workers if they remain at the business facilities longer than 8 hours.
<p>Poor safety along the roads leading to Callao Port.</p>	<p>MININTER and the Peruvian National Police have created a "Safe Container Corridor", and increased the number of police agents from 1500 in January 2016 to 3000 in April 2016. Proper equipment is provided all along the logistic corridor.</p> <p>Peruvian police also gather intelligence and organize raids against organized crime.</p> <p>A special security team meeting twice monthly has been set up, including MININTER, the National Police, APN and the Callao Provincial Municipal Government.</p>
<p>A large number of packages and parcels containing export agricultural goods go through the Red Channel and require inspection. The inspected goods are wasted because the required sanitary seals are broken.</p>	<p>SUNAT- ADUANAS (Customs) has reported many errors in the Red Channel Goods Customs Statement (58.98%). It has committed to review the errors in goods inspection statements and propose a response or solution.</p> <p>CUSTOMS has recommended importers follow the advanced dispatch procedure and request a special authorization to operate in the Primary Zone at the importers' facilities.</p>

Logistics ME

ISSUES	OUTCOMES
The numerous physical inspections of goods in the customs warehousing regime delay dispatching.	SUNAT-ADUANAS reported a high number of incidents and is working on procedure improvements. Between January 2013 and February 2016, 12.27% of Goods Customs Statement (DAM in Spanish) for goods going through the Red Channel were also sent through the Red Channel import DAMs. The incident rate reached 62.28%. Consequently, SUNAT-ADUANAS is examining these outcomes sector by sector to optimize selectivity and streamline dispatching.
Certain goods in the export cold chain must be inspected, risking entire shipments.	SUNAT-ADUANAS has pre-published draft guidelines for inspection of frozen, refrigerated, fresh, and cold chain freight, during control operations. This will allow to inspect goods requiring a special treatment for carrying along the cold chain at check points. The guidelines will be published shortly.
Many errors in the documents filled out by users for final export. The requirement to correct such mistakes results in lengthen customs processes.	SUNAT – ADUANAS has committed to train its personnel on the main reasons to reject typing, freight statements and other mistakes. It has also committed to standardize the data required by customs officials.
Ships that stop at various ports to deliver bulk goods and urgent shipments are delayed because the tax system does not connect separate ports. One port will not acknowledge payments made at other offices. For example, a vessel carrying wheat that stops at Paita, Callao and Matarani ports and had already paid the corresponding taxes was required to unload its Callao-bound freight in Matarani port, because of a port strike in Callao. It was required to pay the tax again in Matarani and fill a new customs statement for the same cargo.	SUNAT – ADUANAS has acknowledged this issue and a second payment will not be required. Customs is specifically addressing two issues: 1. It is conducting a review of the tax information system's operations at its various customs jurisdictions, so they will all operate under the same standards and criteria. 2. It will review if the system regulations are a source of the issues at hand and will introduce the necessary improvements.
The present Port Workers Law (Law N° 27866) results in logistics issues and prevents Peruvian ports to compete under similar conditions with other regional ports, principally for general freight services. Issues resulting from enforcing the Law include: 1. Very high absenteeism among longshoreman. 2. Personnel are recruited on a merit basis. 3. Workers' stoppages interrupt operations. 4. Bad ship practices, including discontinuous 8 hours work base for longshoreman; poor gang organization; longshoreman's refusal to change vessels, etc.	A Draft Law has been prepared to address existing issues. Ministry of Labor and Employment Promotion officials attended the Logistics Transversal Working Group session to share the main elements of the new Port Workers' Law which, if passed, will solve the issues created by existing regulations. The draft law will address all the above mentioned issues and was not objected by the Working Group's members as it has already being accepted by a Working Group at the Ministry of Labor. The Draft Law will be sent to Congress by the Executive for review and approval.

Logistics ME

ISSUES	OUTCOMES
<p>APMT has introduced a “Charge for non utilized gangs” that applies when the port operator schedules workers for loading and unloading tasks for users’ trucks out of schedule.</p> <p>This fee was charged principally when trucks failed to show at the terminal.</p>	<p>Presently, charges for non utilized gangs have fallen by 70% after a road reorganization pilot project improved inbound port traffic. Trucks did not arrive at the terminal as scheduled for loading and unloading operations because of APMT management issues, and not because of traffic congestion outside the terminal.</p> <p>The pilot project has improved vehicle flow and order outside the APM Terminals. However, the concession holder should further improve how it manages vehicle arrivals and departures. To this end, it is currently evaluating improvements to its Operations Regulations, to provide a comprehensive solution to this issue.</p>

Textile Mesa Ejecutiva: Methodology and Achievements

- The Textile ME was created on July 20, 2015, by Ministry Resolution 248-2015-PRODUCE and first met on September 11, 2015.
- The Textile ME brings together government and industry representatives from PRODUCE, MINAGRI, MINCETUR, SUNAT, PROMPERÚ, SNI, ADEX, CONFIEP, COMEX and CCL.
- The Textile ME has had 28 sessions since it was installed.
- The most acute problems in this ME deal with labor laws.
- The following transparencies show the main achievements in the Textile ME.

Achievements in the Textile ME: Summary

- Preparation of five (5) SUNAFIL guidelines (4 have been published and 1 pre-published) to enhance labor inspection predictability in the textile industry.
- Training for SUNAFIL inspectors and policy makers about the export textile industry.
- Drafting of a Supreme Decree to determine the scope of Law Decree 22342:
 1. *It creates the National Non-Traditional Export Industrial Companies Registry.*
 2. *It defines the following concepts: “document that originates the export” and “Export Production Program”. These are necessary requirements for contracts under this regime.*
 3. *Approval of work contracts in five (5) days.*
 4. *Electronic work contract approvals notices.*
 5. *Explicit causes of work contract denaturing.*
- Customs management has been improved to detect entry of undervalued textile products: Price/kilo ratio use, exchange of information with other institutions (particularly SUNAT), better information management at SIVEP.
- The Authorized Economic Operator legal figure gives exporters competitive advantages. Various contributions will improve this legal figure.
- Mistaken “perceptions” in the private sector have been clarified. Claims on delays in VAT refund or that gear is detained at customs have not been demonstrated.

Textile ME: Achievements

BEFORE	NOW
<p>SUNAFIL: Labor inspectors do not know about export textile activities and they do not use the same criteria in their inspections. This is why they request excessive documentation when they visit companies and start unnecessary sanction procedures. This means that human resources personnel in textile companies have to prepare documentation for up to two months to respond to SUNAFIL requirements. The main detected problems are:</p>	
<p>Lack of knowledge among SUNAFIL inspectors regarding export textile activities.</p>	<p>In coordination with ADEX, the SUNAFIL inspection and decision-making personnel are being trained about the kind of work done by employees, as well as about the production process and international trade of export textile companies. We expect to train 500 inspectors across the country.</p>
<p>Lack of general criteria for inspection.</p>	<p>A guideline was approved that contains standardized criteria about actions during inspection visits and preparation of infraction minutes. [Guideline N° 001-2016-SUNAFIL "General Rules to exercise inspection," Superintendence Resolution 39-2016-SUNAFIL, dated March 31, 2016].</p>
<p>Lack of general criteria for occupational safety and health inspections.</p>	<p>Guideline 002-2016-SUNAFIL was approved to carry out occupational health and safety inspections [Superintendence Resolution N° 058-2016-SUNAFIL dated April 29, 2016].</p>
<p>Lack of general inspection criteria regarding work contracts subjected to different modalities.</p>	<p>Protocol 003-2016-SUNAFIL was approved. This is the "Control protocol for work contracts subjected to modalities" [Superintendence Resolution 071-2016-SUNAFIL dated June 09 2016] that standardizes inspection criteria for this kind of control.</p>
<p>Lack of general criteria for inspection concerning safety and health at work in the textile industry.</p>	<p>The "Control Protocol regarding Safety and Health in Industries" was published [Superintendence Resolution 064-2016-SUNAFIL dated May 23, 2016]. It includes common criteria about evidence that can be required by inspectors.</p>
<p>Lack of predictability in inspections about compliance with affirmative action quotas for persons with disabilities.</p>	<p>The Guideline "Control Protocol of Compliance with Employment Quota for Disabled People Applicable to Private Sector Employers" has been pre-published. [Superintendence Resolution 063-2016-SUNAFIL dated May 18] standardizing inspection procedures to verify compliance with the affirmative action for people with disabilities.</p>

Textile ME: Achievements

BEFORE	NOW
Law Decree 22342, Law of Non-Traditional Exports, requires specifications to appropriately use a special labor regime in export textile companies. This lack of specification has led to a change in regime application criteria, to lack of definition regarding export companies that could use this regime, to delays of contract approval, to starting of unnecessary sanction procedures, to lack of information in the Judiciary regarding this labor regime. The main problems are:	
<p>This Decree Law establishes that non-traditional export industrial companies are those which export, whether directly or through third parties, more than 40% of the effective annual production they sale, but does not establish a temporary frame to calculate this percentage.</p> <p>This generated problems to qualify the company as “non-traditional export industry” and its right to use the labor contracting regime set forth in Decree Law 22342.</p>	<p>An SD has been drafted that includes the technical agreement by which the requirement of exporting 40% of effectively sold annual production will be entered into. The company must be currently registered at the National Non-traditional Export Industrial Company Registry, which will be managed by PRODUCE.</p>
<p>There are sectors that consider that the use of labor contracts in the non-traditional export regime allows companies not to pay social benefits.</p>	<p>This Supreme Decree draft explicitly states that workers hired under Decree Law 22342 are governed by the common labor regime for private activities, including all its benefits and rights.</p>
<p>In 2011, the MTPE changed the interpretation criterion for the Decree Law and excluded administrative workers from the scope of this Law despite that these are also necessary to cater to specific export orders.</p>	<p>The Supreme Decree draft includes an article explaining that temporary hiring of administrative workers is permitted provided that their hiring is connected to a specific export order and is so mentioned in the contract, that is, that there should be an objective cause justifying such hiring. The MTPE has acknowledged that before 2011, it allowed hiring administrative personnel under this regime to cater to production activities.</p>
<p>The Constitutional Tribunal has ruled that the work contract has to be submitted by attaching both the export contract and the production program. Omission has led to sanction procedures.</p> <p>Article 32 in the Decree Law establishes that the following are objective causes for temporary hiring:</p> <ul style="list-style-type: none"> i) Export contract, purchase order, evidentiary documentation.; ii) Export production program. <p>Formerly, companies submitted the work contract with one of these causes and were approved at the MTPE.</p> <p>The Constitutional Tribunal has interpreted that the work contract has to be submitted and that both causes have to be attached. This, despite the fact that the Law Decree does not define the concepts of “evidentiary documentation” (which could even be an email today) and “Export Production Program”.</p> <p>These interpretations led to starting sanction procedures at SUNAFIL and labor judicial procedures.</p>	<p>The draft Supreme Decree explains that contracts have to attach both objective causes, but definition is needed regarding “evidentiary documentation” and “Export Production Program”.</p>

Textile ME: Achievements

BEFORE	NOW
<p>The Law Decree does not define the Export Production Program although it is an objective cause for substantiating work contracts.</p> <p>This is not only damaging because of the above, but also because it makes companies to continually extend work contracts without being able to plan their hiring according to future exports. It also hurts workers, since they are hired sporadically for very short terms.</p>	<p>The Supreme Decree draft defines this program.</p> <p>It is prepared by the company and includes planning of operational and administrative worker service supply necessary for fulfilling one or more export contracts, purchase orders or evidentiary documentation regarding them or a combination of both.</p>
<p>The MTPE takes up to seven (7) days to notify approval of non-traditional export work contracts (additional to the 35 or 60 working days they take for approval).</p> <p>This generates problems for employers, because if they have no work contracts, they can be subjected to sanctioning following any control. Besides, workers are damaged because they cannot get the documents that acknowledge them as hired workers.</p>	<p>The draft DS rules work contract approval will be notified to the parties by electronic means to reduce approval delivery times and solve problems for employers and workers.</p>
<p>Some inspectors construe temporary hiring of workers under the Law Decree can only last up to five (5) years. Then, the worker will have an indeterminate contract. This interpretation is mistaken and generates useless sanction procedures or labor judicial claims based on mistaken criteria.</p>	<p>The draft DS explains workers hired under the Decree Law can sign as many temporary work contracts as necessary, provided any of the objective causes set forth in article 32 of the aforementioned Decree Law prevails.</p>
<p>There is uncertainty regarding the term for contract approval by the MTPE: The Decree Law establishes that the approval term is of up to sixty (60) working days and the MTPE's TUPA establishes thirty-five (35) working days.</p> <p>The fact that there is not one single term and also that these terms are so long damages workers because they can have an approved work contract to start working.</p>	<p>The draft DS rules work contracts will be approved in five (5) working days to allow workers have contracts approved quickly. Implementation will be gradual and regulated by ministry decision.</p>
<p>Since there is uncertainty about the approval term of work contracts, inspectors can find workers already working without an authorized contract and decide the contract is denatured hurting workers who have to wait for thirty-five (35) or sixty (60) days until their contracts are authorized and also employers who cannot count on workers' services.</p>	<p>The DS will clarify that the company has up to ten (10) working days, as from the date of contract subscription, to request approval and that the MTPE has a maximum term of five (5) working days as from contract submission for approval.</p> <p>Besides, if there is no pronouncement in this term, the work contract will be considered as approved.</p>

Textile ME: Achievements

BEFORE	NOW
<p>SUNAFIL does not have information about the contract system and agreements on labor educational modalities by the MTPE. Therefore inspections are not efficient and they can damage companies by starting sanction procedures with no grounds.</p>	<p>The DS draft will establish that the MTPE and the SUNAFIL will exchange information through a cooperation agreement. Information that the MTPE will send to the SUNAFIL is to be specified in the cooperation agreement or in an internal document. This would solve the problem of anti-labor inspections and useless sanction procedures.</p>
<p>No express cause of distortion of temporary work contracts signed within the framework of the Law Decree has been specified. Therefore, labor inspectors have discretion to decide if the work contract is distorted. This generates problems, because inspections are unpredictable: labor inspectors can have different assessment criteria and while one may consider that the work contract is well grounded, another inspector may consider it denatured.</p>	<p>The draft DS details express causes. Labor contract denaturing causes within the framework of the Law Decree are the following: i) Use the temporary work contract without accrediting the company as a non-traditional export industrial enterprise; ii) Breach of non-traditional export work contract conditions; iii) Hiring an employee despite elapsed non-traditional export work contract; and iv) Breach of conditions established in subsections a) to d) of article 77 and Supreme Decree N° 003-97-TR. This generates predictability of labor inspections and also provides juridical security to employers.</p>
<p>Unions have expressed their concern because there are no express sanctions to administered parties (employers) who breach regulations in the draft DS.</p>	<p>This consideration will be included in the DS draft to provide a legal framework for labor inspections, facilitate addressing cases of non-compliance, and taking provisions to safeguard workers and sanction alleged abuse or breach.</p>
<p>There are no uniform criteria or requirements to prepare a temporary work contract within the framework of the Law Decree. This causes problems because companies use different contract models that can be rejected by the MTPE, depending on the criteria used by inspectors. Therefore, there is no predictability for contract approval.</p>	<p>The DS draft determined the MTPE will define non- traditional export work contract models and the “Export Production Program” to create predictability in connection to approval.</p>
<p>Until 2011, it was understood that temporary work contract benefits encompassed: i) Companies that directly produce and export. ii) Companies that export through third parties. iii) Input and industrial service suppliers that partake in the productive processes. However, reports were issued that pointed out that only companies that directly produce and export could have access to temporary work contracts and that the two other cases could not. This restricted access of companies to this labor regime, even those companies that were included in the Law (indirect export).</p>	<p>The DS draft defines non-traditional export companies: i) Those that directly produce and export. ii) Those that export through third parties (indirect export). iii) Suppliers of inputs and industrial services that partake in the productive processes. And they must comply with exporting 40% of the value of their annual production.</p>

Textile ME: Achievements

BEFORE	NOW
<p>Unions have always considered that this labor regime does not respect or guarantee the workers' freedom to organize. The fact that workers are temporary is considered by unions as a threat to union activities, because they consider that entrepreneurs can terminate unionized personnel' contracts without justification, thus weakening unions.</p>	<p>The DS draft includes an article to protect union organization freedoms. Workers can file claims before the Labor Inspection Authority or have recourse to the Judiciary to request protection of their collective rights, challenge anti-union practices, challenge the non-renewal of a contract because it affects union freedoms and achieving, if it so corresponds, precautionary or definitive restatement in their jobs, as well as indemnities, costs and expenditures to be declared in a judicial case, notwithstanding the application of fines.</p>
<p>The Judiciary enforces a very formalistic criterion regarding work contract content under the non-traditional export regime. It considers that errors are contract distortions. This damages companies because they have to enter absurd judicial procedures with uncertain results.</p>	<p>The DS draft determines that errors or mistaken information that can be corrected are not temporary work contract distortions provided the company can demonstrate an objective cause.</p>
<p>Dumping of textile imports was detected for customs headings 61 and 62, with serious damage to the textile and apparel industry by permitting importing apparel below cost, which is unfair competition. There is a list of 1800 dumping suspect importers, of which 24% are individuals. There is no regulation as in Colombia that besides the price/kilo ratio, charges a 5-dollar / kilo tariff.</p>	<p>This was solved by improving management.</p> <ul style="list-style-type: none"> SUNAD is using the price/kilo ratio suggested by the MES in all its inspections for textile customs headings (not only 61 and 62). In 2015, imports of goods under headings 61 and 62 were subjected to control in 52.4% of cases and show a value level of 53% as compared to their affidavits. In the case of the DAMs with value adjustment, tariff heading 61 fixed a declared ratio of US\$6.5/kg. Controls resulted in an adjustment to U\$ 11.6/kg. For tariff heading 62 items, the ratio rose from \$8.6/kg to \$11.0/kg. 2,615 importer companies were identified in this industry: 78% are corporations which account for 97% of the imported FOB value. Individuals have a 97% of control levels and an incident level of 83%. In the case of individuals, Customs shares information with SUNAT tax administration to determine the origin of the capitals used by these people for their imports.

Textile ME: Achievements

BEFORE	NOW
<p>Dumping of textile imports was detected for customs headings 61 and 62, with serious damage to the textile and apparel industry by permitting importing apparel below cost, which is unfair competition. There is a list of 1800 dumping suspect importers, of which 24% are individuals. There is no regulation as in Colombia that besides the price/kilo ratio, charges a 5-dollar / kilo tariff.</p>	<p>This was solved by improving management.</p> <ul style="list-style-type: none"> • The CIF/kg ratio was analyzed and 34 headings have been determined as non-risk headings. One spn was considered as very high risk, 11 medium risk and 6 low risk. 3 out of the 8 spn rated by the S.N.I. as high risk are classed as high risk bySUNAT. • With information concerning tax compliance and risk rating, 237 companies have been rated as very high risk. • Suspect importers identified by the S.N.I. study account for 1% of the total imports' FOB value in 2015 for this industry. Control level is 93%. • No need to change regulations. • SUNAD reports that they cannot apply a measure similar to that in Colombia, because it has been reported to the WTO. However, they are using other tools as the price/kilo ratio and crossing information with other institutions to better manage information at the SIVEP.
<p>Private parties were not aware of the Authorized Economic Operator (OEA) to be listed as a reliable operator. Additionally, requirements by SUNAD to be an OEA are complicated. For example: having exported for a FOB value of no less than US\$ 3.5 million per year in the last three years.</p>	<p>SD 184-2016-EF approves the new Certification Regulation for Authorized Economic Operators. The textile MES challenged requirements that operators should not have consecutive losses without specifying over what period (two consecutive years? ten?). The new regulation does not solve the issue, because operators are required to show solvent financial statements, which gives discretion to the Administration. Industry was unaware of the advantages of being an OEA (point of contact at SUNAT, less physical inspections for exports, less time for some export procedures, direct shipping from the exporter's premises, VIP service during contingencies or if ports and/or airports are closed). SUNAD is starting aggressive dissemination so that there are more OEAs.</p>
<p>The process of customs clearance of "samples not intended for sale" takes too long, which damages private parties due to delays in the response of exporters to clients.</p>	<p>SUNAD reported that they have not detected cases of this type, so they requested information from private parties. The latter could not find cases. In spite of this, SUNAD stated that they would examine this issue.</p>

Textile ME: Achievements

BEFORE	NOW
<p>Lack of updating of the Price Verification System (SIVEP). Industry thinks this tool is not working well because importers who undervalue their goods give false reference values to SIVEP when they bring goods declared for very low prices which the system uses as reference.</p>	<p>SUNAD reported that SIVEP is updated every day, that the price/kilo ratio has been included and that other indicators have been improved, increasing information sources. SUNAD said that SIVEP guarantees application of the WTO Customs Valuation Agreement, a reference framework for prices which is a dynamic tool that reflects price volatility in the international market.</p>
<p>Textile entrepreneurs stated that they get VAT refunds as long as four months late, when VAT refunds for exports should not take more than 30 days.</p>	<p>SUNAT requested private parties to submit their cases. However, they were not submitted. SUNAT states that refunds take one day with a warrant, five days without a warrant, and if companies are objected by SUNAT, up to two weeks, since information is requested for case review.</p>

Gastronomy Mesa Ejecutiva: Achievements

The current Health Regulation for Restaurants and Related Services (Ministry Resolution N° 363-2005-MINSA) establish the food industry health requirements (for example, for food factories). Therefore, it is not easy to comply with by restaurants that operate under very different conditions. Likewise, the Ministry's Resolution (MR) regulate procedures more than results. The Sectorial Working Group (MES is the Spanish acronym) and DIGESA, the food health agency, have drafted a regulatory proposal aimed at controlling and reducing risk factors (risk approach) connected to food preparation (practices in manufacturing and preparation operations), facilities (infrastructure, basic services, hygiene and sanitary programs) and handlers (health, presentation, hygiene, and others) which should be adopted by restaurants to fit individual conditions and capacities.

BEFORE	NOW
<p>Specific procedures described in detail that do not necessarily result in adequate safety and hygiene.</p> <p>Many establishments cannot comply with the municipal health regulations and cannot be controlled by it.</p>	<p>The regulatory proposal establishes guidelines to be followed and sets forth the sanitary conditions that restaurants must meet, including their own procedures they must enforce under municipal authority oversight.</p> <p>Establishments have to strictly follow a written Hygiene and Sanitation Program (PHS) suiting the characteristics of their activities, including at least comprehensive cleaning and disinfection procedures for all environments, facilities, equipment, kitchen furniture, utensils, work surfaces, and pest prevention and control, while minimizing pollution risks.</p>
<p>Clothes must be white, a condition that not necessarily ensures hygiene.</p>	<p>Clothing of any color can be worn, to suit the establishments' style or decoration, provided pollution risk factors are controlled.</p>
<p>The minimum level of lighting in reception, storage and food preparation areas should be 220 lux. Lighting sources will be located in such way that people who work in those areas do not cast a shadow on the space where they work. Lighting in the mentioned areas should not distort colors.</p>	<p>Lighting, natural, artificial or both allowing to clearly see working areas and operations so that they are performed hygienically, preventing shadows, distorted colors, reflections or glare. All the lamps have to be effectively protected. Specific lighting characteristics for the service will be pointed out in the General Hygiene Principles' documents.</p>
<p>Excessive detail for washing and disinfection of tableware. For example, food rests should first be removed from cutlery and glasses, using running hot or cold fresh water, and detergent, and be rinsed with running fresh water followed by disinfection with a MINSA approved commercial product or with a final rinse at a minimum 80° C for three minutes. Glasses and cups must be dried upside down.</p>	<p>Each establishment sets its own procedures and frequencies for maintenance and disinfection, approved by the municipal sanitary authority. This criterion also applies to pest control.</p>

Gastronomy ME: Achievements

BEFORE	NOW
Establishments for restaurants and similar services should be located in places free from pests, smokes, dust, odors, flooding and any other pollution source (...)	Restaurants and similar services should ensure that their location does not involve a food preparations' cross-contamination risk. Land previously used as a landfill, dump, sanitary facility, swamp or exposed to flooding cannot be used for building food facilities. Establishments should set effective protection measures or barriers against external contamination sources (pests, dust generation, smoke, gases, odors, sewage, wild animals, among other contamination risk factors), which should be objectively shown by controls and detailed in the documents explaining their general hygiene protocols, to be verified by the competent health surveillance authorities.
<p>Excessive regulations on environments or areas where operations with food are carried out. For example:</p> <p>Floors will be built with water proof, non-absorbent, washable and anti-slip materials, without and easy to clean and disinfect, with a gradient for liquids to run off.</p> <p>Walls should be made of impervious, non absorbent and washable materials painted in light colors, and easy to clean and disinfect. Corners shall be rounded for easier cleaning.</p> <p>Ceilings should be built and finished to prevent gathering dirt and easy to clean.</p> <p>Windows and other openings should be built in to prevent gathering dirt and have protection against insects and other animals. They should also be easy to remove.</p> <p>Doors should have a smooth and not absorbent surface and shall close automatically wherever food is prepared.</p>	In environments or areas involving operations with foods, floors, walls, ceilings, windows and doors materials should be easy to clean and disinfect, and kept clean and in good state of repair. Joints between floor and walls in processing and storage environments should be curved to facilitate cleaning and prevent gathering dirt.
Hallways should have a proportional width to the number of people using them and in no case should they be used for storage.	Hallways that allow fluid personnel and equipment transit.
Sufficient ventilation should be provided to prevent excessive heat, steam condensation, dust and to eliminate polluted air. Air flow should pollute food preparation and consumption areas. Hoods will be installed over cooking devices, sufficiently large to effectively eliminate cooking steam.	Appropriate ventilation is required to prevent accumulation of moist in storage areas and in those detailed in the PHS.

Gastronomy ME: Achievements

BEFORE	NOW
Excessive regulation on equipment and utensils. For example, the materials for chopping blocks are specified. Not all restaurants can have the types of tools described in such detail in some regulations.	The general characteristics of used materials and equipment should be established, as well as the qualities they need to consider to keep optimum hygiene. Thus, the emphasis is on the instruments' and utensils' sanitary conditions in these various establishments.
Cross-contamination of allergenic foods not taken into account, with negative consequences for food-sensitive customers.	Preventing cross-contamination with allergenic foods is required. They should be kept apart from other ingredients.
Uniform cleaning and disinfection practices should be established for all kinds of restaurants and similar services. Most restaurants cannot comply (cleaning frequency in work areas, way to collect liquid or waste from floor, among others).	Recommendations are made for cleaning food, and defined procedures should be specified by each facility, always ensuring hygiene.
For the reception and control of foods, regulations established that it was necessary to perform sensory and physical-chemical assessments of foods to decide on their acceptance or refusal. Most restaurants and similar services do not have the capacity to conduct such tests. Therefore, in practice, foods are received without much control.	Basic guidelines are established for accepting and/or refusing foods and other raw materials (if any deterioration or contamination is noticed, if they do not state their expiration date, sanitary registration or authorization, as appropriate), and each establishment should use its best practices to do so, which will be supervised by the municipal health authority.
Existing regulations ban restaurants and similar services in places at potential risk of pollution. Many restaurants can comply as they are near factories, markets, ports, among other places that are potential pollution sources (option 2).	The regulatory proposal states that if a restaurant location is not completely free from pollution, the restaurant must show and ensure that all measures are taken to protect and provide a tight atmosphere to prevent pollution. Restaurants under such situation must correct their sanitary conditions, which will be controlled by the municipal health authority.
The current regulation uses unnecessarily technical jargon making it more difficult to comply with.	The proposal is drafted in easy to understand language.

Gastronomy ME: Achievements

BEFORE	NOW
<p>The obligation of registering in a Health Registry is a duplicate requirement. Large companies already must get an official technical certification of their Hazard Analysis and Critical Control Points (HACCP). International certifications accredit production processes having met the respective quality and safety sanitary requirements and conditions through rigorous processes. The health registration used to be automatically applied.</p> <p>Micro and small enterprises must obtain a Certificate of General Hygiene Principles.</p>	<p>The obligation of having the Health Registration is removed as it is a hurdle and an unnecessary cost, because mid-sized and large companies already have international HACCP certification, and micro and small companies need to have the Certification of General Hygiene Principles to sell processed foods.</p> <p>Companies face significantly smaller costs. Mid-sized or large companies making at least five products pay the cost of the health registration per product, including microbiological tests and HACCP, at a cost of S/.6,848.23. Thanks to Legislative Decree 1222, a company will only pay the cost of HACCP, that is 923. An SME that makes five products pays S/. 600 down from S/.6,525.</p> <p>(Regulation of DL 1222 is ready now for contributions from the Gastronomic MES).</p>
<p>Sanitary registration is mandatory to enter wines and generally alcoholic beverages not aimed for sale in the country. These items cannot be considered by customs as samples not aimed for sale.</p>	<p>Clarify in CUSTOMS that applying tariffs to alcoholic beverages because they cannot be samples not aimed at sales does not prevent them from being considered as samples regarding health issues. Therefore, it is not necessary to require sanitary registration issued by DIGESA to authorize their final entry the country.</p>
<p>Ministry Resolution 1020-2010/MINSA, approves the Health Regulation for manufacturing, preparation and sale of bread, cookies and pastry. In effect since 01.01.2011, it generates many obstacles for bread manufacturing industries by establishing questionable requirements such as:</p> <ul style="list-style-type: none"> • Having light-colored walls. • Having a pre-determined number of bathrooms and locker rooms according to the size of the place and not true to need. • Using light colored clothing. 	<p>Identify in detail bureaucratic barriers and hurdles in the regulation for the Manufacturing, Preparation and Sale of Bread, Cookies and Pastries, approved by Ministry Resolution 1020-2010/MINSA to determine, in coordination with this MES, any necessary amendments within 20 days.</p> <p>Following the proposal, coordinate its approval with DIGESA .</p> <p>This topic will be addressed at the following MES session on June 28, 2016.</p>

Gastronomy ME: Achievements

BEFORE	NOW
<p>Ministry Resolution 1020-2010/MINSA, approving Health Regulation for manufacturing, preparation and sale of bread, cookies and pastry, dated 01.01.2011, generated many obstacles to bread companies by establishing questionable requirements such as:</p> <ul style="list-style-type: none"> • Having light-colored walls. • Having a pre-established number of bathrooms and clothing rooms according to facility size and not true need • Using light-colored clothing • Besides the Health Assessment Sheet –health requirements before inspection- for Bread, Cookies and Pastry manufacturing includes requirements that can be subjectively interpreted or are too discretionary, such as the following: <ul style="list-style-type: none"> • “construction and installation of the establishment is duly completed and equipped” • “access to processing areas, warehouses, bathrooms and other areas is paved and in good maintenance and cleaning conditions” • “processing areas are large and permit appropriate flow of personnel, raw materials and rolling equipment” • “they have an exclusive warehouse for final products and appropriate maintenance and cleaning conditions,…” • “they have a warehouse for packaging material. It is appropriately stored and labeled” • “any areas are appropriately signaled with adds referred to good manufacturing practices” 	<p>Such regulation was amended by Ministry Resolution 225-2016-MINSA dated April 5 as follows:</p> <ul style="list-style-type: none"> • Microbiological parameters to be complied with by bread products were updated. • Sanitary conditions of the establishment regarding facilities and physical structures (characteristics of ceiling, windows, doors, hallways, electric installations and ventilation means) were established. • Characteristics and conditions of water supply (which should be appropriate for human consumption) and bathrooms and locker rooms (there should be hand-washing isles and mandatory hand washing notices). • Conditions of equipment used when processing cooked products (equipment and utensils in good and clean conditions). • DIGESA's attributions to prepare sanitary assessment sheets for bread factories and bakeries. <p>With said amendments, DIGESA considers that the regulation is duly updated without requiring more changes because they say that since it is an industrial activity (food production) the regulation should specifically and rigorously rule aspects related to safety and health derived from said activity.</p> <p>However, the topic will be dealt with at the following MES meeting (07.05.16) and DIGESA is invited to present their position on the regulation.</p>
<p>Not all municipalities pass provisions facilitating or allowing gastronomic activities in their jurisdiction.</p> <p>There are unnecessary municipal bureaucratic barriers and hurdles.</p> <p>For example, the number of parking slots per restaurant: as from December 2015 San Isidro (financial quarter) mandates one parking slot per every 130 m2 of dining area; Miraflores requires 1 parking slot per 16 m2 of dining area. Each district enforces its own criteria or priorities. Some districts limit the types of restaurants allowed in authorized in food catering Chinese food, chicken or diners. This can be considered a discriminatory practice.</p>	<p>Propose a ranking of municipalities according to facilities and conditions granted to restaurants and similar services in Lima districts.</p> <p>This is how we can learn which municipalities foster gastronomy and sensitize them to adopt more favorable measures.</p> <p>Gradually identify how Lima municipalities deal with gastronomic activities and coordinate improvements.</p>

Gastronomy ME: Achievements

BEFORE	NOW
<p>Some municipalities still require personnel health certificates in their field controls even if article 13 under the General Health Law No. 26842 dated July 15 1997 repealed that requirement.</p> <p>This resulted in excessive administrative and economic burdens for restaurants due to their obligation to get certification and eventual fines.</p>	<p>We have requested restaurant associations and representatives to submit information about cases in which municipalities have required their personnel to have a health certificate, so that the Gastronomic Sectorial Working Group can issue this information to the Technical Secretariat of INDECOPI's Market Access Committee so that they start revision of Ordinances, TUPAs and other municipal internal regulations including such requirements, aiming at having said local governments amend them and stop requiring health certificates to prevent being fined.</p> <p>This letter will be sent on June 28, 2016.</p>
<p>No objective parameters or criteria for administrative, technical and economic requirements to get the Security Technical Inspection Certificate (a condition to get the Operation Permit for establishments larger than 100 m2).</p> <p>Currently, inspectors have too much discretion in determining if an establishment meets security conditions. Some examples follow:</p> <ul style="list-style-type: none"> There were cracks on a wall in an establishment. This wall has been built instead of the former door which was removed. The crack was superficial – an aesthetic problem – because it resulted from new plastering. However, the inspector considered it revealed structural deterioration and reported breach of building safety conditions. The wall of a hallway in an establishment showed saltpeter on the garden side. The inspector considered this as deterioration due to moist in a structural element and reported a breach in building safety. The inspector required installing doors to the bar's alcoholic beverage window shelf so that bottles would not fall in an earthquake, without considering other alternatives that would not change the shelf's aspect and that would meet the establishment's needs. The inspector required a door to be opened on the opposite, blocking one of the establishment's evacuation exits. 	<p>A solution will be proposed at 2 levels:</p> <p>1) DL N° 1200, dated 09.22.15, sets a 120 calendar days deadline to issue a new Building Security Inspection Regulation to encourage investments and streamline procedures. The draft was pre-published and is now reviewed by the Disaster Risk Management Office at the Office and CENEPRED disaster prevention agency before it is sent to . It will then go to the Cabinet Chief's General Secretariat to determine if it goes to CCV or to CM.</p> <p>The draft has to include a risk matrix that CENEPRED has to prepare and approve to determine when to carry out inspections, i.e. before or after granting the operation permit. However, the risk matrix has not been prepared yet and we have been told that depends on consultations between CNC-MEF and CENEPRED. Therefore, a 270-day term has been set from approval to publication for the draft regulation, so it will come into effect and CENEPRED can then prepare and approve the matrix.</p> <p>Passing the regulation without the matrix would not change the regulatory framework. A meeting with authorities in charge at the PCM to speed up approval of the regulatory framework for Technical Building Safety Standards.</p> <p>2) A Pilot Project: Prepare, together with the San Isidro Municipality, a guideline of uniform criteria for safety inspectors so restaurants and similar businesses know their administrative, technical and economic duties and consequences. Then, encourage other districts to adopt similar standards. A 15-day term is set for this proposal.</p>

Gastronomy ME: Achievements

BEFORE	NOW
<p>There is no complete, centralized and systematized information regarding agricultural products for Peruvian gastronomy. Some relevant information not available would allow more and better use of products:</p> <ul style="list-style-type: none"> • Product description / diversity • Types of product presentation in the market • Geographic distribution and seasonality of national production • Substitute products • Nutritional value 	<p>A working group from UNALM agricultural university has been charged with preparing a catalogue of agricultural products with information required by the gastronomic industry, restaurants and general public. This catalogue will be started with 42 emblematic products with the corresponding information.</p> <p>The catalogue should inform, sensitize, educate and generate a regional identity of food producers, incentivize resource conservation and be a promotion tool.</p>
<p>There is no complete, ordered, centralized and systematized information on agricultural producers (production, location, contact information), that would allow to have information about product availability and facilitate trade.</p>	<p>MINAGRI is developing a National Agricultural Producer Registry. Data about formerly scattered in different ministry department has now been compiled. Then an IT application will be developed. The effort will take one month and use an online platform approved by the Gastronomic Sectorial Working Group. The application will include suppliers' names, addresses, phone numbers, type of product per region and will be accessed through MINAGRI's website.</p>
<p>There is no development of innovative and creative proposals on new concepts, products or additional services, among other aspects, in the gastronomic sector.</p> <p>Consequently, the same things are done and no new proposals or alternatives are generated to overcome technical problems. This also makes them less competitive vis-a-vis market demands.</p>	<p>The "Innovation in Gastronomy" competition was launched on the web on 03.10.16. Results will be published on July 7, 2016.</p> <p>Workshops to foster participation in the contest were organized in Tarapoto, Trujillo and Arequipa for about 30 participants each.</p>
<p>There is no complete, ordered, updated and systematized information on the number of food markets nationwide and per region. The last national census was in 1996. The 2008 National Economic Census only recorded information at region capital level.</p>	<p>A Food Market Census will be implemented nationwide. To do so an interinstitutional agreement has been signed between PRODUCE and INEI. The census will have two phases: i) Market Registration Updating and ii) Field census.</p>
<p>Retailers receive no training to improve market management. This is particularly relevant on issues such as common expenses, marketing plans, delinquency levels, infrastructure and equipment maintenance, among others.</p>	<p>1 international Forum in Lima and 3 Macro regional Forums in Trujillo, Cuzco and Iquitos were organized. Approximately 1000 people attended. There were several international success experiences presented on market management. There were also training workshops for retailers in Piura, La Libertad, Tacna, Arequipa, Cusco, San Martín, Ucayali, Loreto and Lima, reaching around 8.600 retailers.</p> <p>On the other hand, the National Food Market Management Award was promoted. The award "Mi Mercado Favorito" aims at acknowledging efforts to improve infrastructure and customer care. To closing date on June 24, 169 applications were received. The award will be given July 15.</p>

Gastronomy ME: Achievements

BEFORE	NOW
<p>Local governments officials lack awareness of food market regulations, hampering law and regulatory enforcement.</p> <p>Food markets were not regulated. The regulatory framework is control driven without policy guidelines for promotion and management improvement.</p>	<p>Training sessions for local government officials in San Martín, Junín, Huánuco, Abancay, Piura and Arequipa, reached around 380 officials.</p> <p>The “GENERAL GUIDELINES FOR A NATIONAL POLICY ON FOOD MARKET COMPETITIVENESS” were approved. They set forth the objectives and strategies to guide different government levels to coordinate efforts to improve food market competitiveness nationwide. [RM 196-2016-PRODUCE]</p>

High Impact Entrepreneurship Mesa Ejecutiva

- The High Impact Entrepreneurship Transversal Working Group was established pursuant to Minister Resolution No. 168-2016-PRODUCE. It first met on May 12, 2016.
- The High Impact Entrepreneurship Transversal Working Group (MET is the Spanish acronym) gathers together officials from PRODUCE, MINAGRI, MINCETUR, CONCYTEC, SNI, ADEX, COMEX, CCL, CONFIEP, COFDE, BID, CAF, IFC, ASBANC, ASEP, CFA Society Perú, universities, STARTUPs financing companies, high impact entrepreneurs and corporations.
- The High Impact Entrepreneurship MET has met six times since its inception.
- Between November and December, 2015 an ad hoc working group was set up as part of the Cultural and Creative industries MET. This working group explored various issues relating to high impact entrepreneurship and made significant progress leading to the eventual set up of the High Impact Entrepreneurship MET.
- One of its most important accomplishments was the design of new tools and improving the processes for rolling out the StartUp Perú and Innóvate Perú projects.
- It also focuses on providing tax breaks for non-domiciled services in particular digital services, which account for between 25% and 75% of the operating costs of a high impact venture during its first five years, that is, its weakest stage.
- The following transparencies show the main accomplishments of the High Impact Entrepreneurship Transversal Working Group and its associate working team.

High Impact Entrepreneurship Mesa Ejecutiva: Summary

- Improved processes, information systems and customer care platforms for the Innóvate Perú and Startup Perú competitive funding schemes mostly used by high impact entrepreneurs.
- Increased execution of competitive funding compared to 2012 (x3) and 2013 (x2) through repeated calls and new tool development.
- Ensuring availability of competitive funding for the next 5 years through the MIPYME fund (S/. 75 million), FOMITEC (S/+.68 million) and the new Productive Innovation Project together IDB (US\$ 100 million).
- Design and roll out new tools focusing on providing private funding for high impact entrepreneurship ventures, in particular through angel investor networks and risk

capital funds.

- Design and roll out of new tools to foster cross sector innovation or by teams of companies interested in addressing shared issues.
- Design and roll out of new tools and regulatory schemes to newer and higher non-domiciled talent for developing high impact entrepreneurship ventures and public and private innovation promotion entities.
- Progress in alleviating the tax burden for recruiting non-domiciled exports in innovation and high impact entrepreneurship ventures.
- Progress in alleviating the tax burden for hiring non-domiciled digital services, a key factor in developing high impact entrepreneurship ventures .

High Impact Entrepreneurship Mesa Ejecutiva

ISSUES	ACCOMPLISHMENTS
<p>Access to Innóvate Perú competitive funding (evaluation, signing of contracts and project start) took a long 225 days in 4 evaluation rounds.</p> <p>Evaluation was in two-stages: Profile evaluation (innovative merits and cost-benefit) and project evaluation (methodology and viability assessment). Each stage comprised two evaluation rounds, an external assessment and a technical committee evaluation.</p>	<p>Time for evaluations fell from 225 to 120 days, 47% less in only 3 not 4 evaluation rounds.</p> <p>The profile evaluation now results from one single assessment round although it is more strict than previously. Next, approved profiles are assigned to a project official who will walk through the project's drafting and evaluation. The two sequential evaluation steps, external and committee-driven have remained in place by the official's support results in less objections to the project.</p>
<p>Technical and Administrative Reporting (ITF) for the competitive Innóvate Perú fund was cumbersome and took on average 77 days.</p> <p>The report review typically resulted in many content and formal objections and required applicants to rewrite their reports. Additionally, expenditure vouchers, including for transportation, were required in the expense report.</p>	<p>Periods were cut from 77 to 30 days on average (61% shorter) thanks to:</p> <ol style="list-style-type: none"> 1. Designating a project official who counsel applicants from the project formulation stage, thus reducing objections to the technical and financial report (ITF is the Spanish acronym) 2. Petty cash expenses, transportation, materials / supplies and others are accounted for in an affidavit. These expenses account for 40% of total budget but 80% of transactions. Formerly taking two hours to upload these expense reports previously only requires 20 second online.
<p>Competitive funding winners at Innóvate Perú were relatively few. These competitive were not widely known. The number of new awardees who had never received any funding (decreased over time with every new call). In calls, before 2011, almost all awardees were new applicants. In 2013, new applicants accounted for 60% of winners while in 2015 only 46% of beneficiaries were new applicants, the remaining 52% had already won competitive funding at a previous call.</p>	<p>In December, 2015 the Innóvate Perú service platform was introduced</p> <p>A new permanent communication forum with users that provide information and guidance on the requisites and procedures to apply for Innóvate Perú's various instruments. In 2016, the platform was visited by an average 145 visitors every month. At least one third of these queries result in applications for some instrument- By the of 2016, new call beneficiaries for 2016 are expected to account for 70% of total beneficiaries.</p>
<p>Information about rejected applications was brief, late (up to 3 months after the decision) and oftentimes inconsistent (different evaluators had different opinions). Feedback provided only to rejected applicants reaching the last competition stage.</p>	<p>"Improving Feedback" project</p> <p>This project: i) aligns all evaluator's opinions who interact online; ii) provides a fast communication of reasons for rejection, by phone or personal visit and iii) provide specific recommendations to correct mistakes in subsequent applications. For instance, in the fourth StartUp Perú call (ending in April, 2016), feedback was provided to the 640 rejected projects in all the project's stages in less than 45 days.</p>

High Impact Entrepreneurship Mesa Ejecutiva

ISSUES	ACCOMPLISHMENTS
<p>Innovate Perú online system was not friendly or robust. The system was not strongly integrated with other government information systems resulting in cumbersome forms' fill out. In addition, the user interface was complicated and not friendly. The system repeatedly broke down when demand surged, for instance, on the last day to file applications for the calls in highest demand.</p>	<p>The new InnGenius System was rolled out (http://inngenius.innovateperu.gob.pe) in 2016 that provides a friendly and intuitive platform for easier response to applicants' inquiries. For instance, the system brings together SUNAT, RENIEC, CONCYTEC, SIAF and other web services, thus allowing for easier automatic information retrieval from several government agencies. In addition, it consolidates the organization's processes (call documents, competitions, evaluation, project monitoring) and support (legal, administration, communications, management follow up, document processing, for faster work flow). Management indicators are also available to quickly identify issues and areas for potential improvement. The InnGenius system uses BPM technology, especially devised for faster and more robust work flow. Additionally, Innovate Perú hardware has been upgraded to ensure faster response times.</p>
<p>StartUp Perú program incubators did not always provide a quality service to entrepreneurs. Entrepreneurs came to the program with great expectations they would join the incubator but their expectations often were not met.</p>	<p>The relationship between the entrepreneur and the incubator has changed as follows:</p> <ol style="list-style-type: none"> 1. Entrepreneurs can choose to work with a program incubator, an incubator outside the program or without an incubator. They can also decide to stop working with their incubator thus putting more pressure on the incubators themselves. The entrepreneurs' decisions will be validated by Innovate Peru. 2. If the entrepreneur decides to work with an incubator, 15% of the seed capital (not 10% as in the previous scheme) is awarded to the incubator to pay for follow up and a basic package of mentoring and services.
<p>Entrepreneurs should be in the position to visit an advanced ecosystem to expand their view of technology and entrepreneurial skills. Additionally, this type of activity rapidly helps them expand their contact network in particular on technology and investment issues.</p>	<p>In the «Innovative Entrepreneur» program, an additional USD 5,000 is allocated to entrepreneurs visiting and advance ecosystem. For instance, a visit to Silicon Valley, Israel, Boston or a special event. The program will organize the mission and contact incubators or accelerators in those ecosystems to welcome entrepreneurs.</p>

High Impact Entrepreneurship Mesa Ejecutiva

ISSUES	ACCOMPLISHMENTS
<p>Having to repeatedly apply for various competitions or calls was troublesome The issue became even more serious when ventures were in the development and expansion stage, and limited resources were needed for business development. Entrepreneurs who had received funding initially have already been evaluated and their project's outcomes were followed up. A smoother path along the StartUp Perú and Innóvate Perú's financing path is needed.</p>	<p>A fast track to take businesses from the Innovating Entrepreneur (EI) to Dynamic Entrepreneur Venture (EDAI in Spanish) stages was created. Selected applicants joined the fast track after a favorable report from the Innóvate Perú Executive and from the incubator charged with the technical and administrative follow up. Startups are not expected to have to reapply in a new later call.</p>
<p>StartUp Perú beneficiaries are not familiar with each other, not do they share experiences, knowledge and resources. Cooperation and shared work in startups' programs adds value.</p>	<p>A number of initiatives for the Startup Perú community were launched, including:</p> <ul style="list-style-type: none"> • In June 21, the action plan for the Startup Perú Community (172 beneficiaries), including pitch, marketing, international markets and 3D printing workshops. A new activity is planned twice a month. • A Coworking space is under construction.
<p>Requiring billing in the StartUp Perú Dynamic Entrepreneurs was to high (30 tax units, UITs). Few technology startups reached that much billing, as most has just entered their markets and, although already billing, figures are not very high. In fact in the third SUP call, ten selected startups met that hurdle. However, only two did in the fourth call.</p>	<p>No minimum billing required. On June, 17 a new StartUp Perú call for projects to add biodiversity value. Applicants must have recorded sales but no minimum billing is requested. In the August 2016 fifth call this criterion will also be kept.</p>
<p>Limited Startup Perú evaluation Better ways are needed to evaluate entrepreneurship skills than just a 5 minutes pitch.</p>	<p>The present call now uses the «boot camp» entrepreneurial skills evolution method, before requiring a final pitch presentation for the evaluation committee. The SUPCAMP will take place over two weekends and include workshops and tasks to evaluate the team and business venture's potential</p>
<p>Startup entrepreneurs need post-financing or added value services</p>	<p>A post-financing and value added service strategy now in place builds strategic partnership with technology and innovation companies (Microsoft, IBM, PAYPAL, AMAZON, etc.) that can deliver commercial services and products to entrepreneurs at better prices or in special packages.</p>

High Impact Entrepreneurship Mesa Ejecutiva

ISSUES	ACCOMPLISHMENTS
<p>Few tools were available to develop group initiatives or innovation projects for given economic sectors. Tools were available only for individual companies. Existing competitive funding did not meet the need to develop a shared vision and of working together, for instance, through goods clubs, shared space, access to specialized mentoring, information sharing, joint tools and good practices, etc.</p>	<p>In December 2015, the Innovation Sector Project competition was launched to foster innovation in Peruvian companies by providing funding for initiatives to identify gaps and hurdles obstructing or limiting opportunities and competitive development in a given productive sector or subsector. Designing and launching innovation challenges started that resulted in goods, services, processes, marketing methods or organizational styles either new or significantly improved that will help narrow gaps or overcome hurdles or that tap identified opportunities. The competition rewards initiatives submitted by groups of four companies, associations or guilds with a non-reimbursable S/. 600,000 prices.</p>
<p>No risk capital was available for High Impact Entrepreneurs Venture in Peru. No risk capital funds or robust investor angels are available. For this funding sources to surge, a dealflow is required that will consistently and visibly attract capital and showcase high impact entrepreneurship as a clear investment opportunity. In addition, high impact entrepreneurship ventures will not grow or expand because they need risk capital to develop. This vicious circle hampers development of an entrepreneurial ecosystem although the investment potential exists in the form of high net worth individuals, family offices, institutional funds and multilaterals.</p>	<p>New tools were designed and rolled out to support a high impact entrepreneurship financial ecosystem. On May 6, the Investor Angels' Network Strengthening competition was launched to distribute S/. 700,000 non-reimbursable awards to private organizations focusing on creating and managing investor angel networks, organize them and following up their set up and operation for three years. These networks are key in fostering angel investments by identifying and sensitizing investors, preparing entrepreneurs for receiving such investment, organizing meetings between entrepreneurs and investors. Financing is planned for between 2 and 3 investor angels' networks. On June 24, a tool to foster risk capital for high impact entrepreneurship ventures was approved. This fund will provide financing up to S/. 5.7 million to pay for managing risk capital funds operating in Peru, through a gradual decrease scheme with annual allocations proportional to expenses in private management. Three funds will be supported for a total US\$ 5 million each. The first call will be made on July 21, 2016.</p>
<p>Competitive funds' spending has grown but is still below the ecosystem's needs. To 2012, the average execution of competitive funding was S/. 30 million a year. In 2013, S/. 55 million were executed. However, this compares poorly with other innovation agencies across the region.</p>	<p>Fund execution has tripled since 2012. Growth is expected to continue. Competitive funding execution accelerated by doubling the number of calls and developing and rolling out new innovation tools. These strategies led to S/. 89 million worth of funding execution in 2014 and S/. 109 million in 2015 more than triple the average execution before 2012, and twice as much as 2013.</p>

High Impact Entrepreneurship Mesa Ejecutiva

ISSUES	ACCOMPLISHMENTS
<p>Availability of competitive funding was uncertain after 2017. In view of faster execution, FINCYT2 and FIDECOM funds may be exhausted in 2016 and 1H2017, thus depleting active funds for innovation, technology transfer and productive development.</p>	<p>New innovation funds were set up and rolled out to mitigate uncertainty. In 2015, the MIPYME fund tools were rolled out worth S/. 55 million to finance clusters and supplier development programs, these tools are managed by Innóvate Perú. Also in 1Q2016, the MIPYME fund for the performance agreements program worth S/.20 million was rolled out. This investment tool is managed by ITP. Also in 1Q 2016, a FOMITEC S/. 50 million fund was rolled out for accelerator, investor network angels and Startup Perú seed capital program continuity tools. In the third quarter a risk capital tool worth S/. 18 million is expected. Finally, the Ministry of Finance and IDB will sign a project to improve productive innovation nationwide exceeding US\$100 million. This project will start in 2017 and will provide competitive funding for CITE strengthening projects, new business innovation tools, new high impact entrepreneurship tools and human capital and innovation culture strengthening programs.</p>
<p>Heavy tax burden for hiring non-domiciled specialized staffing (30% withholding rate). Innovation and high impact entrepreneurship require many specialized skills for project development, mentoring and encouraging use of technology tools not presently available in Peru. This leads to the need to facilitate the arrival of foreign consultants and advisors who will provide rapid services and a lower tax burden.</p>	<p>Partial progress has been made to mitigate this issue. Including:</p> <ul style="list-style-type: none"> • To facilitate hiring of non-domiciled technical experts by companies. In December 2015, a competition was designed and launched to incorporate highly skilled human resources to companies, providing up to S/. 530,000 for hiring full time experts over 2 year periods. • The 2016 Government Budget Law includes a provision allowing innovation promotion bodies to pay for travel, room and board for non-payroll skilled scientists and technical experts domiciled or not in Peru, to work either in or outside Peru. • Starting in 2017, the new innovation project launched together with IDB will bring together tools to attract foreign experts to CITEs and entrepreneurial talent for the local ecosystem.

High Impact Entrepreneurship Mesa Ejecutiva

ISSUES	ACCOMPLISHMENTS
<p>Heavy tax burden for hiring non-domiciled specialized staffing (30% withholding rate). Innovation and high impact entrepreneurship require many specialized skills for project development, mentoring and encouraging use of technology tools not presently available in Peru. This leads to the need to facilitate the arrival of foreign consultants and advisors who will provide rapid services and a lower tax burden.</p>	<p>A proposal is presently underway to expand the concept of Technical Assistance as a special regime which will require withholding only 15% (and not 30%) from non-domiciled suppliers in innovation industries. SUNAT, the Peruvian tax administration, must still issue their guidelines for payments to innovation consultants and mentors and technical assistance services. A non-exhausting listing of types of services and explanations on their beneficial impacts on the innovation ecosystem is now underway.</p>
<p>Heavy tax burden for using non-domiciled digital services. Between 25% and 75% of startups operating costs in their first 5 years (when they are at their weakest) are incurred to hire services including hosting, warehousing and advertising on the web, reducing Peruvian startups' competitiveness compared to neighboring countries (e.g. Colombia or Chile), where a lower (10% to 20%) tax applies or where digital services are classified as provided abroad and therefore are income tax exempt.</p>	<p>A proposal is underway to be sent to the Ministry of Finance amending the income Tax Law to provide tax exemptions for retaining non-domiciled digital services.</p>

Cultural and Creative Industries Mesa Ejecutiva

Potential of the Cultural and Creative Industries sector

- The cultural and creative industries sector has a significant potential. Although still in its initial development stages, there is evidence it has experienced significant economic growth in recent years.
- This is demonstrated by a number of publications that in 2013 was four times larger than in 2002, a consequence of the new Books Act. Additionally, the movie industry has grown steadily in recent years, not only by number of moviegoers but also by ticket sales. In 2013, Peru filmed 12 new movies, and 30 in 2015 (two and a half times more). Movies started to be filmed also in the regions (states) across the country.
- The growth of the Peruvian urban middle class is fostering increased consumption of and participation in cultural activities, thus also expanding the market for users of creative products, both made locally and abroad.
- Despite such favorable background, the full potential of all Peruvian cultural and creative industries has not yet been tapped. While worldwide the creative industry (both goods and services) contributes on average 6% to GDP; in Peru, formal cultural industries contributes only 1.58% of GDP.

Cultural and Creative Industries ME setting up, members and sessions

- The Cultural and Creative Industries Sectorial Working Group held its first session on June 17, 2015.
- The Working Group's members include MINCU, MINCETUR, PRODUCE, MTC, MINEDU, PROMPERÚ, INDECOPI, SUNAT, SNI, ADEX, and representatives from the creative industries subsectors, including performing arts, visual arts, cultural associations and foundations, audiovisual, design, publishing, music, advertising, and information industries, and information and communication technologies applied to creative industries.
- The Working Group has met 12 times since it was inaugurated. Previously, over 15 meetings were held with the main players in this industry to set up the multisector working group charged with coordinating the cultural and creative industries' agenda. Subsequently, over 40 meetings, workshops, and specialized advisory sessions were held with industry companies to pursue the Working Group's agenda.

Cultural and Creative Industries ME: Main Accomplishments

- *Ad hoc* competitive funds to finance cultural and creative industry projects through the INNOVATE PERU program. Out of 13 project applications, three were chosen in the performing arts, museums, and publishing subsectors. The remainder are under evaluation.
- Together with Indecopi, efforts are underway to foster transparency in copyright management schemes, including a “virtual calculator,” dissemination of good practices, customer service modules, and others.
- With the support of the Peruvian Entrepreneur Program, handbooks and specialized trainings were prepared for 12 regions. Between 2015 and 2016, they will reach close to 2,000 cultural entrepreneurs. In addition, 60 entrepreneurs will be sponsored to attend the South Cultural Industries’ Market in Bogota.
- The first steps were taken to create Peru’s Film Commission to encourage investment in Peru’s movie industry, for the benefit of audiovisual entrepreneurs, tourist services, and specific locations for filming.
- Other progress include assessing the cultural and creative industries’ contribution to the economy, together with the National Statistics Institute (INEI) and Sunat, Peru’s Tax Administration; as well as coordination with Ministry of Labor and immigration service to improve a range of regulations, and other initiatives.

Cultural and Creative Industries ME: Accomplishments and Progress Made

BEFORE	AFTER
<p>Poor knowledge of business management and markets locally and abroad for cultural goods and services. Creative entrepreneurs have trouble to make their ideas become successful business ventures.</p>	<p>Strengthening cultural goods and services copyright, management and international marketing skills: <i>The Dirección Mi Empresa project (DIGITSE) at the Ministry of Production (PRODUCE) and the Cultural Industries and Arts Department (DGIA) at the Ministry of Culture prepared a training module to improve business management skills and participation in international fairs and market places for cultural entrepreneurs and ventures.</i> <i>The module will be taught to sixty (60) cultural entrepreneurs who will represent Peru at the South Cultural Industries' Market (MICSUR-2016) from 17 to 20 of October, in Bogota. Participants will come from six (06) areas, namely audiovisual, performing arts, design, publishing, music, videogames, and animation. Information and user-friendly materials (printed and/or digital) and/or adapted existing materials for the cultural sector (Manuales Innóvate: An innovator's toolbox) were prepared. Also, meeting forums within and among sectors were organized under the Seminario Conecta scheme.</i></p>
<p>Insufficient knowledge of authorship and copyright regulations among creators, cultural producers and organizers nationwide.</p>	<p>A list of initiatives underway follows:</p> <ol style="list-style-type: none"> 1. Training through life workshops and virtual courses. 2. Training videos to disseminate information about licensing and rights assignment contracts. 3. Specialized copyright platform for customer service at INDECOPI headquarters.
<p>Cultural creators not informed about procedures and ways to register copyright. Little use of the Copyright Virtual Registry, coupled with cumbersome forms.</p>	<p>A list of initiatives underway follows:</p> <ol style="list-style-type: none"> 1. Dissemination of Virtual Registry. 2. Drafting of user friendlier forms (phonogram registry form prepared). 3. Virtual registry payment platform expanded to Banco de la Nación, Visa; cash payments pending.
<p>Limited knowledge among cultural entrepreneurs on how to reach agreements with Collective Management Enterprises.</p>	<p>A list of initiatives underway follows:</p> <ol style="list-style-type: none"> 1. User tools for transparent collection system (Virtual Calculator) and revenue payment. 2. Better collective management system. Good Practices Handbook prepared. 3. Streamlined municipal administrative procedures. A request was made to the Cabinet Chief's Office (PCM) to streamline municipal permitting for public events.

Cultural and Creative Industries ME: Accomplishments and Progress Made

BEFORE	AFTER
Lack of updated diagnoses and information among cultural industries to advocate high-impact public policy.	The ministries of Production and Culture have joined efforts to prepare several studies that identify the cultural and creative industries' contribution to Peru's economy through their Cultural and Arts Industries Office (Cuenta Satélite de Cultura), the National Statistics Institute (INEI), and the Peruvian Tax Administration (Sunat).
Unclear migration regulations for creative industries professionals (work visa application process, undetermined periods of stay, cumbersome and opaque management) (Foreign Citizens' Act-Legislative Decree 703 currently governs these issues)	A list of initiatives underway follows: <ol style="list-style-type: none"> 1. Legislative Decree 1236, the New Migrations Act, has been enacted to come into force in June 2016; the corresponding regulations should address the creative industries' special features. 2. Flowchart explaining in a clear and friendly manner the procedure to request creative industries' related or visas.
Poor knowledge and lack of clarity on the contract-based relations between producers and artists, leading to uncertainty about the involved parties' rights and duties, and the role of the Ministry of Labor in these types of contracts.	A list of initiatives underway follows: <ol style="list-style-type: none"> 1. The Ministry of Labor (MINTRA) was invited to attend the December 2015 meetings of the Creative Industries Working Group to explain the types of contract schemes available for this industry. 2. The Ministry of Labor was sent an official letter requesting a model of joint venture contract that can be used by the cultural and creative industries, as decided at the latter's meeting in December 2015. (Response pending.)

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ACCRONYMS

ADEX	Asociación de Exportadores /Exporters' Association
AFIN	Asociación para el Fomento de la Infraestructura Nacional / Association for National Infrastructure Develop
ANA	Autoridad Nacional del Agua / National Water Authority
Apega	Sociedad Peruana de Gastronomía /Peruvian Gastronomy Society
APN	Autoridad Portuaria Nacional / National Port Authority
Aqsiq	General Administration of Quality Supervision, Inspection and Quarantine /Administración General de Supervisión de Calidad, Inpección y Cuarentena de China.
Asppor	Asociación Peruana de Operadores Portuarios / Peruvian Association of Port Operators
BID /IDB	Banco Interamericano de Desarrollo /Inter American Development Bank
BM / WB	Banco Mundial / World Bank
CAN	Comunidad Andina de Naciones /Andean Community of Nations
CCL	Cámara de Comercio de Lima / Lima Chamber of Commerce
CIF	Cost, Insurance and Freight / Coste, Seguro y Flete
CITE	Centro de Innovación Productiva y Transferencia Tecnológica / Productive Innovation and Technology Transfer Center
Cofide	Corporación Financiera de Desarrollo / Financial Development Corporation
ComexPerú	Sociedad de Comercio Exterior del Perú / Foreign Trade Society - Peru
Concytec	Consejo Nacional de Ciencia, Tecnología e Innovación Tecnológica / National Council for Science, Technology and Technology Innovation
Confiep	Confederación Nacional de Instituciones Empresariales Privadas / National Confederation of Private Business Organizations
Embrapa	Empresa Brasileira de Pesquisa Agropecuária / Agricultural Research Administration - Brazil
FDA	Food and Drug Administration / Administración de Alimentos y Medicamentos – Estados Unidos
FMI / IMF	Fondo Monetario Internacional / International Monetary Fund
Fomitec	Fondo Marco para la Innovación, Ciencia y Tecnología / Innovation, Science and Technology Fund - Peru
GORE	Gobierno Regional / Regional Government

I+D / R+D	Investigación y Desarrollo / Research and Development
IED / FDI	Inversión Extranjera Directa / Foreign Direct Investment
Indecopi	Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual / Competition and Intellectual Property Protection Institute
INTA-Argentina	Instituto Nacional de Tecnología Agropecuaria / Agricultural Technology Institute
IR	Impuesto a la Renta / Income Tax
LIR	Ley del Impuesto a la Renta / Income Tax Law
LSST	Ley de Seguridad y Salud en el Trabajo / Occupational Safety and Health Act
ME	Mesa Ejecutiva / Working Group
MEF	Ministerio de Economía y Finanzas / Ministry of Economy and Finance
MES	Mesa Ejecutiva Sectorial / Sectorial Working Group
MET	Mesa Ejecutiva Transversal / Transversal Working Group
Minam	Ministerio del Ambiente / Ministry of Environment
Minagri	Ministerio de Agricultura y Riego / Ministry of Agriculture and Irrigation
Mincetur	Ministerio de Comercio Exterior y Turismo / Ministry of Foreign Trade and Tourism
Minedu	Ministerio de Educación / Ministry of Education
Mininter	Ministerio del Interior / Ministry of Interior
MML	Municipalidad Metropolitana de Lima / Lima Metropolitan Municipality
MOU	Memorandum of Understanding / Memorando de Entendimiento
MP	Mis Problemas / Mi Problems
MPC	Municipalidad Provincial del Callao / Provincial Municipality of Callao
MTC	Ministerio de Transportes y Comunicaciones / Ministry of Transport and Communications
MTPE	Ministerio de Trabajo y Promoción del Empleo / Ministry of Labor and Employment Promotion
NSP	Niveles de Servicios y Productividad / Service and Productivity Levels
OCDE / OECD	Organización para la Cooperación y el Desarrollo Económicos / Organization for Economic Cooperation and Development
OEA	Operador Económico Autorizado / Authorized Economic Operator
OEFA	Organismo de Evaluación y Fiscalización Ambiental / Environmental Assessment and Surveillance Agency
Osinfor	Organismo de Supervisión de los Recursos Forestales y de Fauna Silvestre / Forestry and Wild Fauna Surveillance Agency
Ositran	Organismo Supervisor de la Inversión en Infraestructura de Transporte de Uso Público / Public Transport Regulator
PBI / GDP	Producto Bruto Interno / Gross Domestic Product
PCM	Presidencia del Consejo de Ministros / Office of the Cabinet Chief

PEA	Población Económicamente Activa / Economic Active Population
Pemandu	Unidad de Gestión y Servicios - Malasia / The Performance Management and Delivery Unit - Malaysia
PNIPA	Programa Nacional de Innovación en Pesca y Acuicultura / National Fisheries and Aquaculture Innovation Program
PNP	Policía Nacional del Perú / National Police of Peru
Produce	Ministerio de la Producción / Ministry of Production
PromPerú	Comisión de Promoción del Perú para la Exportación y el Turismo / Exports and Tourism Board of Peru
Reniec	Registro Nacional de Identificación y Estado Civil / Identity Registry of Peru
Sanipes	Organismo Nacional de Sanidad Pesquera / Fisheries Health Agency
Senasa	Servicio Nacional de Sanidad Agraria / Agriculture Health Agency
Serfor	Servicio Nacional Forestal y de Fauna Silvestre / Forestry and Wild Fauna Service of Peru
SIAF	Sistema Integrado de Administración Financiera / Integrated Financial Administration System
SIGO	Sistema de Información Gerencial de Osinfor / Management Information System (Osinfor)
SNi	Sociedad Nacional de Industrias / National Industry Society
SNIF	Sistema Nacional de Información Forestal / National Forest Information System
Sunafil	Superintendencia Nacional de Fiscalización Laboral / Labor Oversight Superintendence
Sunat	Superintendencia Nacional de Aduanas y de Administración Tributaria / Tax and Customs Administration
TIC / ICT	Tecnologías de la Información y la Comunicación / Information and Communications Technologies
TP	Tus Problemas / Your Problems
UIT	Unidad Impositiva Tributaria / Tax Unit - Peru
UNT	Unión Nacional de Transportistas Dueños de Camiones del Perú / Truck Carriers Association
Unalm	Universidad Nacional Agraria La Molina / Agricultural University - Lima, Peru
Unesco	United Nations Educational, Scientific and Cultural Organization / Organización de las Naciones Unidas para la Educación, la Ciencia y la Cultura
UNT-Perú	Universidad Nacional de Trujillo / Trujillo University - Peru
UPCH	Universidad Peruana Cayetano Heredia / Cayetano Heredia University Peru
VUCE	Ventanilla Única de Comercio Exterior / Foreign Trade One Stop Shop
WEF	World Economic Forum / Foro Económico Mundial



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