

2020 SURVEY OF ENTREPRENEURS AND MSMES IN PERU:

BUILDING THE CAPACITY OF MSMES THROUGH SOCIAL ENTREPRENEURSHIP



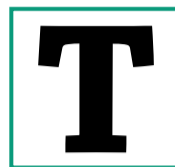
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EXECUTIVE SUMMARY



The Asia Pacific Foundation of Canada's *2020 Survey of Entrepreneurs and MSMEs in Peru: Building the Capacity of MSMEs Through Social Entrepreneurship* report showcases survey results of 250 respondents involved in micro, small, and medium enterprises (MSMEs) in Peru. The report provides an analysis of business development in the economy with a specific focus on social entrepreneurship.

This report has three main sections: company and entrepreneur profiles of the survey population, an analysis of respondents' growth plans and the barriers they perceive to MSME growth, and an evaluation of the opportunities and challenges for social entrepreneurship in Peru. Each section identifies both general and specific trends, with disaggregated data by gender, age, industry, and business size.

Main findings include the following:

- More than half of survey respondents are unaware of several support initiatives available to assist their business;
- The two most cited barriers to MSME growth are the domestic government and financing;
- Very few entrepreneurs in the survey population have international experience;
- A third of surveyed entrepreneurs said that they considered themselves as working in a social enterprise or an MSME with a social mandate; and
- The most cited barrier to social enterprises' success is the domestic government, specifically insufficient state support for these enterprises.

This report's recommendations include:

- Reviewing the marketing and accessibility of support initiatives, to make more MSMEs aware of these available resources;

- Reviewing government policies that entrepreneurs have reported as being obstructive for their MSME, such as restrictive municipal bureaucracy;
- Encouraging international experience, through online training on platforms like Peruvian Entrepreneur (*Emprendedor Peruano*) from the Ministry of Production and through recognition for MSMEs who do business abroad; and
- Developing government-sponsored specialized support for social entrepreneurship, using existing initiatives and partners in this ecosystem.

ABOUT THE ASIA PACIFIC FOUNDATION OF CANADA



The Asia Pacific Foundation of Canada (APF Canada) is a not-for-profit organization focused on Canada's relations with Asia. Our mission is to be Canada's catalyst for engagement with Asia and Asia's bridge to Canada. APF Canada is dedicated to strengthening ties between Canada and Asia with a focus on seven thematic areas: trade and investment, surveys and polling, regional security, digital technologies, domestic networks, sustainable development, and Asia Competency.

Our research provides high-quality, relevant, and timely information, insights, and perspectives on Canada-Asia relations. Providing policy considerations and business intelligence for stakeholders across the Asia Pacific, our work includes Reports, Policy Briefs, Case Studies, Dispatches, and a regular Asia Watch newsletter that together support these thematic areas.

APF Canada also works with business, government, and academic stakeholders to provide custom research, data, briefings and Asia Competency training for Canadian organizations. Consulting services are available by request. We would be pleased to work with you to meet your research and business intelligence needs.

Visit APF Canada at www.asiapacific.ca.

ABOUT THE APEC-CANADA GROWING BUSINESS PARTNERSHIP

The APEC-Canada Growing Business Partnership is a four-year initiative jointly implemented by APF Canada and the Asia-Pacific Economic Cooperation (APEC) Secretariat. Funded by Global Affairs Canada, this initiative helps build the potential of MSMEs to promote poverty reduction and sustainable economic growth in the APEC region.

The Partnership offers best practice tools, ideas, knowledge, and critical connections derived from Canadian experience, tailored to the local markets of APEC economies. The current economies of focus are Indonesia, Peru, the Philippines, and Vietnam. The focus areas of the Partnership aim to address key challenges faced by MSMEs and aspiring entrepreneurs from APEC developing economies in the areas of technology and innovation, market access, human capital, and social entrepreneurship, with an emphasis on the crosscutting themes of women, youth, governance, and the environment.

Visit the APEC-Canada Business Partnership at <https://apfcanada-msme.ca/>

ABOUT THE EVIDENCE NETWORK

The Evidence Network (TEN) was founded in 2009 by Dr. Brian Barge and Dr. Margaret Dalziel, and focuses on conducting impact assessments for innovation enablers, both large and small, across North America, Europe, and Asia. TEN has provided assessments to innovation-enabling organizations that range from business incubator programs and research and development organizations to innovation funding programs and economic development organizations.

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SURVEY

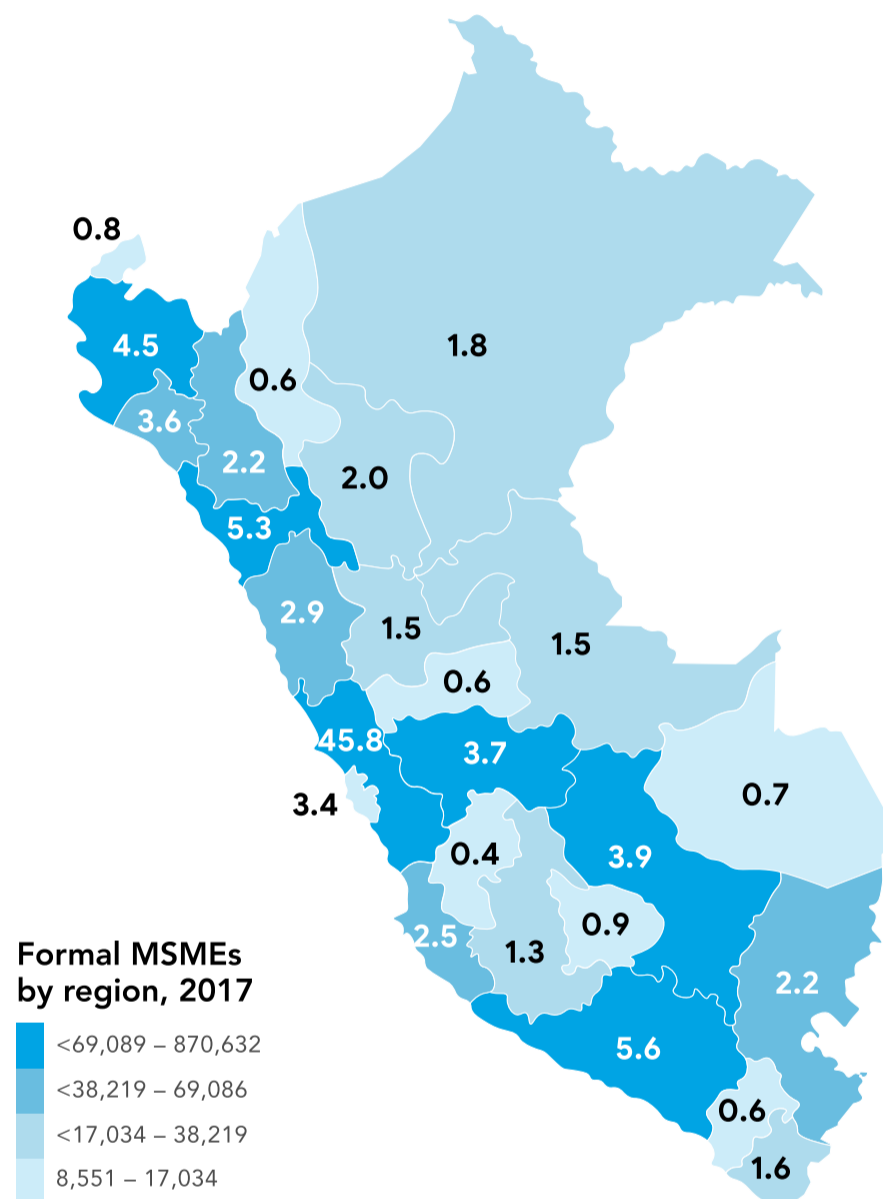
APF Canada commissioned The Evidence Network (TEN) to conduct a survey of 250 entrepreneurs (founders and non-founders working in an MSME) in Peru through in-person and telephone surveys from April to June 2019. The survey was conducted in Spanish and English and took approximately 12 to 15 minutes to complete.

The survey population was randomly selected through existing entrepreneurial networks identified by TEN, including networks of entrepreneurs identified by TEN's in-country partner in Peru. APF Canada also consulted with the Ministry of Foreign Affairs, the Ministry of Women and Vulnerable Populations, and Kunan Peru on the survey content and design.

Survey respondents are primarily based in cities within Lima province (49% of respondents). Another key portion of the survey population came from the Arequipa and La Libertad regions (24% of respondents each), while the remaining respondents came from the constitutional province of Callao (3%). The survey population reflects official data on the distribution of MSMEs across the economy, with 60% of Peru's MSMEs located in these four areas.¹

Formal MSMEs by region, 2017

The numbers in the legend represent the number of registered MSMEs in a given region. The numbers displayed over each region represent the region's percentage share of MSMEs throughout Peru.



Ministerio de la Produccion, "Estadística MIPYME: Concentracion sectorial y territorial de las mipymes 2017," Ministerio de la Produccion, 2017, <http://ogeiee.produce.gob.pe/index.php/shortcode/estadistica-oee/estadisticas-mipyme>.

¹ Ministerio de la Produccion, *Anuario Estadístico Industrial, Mipyme Y Comercio Interno 2018* (Lima, Peru: Ministerio de la Produccion, 2018), p.143.

While the survey population is primarily based in Peru's metropolitan areas, the sample attempts to cover a diverse range of businesses in terms of industry, leadership, and workforce. Gathering data from a variety of entrepreneurs ensures a level of representation of the attitudes, barriers, and opportunities facing the sample population in a variety of contexts within Peru.

Due to the nature of the study and the sample size, multivariate regression analysis of the data is largely unable to provide statistically significant results. However, we anticipate that the trends identified in this report could be explored further with a larger sample size. Any discrepancies in or between totals are due to rounding.

SECONDARY SOURCES AND RESEARCH

The survey data is supplemented by additional survey data collected from two events hosted by APF Canada in Lima in early 2019: the *APEC-Canada Growing Business Partnership MSME, Competitiveness, and Social Innovation Training Day* and *Change Makers: Supporting Social Entrepreneurs in Peru*.

The survey data has also been further contextualized in this report with official statistics from the Ministry of Production and other government bodies, background research on the economic and entrepreneurial context of Peru, and secondary resources from various international and regional organizations and experts.

Introduction

MSMES: THE BACKBONE OF APEC ECONOMIES

Micro, small, and medium sized enterprises (MSMEs) have consistently been the key drivers of economic growth and innovation within Asia-Pacific Economic Cooperation (APEC) economies. MSMEs represent more than 97% of businesses and employ more than 50% of the workforce in the APEC region, and can contribute up to 40% of national gross domestic product (GDP) in emerging economies.²

In Peru, MSMEs account for 99.6% of the formal private sector.³ They provide work for 60% of Peru's employed economically active population (*población económicamente active*, or PEA), and 10% of this group are founders of MSMEs.⁴ Peru's economically active population is defined as individuals who are 14 years old and above, and who are either working or are unemployed and actively seeking work.⁵ Locally, MSMEs are known as MIPYME (*micro, pequeña y mediana empresas*) and are defined by both their size and their tax bracket. This definition is set out in two main pieces of Peruvian legislation: Law N° 28015, Law for the Promotion of Competitiveness, Formalization, and Development of Micro and Small Enterprises and Access to Decent Employment, and Law N° 30056, Amendment to Facilitate Investment, Promote Productive Development and Business Growth.

Micro enterprises are defined as having 1 to 10 workers, and an annual sales limit of 150 UIT (a tax unit created by the Ministry of Economy and Finance wherein one UIT is equivalent to S/. 4,300 or approximately C\$1,600).⁶ Small enterprises employ between 1 and 100 workers, and have an annual sales limit of 1,700 UIT.⁷ Lastly, medium enterprises have an annual sales limit of 2,300 UIT.⁸

² Asia-Pacific Economic Cooperation, "Small and Medium Enterprises," Asia-Pacific Economic Cooperation, 2018, <https://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and-Technical-Cooperation/Working-Groups/Small-and-Medium-Enterprises>; World Bank, "Small and Medium Enterprises (SMEs) Finance," World Bank, 2020, <https://www.worldbank.org/en/topic/sme/finance>.

³ Ministerio de la Producción, *Anuario Estadístico Industrial, Mipyme Y Comercio Interno 2018* (Lima, Peru: Ministerio de la Producción, 2018), p.134.

⁴ Ministerio de la Producción, "Estadística MIPYME," Ministerio de la Producción, 2017, <http://ogeiee.produce.gob.pe/index.php/shortcode/estadistica-oe/estadisticas-mipyme>.

⁵ Instituto Nacional de Estadística e Informática, *Peru: Indicadores de Empleo e Ingreso por departamento, 2007-2017* (Lima, Peru: Instituto Nacional de Estadística e Informática, 2018), p.33.

⁶ Organization of American States, "LEY N° 30056," Organization of American States, 2013, http://www.sice.oas.org/SME_CH/PER/Ley_30056_s.pdf; Superintendencia Nacional de Aduanas y de Administración Tributaria, "Características de la Micro y Pequeñas Empresas," SUNAT, <http://www.sunat.gob.pe/orientacion/mypes/caracteristicas-microPequenaEmpresa.html>; Gobierno del Peru, "Valor de la UIT," Gobierno del Peru, 2020, <https://www.gob.pe/435-valor-de-la-uit>.

⁷ Superintendencia Nacional de Aduanas y de Administración Tributaria, "Características de la Micro y Pequeñas Empresas," SUNAT, <http://www.sunat.gob.pe/orientacion/mypes/caracteristicas-microPequenaEmpresa.html>.

⁸ Organization of American States, "LEY N° 30056," Organization of American States, 2013, http://www.sice.oas.org/SME_CH/PER/Ley_30056_s.pdf.

Overall, although Peru is known for its highly informal business sector, MSMEs make up the majority of the economy's formal business sector, and the vast majority are micro enterprises.⁹ Emerging research on social entrepreneurship in Peru, such as the work by [Kunan Peru](#),¹⁰ shows that many MSMEs also consider themselves to be social enterprises who face unique barriers in achieving their social mandate. Despite this, there is no current legislation that includes social enterprises, resulting in a lack of comprehensive statistics and targeted programs for such businesses in Peru.¹¹

MSMES IN THE CONTEXT OF PERU

Between 2008 to 2018, the number of Peruvian MSMEs has grown at an average annual rate of 8.1%.¹² This entrepreneurial sector growth aligns with the overall economic growth of Peru, which saw an average annual growth rate of 4.8% in the same period.¹³

TABLE 1. Breakdown of formally registered MSMEs in Peru¹⁴

Type of Enterprise	Distribution (% of Total Formal Enterprises)
Micro enterprise	95.9
Small enterprise	3.6
Medium enterprise	0.1
Large enterprise	0.4

As of 2018, the Ministry of Labor and Promotion of Employment registered 2,211,981 MSMEs.¹⁵ Approximately 98.4% of Peruvian MSMEs have up to five employees, while about 0.8% have six to ten employees.¹⁶ As outlined in Table 1, the 2.2 million formally registered MSMEs are predominantly made up of micro enterprises. There is a significant absence of small and medium enterprises, which denotes a weakness in the development of the private sector and the overall economy.¹⁷

⁹ Ministerio de la Produccion, "Estadística MIPYME," Ministerio de la Produccion, 2017, <http://ogeiee.produce.gob.pe/index.php/shortcode/estadistica-oe/estadisticas-mipyme>.

¹⁰ Kunan Peru, Reporte Sobre el Estado del Emprendimiento Social y Ambiental en el Perú (Lima, Peru: Kunan Peru, 2019).

¹¹ Kunan Peru, *The Existing Landscape of Social Entrepreneurship in Peru* (Vancouver, Canada: Kunan Peru, 2019).

¹² Ministerio de la Produccion, Anuario Estadístico Industrial, Mipyme Y Comercio Interno 2018 (Lima, Peru: Ministerio de la Produccion, 2018), p.134.

¹³ Ibid., p.134

¹⁴ Ibid., p.136

¹⁵ Ibid., p.134

¹⁶ Ibid., p.138

¹⁷ Ibid., p.134

According to the Ministry of Women and Vulnerable Populations, approximately 36% of Peruvian women are entrepreneurs who manage their own business.¹⁸ Moreover, 12% of exporting companies are women-led businesses.¹⁹ Peru has several examples of successful women entrepreneurs and women-led social enterprises that give back to their communities. One such example is Mónica Abarca, the founder of qAIRa, a social enterprise that focuses on the democratization of information on air quality with the use of drones and cutting-edge technology. Another success story is Laboratoria, a social business that focuses on spotlighting Latin American female tech talent on a global scale. Peru also has a considerable number of networks, organizations, and finance options that support women entrepreneurs, such as [NESsT Investments](#), [Mujeres Del Pacifico](#), [Kunan](#), and [Aequales](#). Supporting women entrepreneurs not only increases their impact, but also helps support Peru in achieving its targets for the UN's Sustainable Development Goals.

SOCIAL ENTREPRENEURSHIP: ACCESSIBLE FOR MSMES?

Social entrepreneurship has a variety of definitions employed by different economies and international organizations. The Global Entrepreneurship Monitor broadly defines social entrepreneurship as “any kind of activity, organisation or initiative that has a particularly social, environmental or community objective.”²⁰ In Peru, many social enterprises are born from entrepreneurs’ desire to transform their reality, a role and responsibility that few others are assuming. Local thought leader Javier Garcia Blazquez, the co-ordinator of the [Protagonists of Change award](#) at the Peruvian University of Applied Sciences, defines social enterprises as a series of initiatives that will generate a transformation in the community. These initiatives typically align with goals and missions related to health, education, social inclusion, and economic development. Kunan, an entrepreneurship network for social enterprises, has also put a definition forward wherein a business ideally has four characteristics: an explicit social or environmental mission, a sustainable business model, an innovative and systemic solution, and a method to measure its impact.²¹

¹⁸ El Peruano, “Cerca del 36% de Mujeres en el País son Emprendedoras,” El Peruano, 2018, <https://elperuano.pe/noticia-cerca-del-36-mujeres-el-pais-son-emprendedoras-64775.aspx>.

¹⁹ Ibid.

²⁰ Global Entrepreneurship Monitor, *Special Topic Report: Social Entrepreneurship* (London, United Kingdom: GEM, 2016), p.5.

²¹ Kunan Peru, *Reporte Sobre el Estado del Emprendimiento Social y Ambiental en el Perú* (Lima, Peru: Kunan Peru, 2019).

Some major challenges that entrepreneurs face in social entrepreneurship include a lack of training, financing, and internal opportunities. This is exemplified in a preliminary national survey of 80 social enterprises in Peru published by INCUBA (a social lab initiative by the LUCARIS Civil Association) where results show scalability, auto-sustainability, and strategic communication as the top three challenges.²² Moreover, this study found that the majority of social enterprises do not have relationships with key actors in the social entrepreneurship ecosystem, such as investment funders and accelerators.

This report defines a social enterprise as “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners.” It furthermore uses data disaggregated by gender, age, and industry to understand the barriers that entrepreneurs in Peru face to the growth of their MSMEs and specifically to social entrepreneurship.

Major findings of this survey report include:

- The most well-known support initiatives among the survey population are COFIDE, Innovate Peru, the Centres for Business Development, and the Peruvian Entrepreneur platform. However, aside from these four, more than half of survey respondents are unaware of other support programs available to them;
- Growth plans vary noticeably according to entrepreneurs’ age. Older entrepreneurs (35 years old and above) are more likely to have modest growth goals (revenue growth of less than 100% annually), whereas younger entrepreneurs pursue high growth goals (double revenue every year);
- The two most mentioned barriers to MSME growth are the domestic government and financing. These encompass issues such as restrictive municipal bureaucracy, high taxes, and the inability to acquire funding;
- Very few individuals among the survey population have international experience (study or work abroad). A low level of international experience among respondents may impede enterprises from expanding to international or regional markets;

²² INCUBA, “Diagnóstico preliminar del ecosistema social del Perú” (PowerPoint presentation, Lima, July 2016).

- A third of surveyed entrepreneurs said that they considered themselves as working in a social enterprise or an MSME with a social mandate. The most prevalent understanding of social enterprises is that these are for-profit businesses that actively enact a social mandate; and
- The most cited barrier to social enterprises' success is the domestic government, specifically insufficient state support for these enterprises.

In addition, this survey report proposes policy recommendations, such as the following:

- Review the marketing and accessibility of support initiatives, to ensure that more MSMEs are aware of the options they have. This could include an assessment of services that are popular among entrepreneurs and how MSMEs find out about them;
- Review government policies, such as those related to taxation and bureaucracy, to make these less restrictive on MSMEs. This could include a qualitative review of these policies through focus groups and interviews that gather entrepreneurs' perspectives on these issues;
- Encourage international experience, through online training on platforms like Peruvian Entrepreneur and awarding MSMEs who do business abroad. This includes giving MSMEs in Peru's more remote mountainous and jungle areas training as well, since the concentration of businesses in Peru's coastal regions (particularly Lima) gives these MSMEs an advantage over others in rural areas; and
- Develop government-sponsored specialized support for social entrepreneurship, using existing initiatives and partners in this ecosystem. This includes developing legislation for social enterprises as a specific category under MSMEs and gathering national data on these enterprises, building on existing work by Kunan, INCUBA, and other organizations.

Section 1: Company and Entrepreneur Profiles

FIGURE 1. Profile of Respondents²³

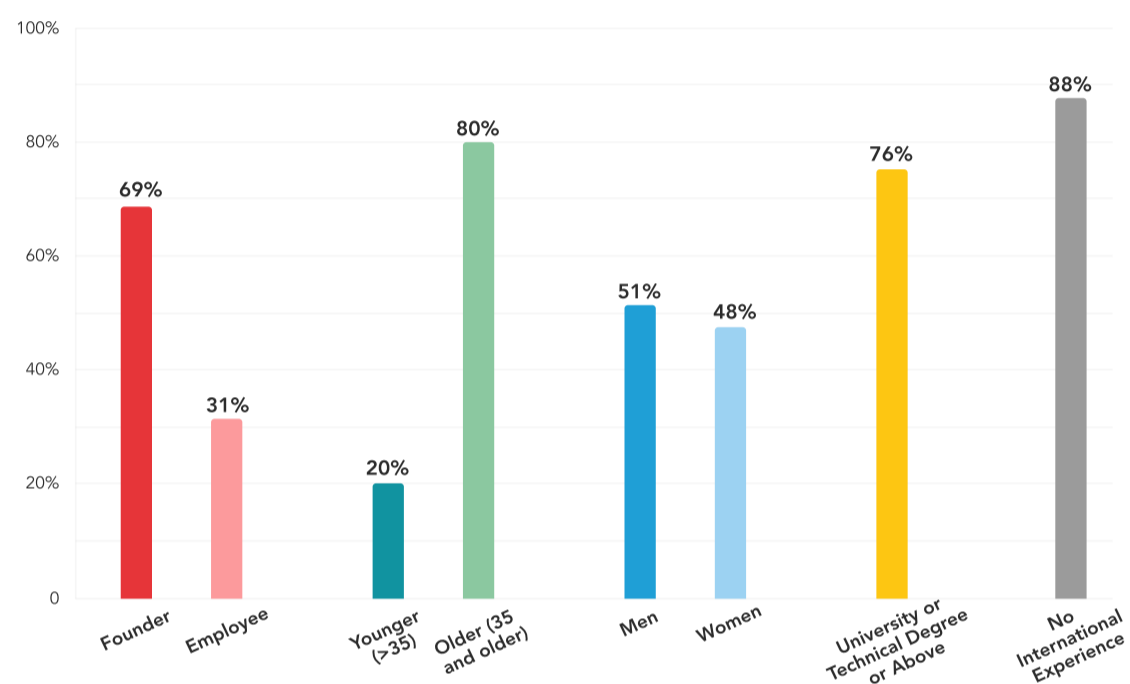
Question 1.1: Are you the founder of your company?

Question 1.2: What is your current age?

Question 1.4: Which gender do you identify with?

Question 1.5: What is your highest level of education?

Question 1.7: Have you studied, worked, or participated in skill-building training outside of Peru?



The *2020 Survey of Entrepreneurs and MSMEs in Peru* has a diverse survey population in terms of gender, age, work position, business size, and industry, in order to ensure a wide range of perspectives. Survey data in this report was collected in mid-2019, and features the perspectives and experiences of 250 entrepreneurs in Peru. The survey was developed with consultation from government and entrepreneurial partners, and was distributed by APF Canada's partner TEN. The following section explores the characteristics of the survey population and contextualizes it within Peru's entrepreneurial environment.

SMALL BUT MIGHTY

Overall, 69% of surveyed entrepreneurs identify as founders of MSMEs, while the remaining 31% are employees. In terms of business size, surveyed MSMEs are predominantly split between the micro and small MSME categorization: 72% of

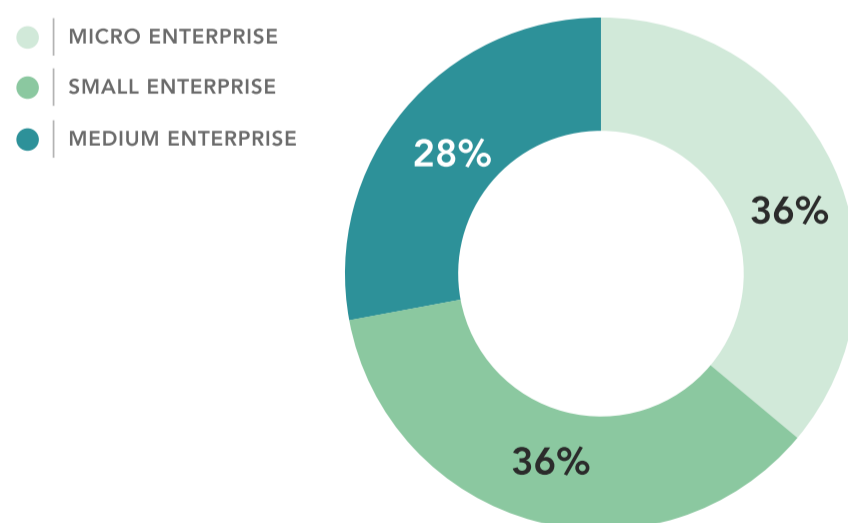
²³ Data table available in appendix.

respondents identify their business as either a micro enterprise (n=90) or a small company (n=90). In terms of revenue, 60% of the respondents reported annual business revenues of up to S/.1,999,999 (approximately C\$780,000), while over half of surveyed businesses have fewer than 10 full-time paid employees.

The majority of surveyed businesses (72% of respondents) were founded in the 2000s, of which half were started in the 2010s. Interestingly, almost a fifth (17%) of all surveyed businesses were founded in the last five years, from 2015 to 2019, which speaks to Peru's strong culture of entrepreneurship.

Concerning the industries that businesses operate in, over a third of respondents (37%) work in the wholesale and retail industry, with the second most populous industry being manufacturing (11%). This is followed by accommodation and food services (10%); professional, scientific, and technical activities (7%); and education (6%). This industrial distribution reflects national statistics, which show that the top activity of MSMEs is wholesale and retail (46.2% of registered MSMEs).²⁴ Moreover, these statistics show that the three largest MSME economic sectors are commerce (46.2% of registered MSMEs), services (40.6%), and manufacturing (8.4%).²⁵

FIGURE 2. Proportion of MSMEs

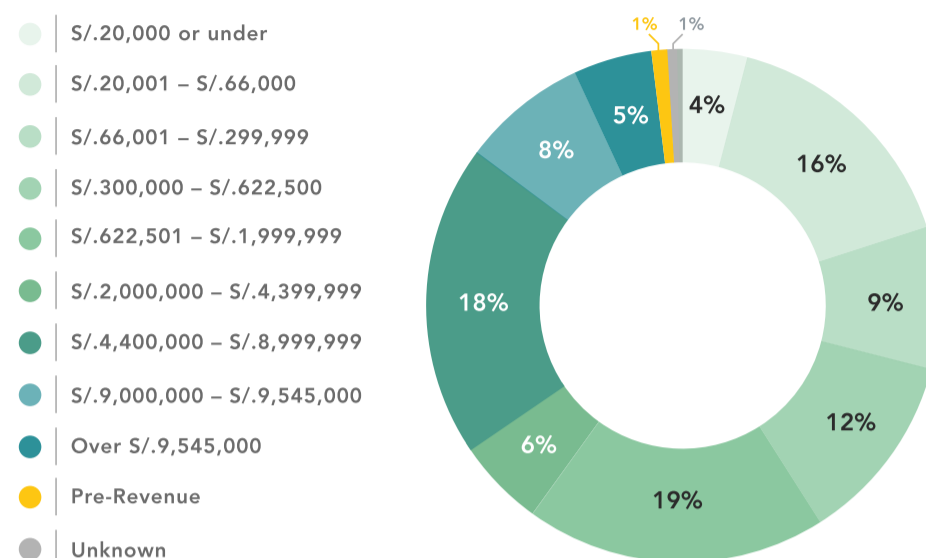


²⁴ Ministerio de la Produccion, *Anuario Estadístico Industrial, Mipyme Y Comercio Interno 2018* (Lima, Peru: Ministerio de la Produccion, 2018), p.141.

²⁵ Ibid., p.140.

FIGURE 3. Annual Revenue

Question 2.14: What were your company's annual sales revenues for the past fiscal year?



DEMOGRAPHICS OF SURVEY RESPONDENTS

Considering the gender of survey respondents, there is an almost even proportion of women (48% of respondents, n=121) to men (51% of respondents, n=128).²⁶

Contextualized against Peru's levels of gender parity, the Latin American economy has had varying amounts of success in ensuring equality among women and men. According to the 2020 Global Gender Gap Report, while Peru ranks within the top 20 in the Latin America and the Caribbean region for gender parity, it also ranks 66th out of 153 economies in the global gender gap index.²⁷ Moreover, Peru ranks 90th internationally for women's economic participation and opportunity.²⁸

According to official statistics on the gender landscape in Peru's MSME ecosystem, 32% of business founders are women, while 68% are men.²⁹ In contrast, among the survey population, female respondents make up the majority of surveyed business founders (52%), while male respondents make up the majority of employees (60%). However, despite this encouraging result, a third of the survey population said that their business did not have a female founder.

²⁶ One respondent chose not to specify their gender.

²⁷ World Economic Forum, *Global Gender Gap Report 2020* (Geneva, Switzerland: WEF, 2019), p.26 & p.285.

²⁸ Ibid., p.285.

²⁹ Ministerio de la Produccion, "Estadística MIPYME: Perfil de la Mujer Emprendedora 2017," Ministerio de la Produccion, 2017, <http://ogeiee.produce.gob.pe/index.php/shortcode/estadistica-oe/estadisticas-mipyme>.

Looking more in depth, 45% of surveyed entrepreneurs said that their business has more male founders, compared to 21% of respondents who noted having more female founders. Furthermore, only 28% of respondents reported having an equal number of female and male founders. Together, these results highlight the gender disparity within Peru's MSME landscape.

In terms of the age of entrepreneurs, Peru overall has a relatively young national population, with its median age at 29 years old and 43% of its population below 25 years old.³⁰ However, official MSME statistics show that most entrepreneurs are older: the average age for business founders is 46 years old among women and 49 years old among men.³¹

The same gap between older and younger entrepreneurs can be seen in the survey population. Survey respondents are largely older entrepreneurs who are 35 years old and above (80% of respondents, n=199), while just one-fifth of respondents are 34 years old and below (n=49). As for representation among business founders, 71% of older respondents are founders, compared to 59% of younger respondents. Overall, most surveyed companies (73%) are majority led by individuals who were 35 years old or older at the time of their founding.

Finally, there is also an important urban-rural dimension in the survey population. Almost all surveyed businesses are headquartered in Peru's urban coastal areas, specifically in Lima province (49% of the survey population), Arequipa city in the Arequipa region (24%), and Trujillo city in the La Libertad region (24%). The geographic distribution of the survey population reflects Peru's national statistics, which show that over half (56.7%) of Peru's MSMEs are located in these three places.³² As a result, the survey population does not capture MSMEs in Peru's rural, mountainous, and jungle areas.

This result highlights the need to address the varying circumstances for Peru's MSMEs according to their geographic location. During the *Change Makers: Supporting Social Entrepreneurs in Peru* workshop hosted in May 2019 by APF

30 Central Intelligence Agency, "The World Factbook: Peru," CIA, 2020, <https://www.cia.gov/library/publications/the-world-factbook/geos/pe.html>.

31 Ministerio de la Produccion, "Estadística MIPYME: Perfil de la Mujer Emprendedora 2017," Ministerio de la Produccion, 2017, <http://ogeiee.produce.gob.pe/index.php/shortcode/estadistica-oe/estadisticas-mipyme>.

32 Ministerio de la Produccion, *Anuario Estadístico Industrial, Mipyme Y Comercio Interno 2018* (Lima, Peru: Ministerio de la Produccion, 2018), p.143.

Canada and its Peruvian partners,³³ many participants spoke to the importance of addressing differing needs for MSMEs located in Peru's coastal area as opposed to its more remote mountainous and jungle areas. The Ministry of Production has also stated that the concentration of MSMEs in the coastal area gives businesses there more access to local and international markets through their proximity to Peru's ports.³⁴ This geographic divide thus serves as a defining aspect of MSME experiences in Peru, and it warrants attention in national MSME policies as well as future research.

EDUCATION AND INTERNATIONAL EXPERIENCE OF MSME EMPLOYEES

As a whole, the survey population boasts a high level of education among respondents. In fact, 76% of all survey respondents have a college degree or above,³⁵ with founders representing 65% of that total. Almost half of respondents (45%) have completed an undergraduate degree, while 24% have completed a technical degree. Surveyed businesses also indicated that 84% of their workforce, including founders, are technical professionals and that 88% hold a university degree.³⁶

When disaggregated by type of business, survey results show that 57% of surveyed entrepreneurs working in a micro enterprise have a college degree or above. Of respondents in a small enterprise, 81% have the same level of education, while 94% of those in a medium-sized enterprise do. Broken down by gender and age, the same proportion of women and men have a college degree or above (76% each), while similar numbers of younger and older entrepreneurs have the same level of education (80% and 75%, respectively).

Regarding the level of international experience within the survey population, about a third of the entrepreneurs surveyed (35%) said that members of their workforce, including founders, have worked or studied abroad.³⁷ However, almost half of the total survey population (47%) said that none of their workforce has international experience. Moreover, while founders have marginally more international

³³ APF Canada's partners for this event included the Ministry of Foreign Affairs, Kunan Peru, and the Lima Chamber of Commerce. APF Canada contracted [STATO SAC](#) to run the workshop.

³⁴ Ministerio de la Produccion, *Anuario Estadístico Industrial, Mipyme Y Comercio Interno 2018* (Lima, Peru: Ministerio de la Produccion, 2018), p.135.

³⁵ This is defined as survey respondents having completed vocational/technical school with a certificate, a bachelor's degree, or postgraduate studies.

³⁶ Taken from Question 2.13: How many employees (including founders) in your company are technical professionals, are college or university graduates, or hold trade certificates?; Contextually, Peru has a 69.2% enrolment ratio in post-secondary education. (UNESCO, 2016)

³⁷ Taken from Question 2.12: What percentage of your company's employees (including founders) have studied or worked outside of Peru?

experience than non-founders, as a group, only 12% of all survey respondents said that they have had international experience of some kind.³⁸ Across the board, there is a significant gap in the amount of international experience within the survey population.

When comparing levels of international experience between micro, small, and medium enterprises, the majority of surveyed entrepreneurs in each type of business do not have this experience. Of respondents in a micro enterprise, 93% do not have any international experience, compared to 87% in a small enterprise and 84% in a medium enterprise. Disaggregated by gender and age, 89% of women and 88% of men do not have this experience, while 82% of younger entrepreneurs and 90% of older entrepreneurs also lack this experience.

There is also a positive correlation between respondents' level of education and their international experience. In other words, the more educated a survey respondent is, the more likely they are to gain international experience.

In the context of social entrepreneurship, the lack of international experience among entrepreneurs in Peru is a significant barrier to reaching broader international markets. Insertion into new markets is one of the strategic objectives of Peru's 2011-2021 National Plan for Competitiveness and Productivity of MSMEs.³⁹ Being able to consolidate international exposure of MSMEs into new niches in domestic and international markets with competitiveness and partnerships is a key pillar for policy intervention for government support services (under the Ministry of Production) moving forward. Beyond linking MSMEs to larger companies and governments as a policy strategy, MSMEs should make use of the established framework provided by the Peruvian state to strengthen their capacities and assistance to export or import products and services, as well as the possibility of partnerships with other MSMEs linked by economic sectors or production chains.⁴⁰

38 Taken from Question 1.7: Have you studied, worked, or participated in skill-building training outside of Peru?

39 Ministerio de la Produccion, *Plan Nacional para la Productividad y Competitividad de las MYPE 2011-2021* (Lima, Peru: Ministerio de la Produccion, 2009).

40 Ibid.

FOUNDERS' MOTIVATIONS FOR ESTABLISHING MSMES

Peru continues to have one of the highest rates of total early-stage entrepreneurial activity⁴¹ in the world, as reported by the 2018/2019 Global Entrepreneurship Monitor (GEM) report. Currently, this number sits at 22.4%.⁴² GEM attributes this high level of entrepreneurial activity to several significant factors, such as a social environment that encourages entrepreneurship and a population that has a high level of confidence in their ability to start a business.⁴³

This high level of confidence is reflected in survey results that describe founders' motivations for starting MSMEs. The two most popular rationales stated by surveyed business founders are seeking the independence that came with being an entrepreneur (24% of respondents) and the desire to achieve personal well-being (22%). This result is evidence of the strong entrepreneurial culture reported in Peru, showing that founders are aware of the personal benefits of establishing their own businesses.

When disaggregating this data by age, statistically significant differences are found between the views of younger and older respondents on two statements. First, for the rationale of seeing an opportunity to meet a market need, 48% of younger founders indicated this option, whereas 27% of older founders said the same. Second, for the rationale of wanting to achieve personal prosperity, 17% of younger founders reported this motivation, while 35% of older founders said the same. Notably, the statistical difference between entrepreneurs' views on these two statements is small. Nevertheless, this points to a trend that could become more evident in a larger study.

Considering entrepreneurs' intentions to begin a social enterprise, only a few founders said that they intended to have a social impact when they initially founded their MSME. Only 8% of founders said they started their business with an intention to improve their community, while 4% said they wanted to effect social change. Lastly, just 1% of founders said they wanted to effect environmental change with their MSME.

41 Defined as the percentage of population aged 18-64 who are either a nascent entrepreneur or owner-manager of a new business.

42 Global Entrepreneurship Monitor, *2018/2019 Global Report* (London, United Kingdom: GEM, 2019), p.95.

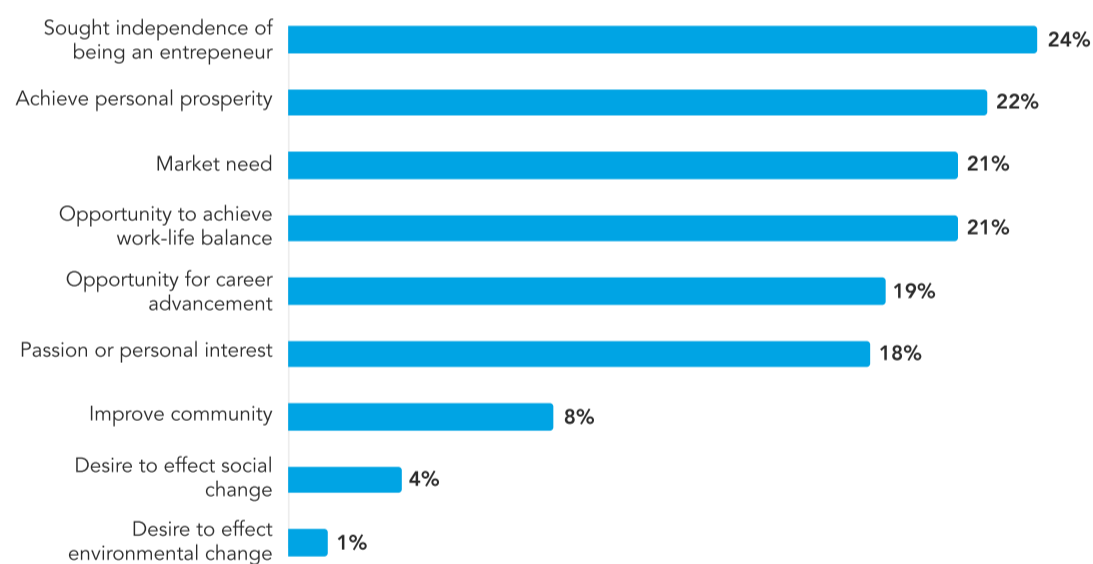
43 Ibid.

These results contrast with the number of respondents (both founders and employees) who self-identified their MSME as a social enterprise. Almost a third of the survey population (31%) said that their business is a social enterprise or is seeking to address social issues. This result potentially points to entrepreneurs' evolving interest in social entrepreneurship, as well as their changing understanding of this concept.

Overall, despite this evidence of Peru's strong entrepreneurial culture, there remains low levels of innovation in Peruvian ventures, and many early-stage startups do not end up becoming established businesses. The GEM 2018/2019 report asserts that strengthening the Peruvian MSME ecosystem, such as government entrepreneurship policies and MSME financing, is essential to improve the situation.⁴⁴

FIGURE 4. Rationale for founding an MSME

Question 2.8: Why did you create your company? Please select all that apply.



⁴⁴ Global Entrepreneurship Monitor, *2018/2019 Global Report* (London, United Kingdom: GEM, 2019).

Section 2: Growth Plans and Barriers to MSME Growth

Peru's MSMEs make a significant contribution to the national economy. In addition to providing employment for more than half of Peru's working population, MSMEs contributed 19% of the national GDP in 2018.⁴⁵ Peruvian MSMEs are also important exporters. In the 2025 National Strategic Export Plan (PENX), the Ministry of Foreign Trade and Tourism noted that from 2003 to 2013, 86% of exporting businesses were micro and small enterprises.⁴⁶ In 2018 alone, the proportion of MSMEs participating in export was recorded at 94%.⁴⁷ However, despite the fact that a vast number of exporting companies are MSMEs, these make up only a tenth of annual export values generated from international trade. In 2018, just 9% of Peru's total export value came from MSMEs, while large enterprises generated the lion's share of this amount.⁴⁸

Given the varying position of MSMEs in Peru's domestic economy and international trade, several questions arise. How do entrepreneurs envision the growth of their MSMEs moving forward? What factors hinder MSME growth? Taking these barriers into account, what support services can MSMEs access, and how have entrepreneurs perceived existing programs led by the Peruvian state and other organizations?

This section will analyze survey respondents' views on these questions by looking at responses in five areas related to MSME growth:

- Respondents' growth plans for their business;
- The barriers that respondents identified to their MSME's growth;
- Respondents' views on the importance of environmental sustainability in their business operations;
- Respondents' access to business support services; and
- Respondents' perceptions of Peru's support programs and initiatives.

⁴⁵ El Peruano, "Ventas de las mypes representan 19% del PBI," El Peruano, 2019, <https://elperuano.pe/noticia-ventas-de-mypes-representan-19-del-pbi-82195.aspx>.

⁴⁶ Ministra de Comercio Exterior y Turismo, *Plan Estratégico Nacional Exportador 2025* (Lima, Peru: Ministra de Comercio Exterior y Turismo, 2020), p.25.

⁴⁷ Gestion, "Mipymes representan solo el 9% de las exportaciones peruanas, alerta Mincetur," Gestion, 2019, <https://gestion.pe/peru/mipymes-representan-solo-el-9-de-las-exportaciones-peruanas-alerta-mincetur-noticia/?ref=gesr>.

⁴⁸ Ibid.

MODEST MSME GROWTH PLANS

As a whole, most survey respondents (88%) said that they had a growth plan for their MSME. Almost half (46%) of the survey population said they aim for modest growth (revenue growth of less than 100% annually), while 42% said they aim for high growth (double revenues every year). These results provide evidence of the confidence and the ambitious spirit of Peru's entrepreneurs, who are encouraged by a strong entrepreneurial culture to scale up their business.

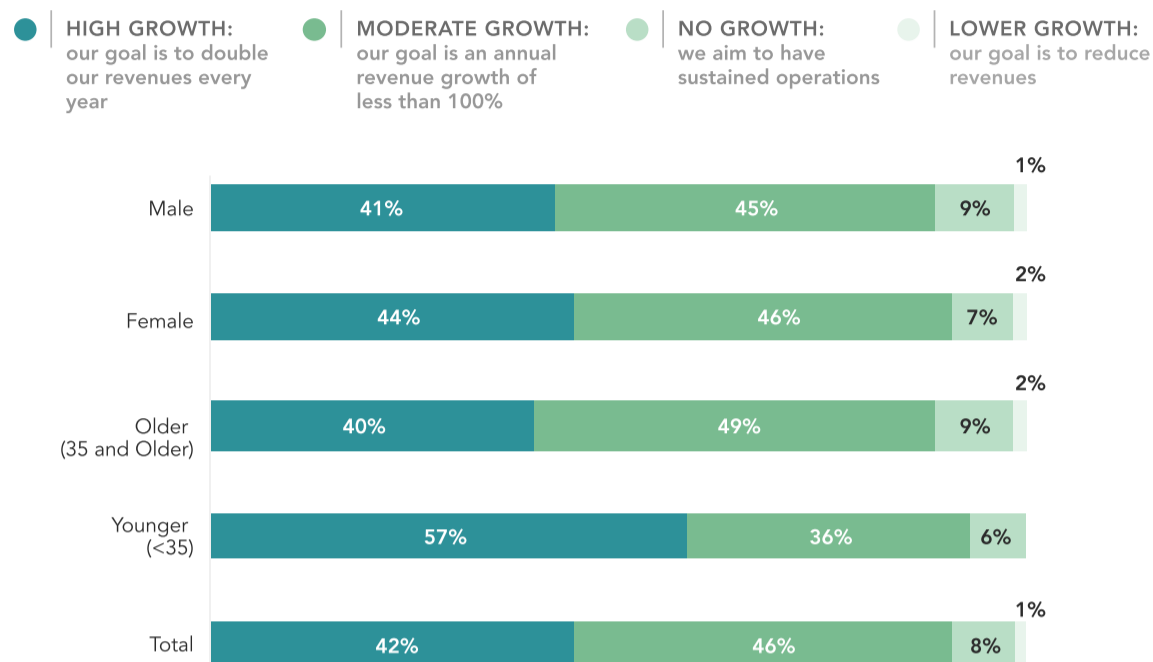
Disaggregated by business type, 84% of surveyed micro enterprises said they had plans for growth, while 91% of small enterprises and 87% of medium enterprises said the same. Overall, entrepreneurs in micro, small, and medium enterprises aim for similar levels of growth. Among small enterprises, 46% of respondents aim for high and moderate growth, respectively. Meanwhile, among medium enterprises, 47% aim for high growth while 40% aim for moderate growth. Notably, the majority of micro enterprises aim for moderate growth (50% of this subgroup), while just 34% said they aim for high growth.

When disaggregated by gender, survey results show that plans for MSME growth are similar among women and men. Almost half (46%) of women aimed for moderate growth, as did 45% of men. In terms of high growth, 44% of women entrepreneurs aimed for this level of growth, while 41% of men aimed for the same goal.

MSME growth plans vary more noticeably between younger (below 35 years old) and older (35 years old and above) entrepreneurs. Over half of younger entrepreneurs (57%) said that they aimed for high growth for their MSME, compared to 40% of older entrepreneurs who aimed for the same goal. On the other hand, almost half of older entrepreneurs (49%) said they aimed for moderate revenue growth, while 36% of younger entrepreneurs said the same. This result suggests that younger entrepreneurs have more ambitious growth goals for their MSMEs, while older respondents favour more moderate growth plans.

FIGURE 5. Company growth plans, disaggregated by **gender** and **age**

Question 2.15: What are your company's plans for revenue growth?



An important caveat here is that when business type, gender, and age undergo multivariate regression to see their effect on growth plans, these factors do not produce statistically significant differences between participants' responses on growth plans. There is, however, a small statistical difference between the views of younger and older entrepreneurs, which could become more pronounced with a larger sample size.

DOMESTIC BARRIERS TO GROWTH: PERCEPTIONS FROM MSMES

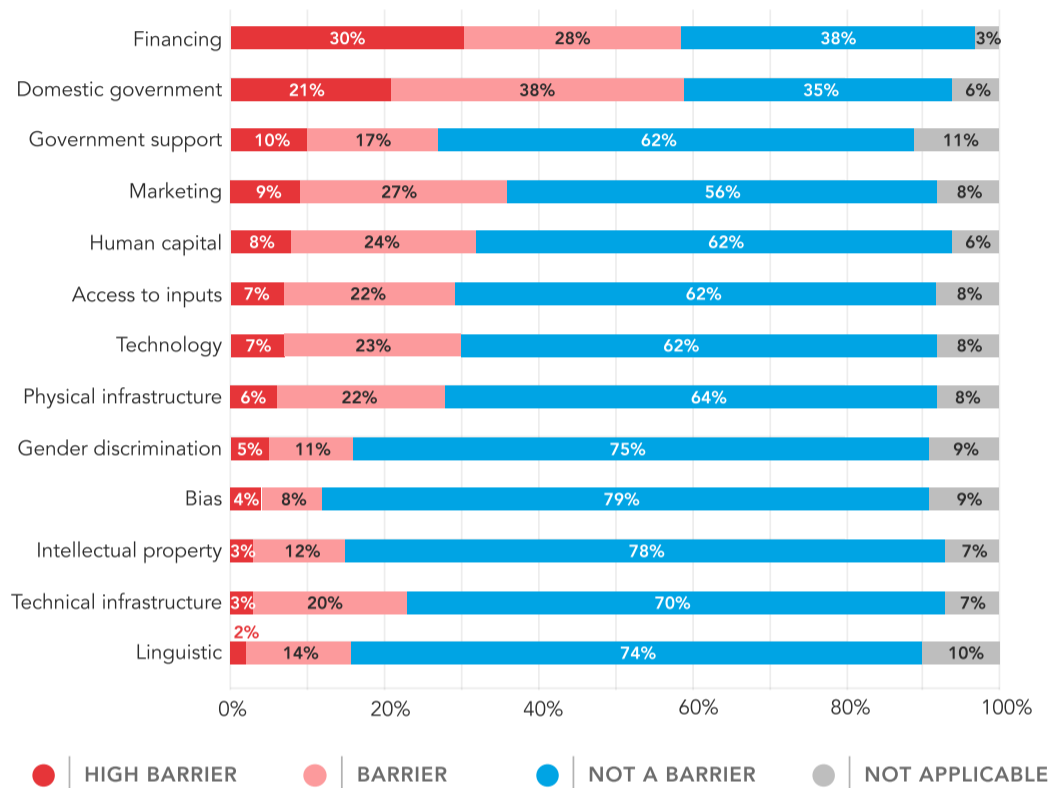
While surveyed entrepreneurs have ambitious growth plans, there are also substantial barriers that hinder the growth of their MSMEs. In this section, the term "barrier" is used to refer to factors that survey respondents have identified as either a high barrier or a barrier to their MSME's success.

According to responses in the *2020 National Survey of Entrepreneurs and MSMEs in Peru*, the two most significant barriers to MSME growth are the domestic government and financing. Over half of respondents (59%) said that the domestic government is a barrier to their MSME's growth, while a similar proportion (58%) identified financing as a barrier. Notably, more surveyed entrepreneurs identified

financing as a high barrier than any other factor (30% of respondents). Statistical analysis also shows that identifying one of these two factors as a barrier makes respondents likely to also see the other as a barrier, suggesting that domestic government and financing are interlinked as barriers.

FIGURE 6. Barriers to MSMEs' growth

Question 9.1: What are the barriers to your company's overall success?



Corresponding data table is available in the Appendix

First considering the domestic government, this refers to whether survey respondents see government regulations or administrative procedures as restrictive for their MSME, among other related topics. Of the survey population, 38% said that this factor is a barrier to their business' growth, while 21% said this is a high barrier for them. When asked to specify, some respondents noted high tax rates and restrictive bureaucracy in municipalities.⁴⁹

Participants from the *MSME, Competitiveness, and Social Innovation Training Day* event hosted by APF Canada and Kunan also noted barriers related to the domestic government. When asked what the top barriers for their MSME were, some mentioned a “lack of knowledge on potentially helpful state-run organizations,” “little knowledge on local and regional governments,” “a lack of government

⁴⁹ Respondents elaborated on the top three barriers specific to their MSME in question 9.3, where they were asked the following: “What are the top three barriers to your company's success? Please feel free to include barriers not listed in the previous question.”

services for MSMEs,” and “restrictive legislation.”⁵⁰ These results match findings in the 2018/2019 GEM report, wherein Peru’s government policies on taxes and bureaucracy, as well as on business support and relevance, are below the regional and global average.⁵¹ Overall, while Peru has a diversity of support programs for MSMEs, it appears that entrepreneurs want more robust and business-friendly government policies. Respondents’ views of government-sponsored support programs will be explored later in this section.

As for MSME financing, 28% of the survey population said this is a barrier, while 30% said it is a high barrier for their business. A significant portion of the survey population (43%) said they were seeking funding at the time of the survey.⁵² Moreover, close to half (46%) of the participants of the *MSME, Competitiveness, and Social Innovation Training Day* event cited financing and access to funds as one of the top three barriers for their business.⁵³

The issue of financing has previously been identified by the Ministry of Production as an obstacle for MSMEs.⁵⁴ According to the Ministry, only 6% of registered MSMEs can access the regulated financial system.⁵⁵ Access to financing is also unequal among MSMEs: though 62% and 46% of medium and small enterprises, respectively, can access Peru’s financial system, only 5% of micro enterprises can do the same.⁵⁶ This observation is echoed in the 2018/2019 GEM report, where the level of entrepreneurial financing in Peru is found to be below the global average.⁵⁷

Notably, gender discrimination (16% of respondents) and bias (12%) are not perceived as major barriers. While gender discrimination and bias are still issues faced by a smaller segment of the survey population, this is evidence of Peru’s progress on gender parity, as the majority of both surveyed women and men do not report these two factors as barriers to their MSME’s success.

Disaggregating the data by gender, both women and men are found to have similar perceptions of these barriers. For example, 57% of men and 62% of women indicated domestic government policies as a barrier to their MSME’s growth.

50 Taken from the post-event feedback survey.

51 Global Entrepreneurship Monitor, *2018/2019 Global Report* (London, United Kingdom: GEM, 2019).

52 Taken from Question 2.17: “Is your company currently seeking funding or financing?”

53 This includes training session participants that mentioned financing, access to funds/capital/resources, and prohibitive costs of material assets among the top three barriers to their MSME.

54 Global Entrepreneurship Monitor, “Entrepreneurial Behaviour and Attitudes,” GEM, 2018, <https://www.gem-consortium.org/economy-profiles/peru>.

55 Ministerio de la Produccion, “Estadística MIPYME,” Ministerio de la Produccion, 2017, <http://ogeiee.produce.gob.pe/index.php/shortcode/estadistica-oee/estadisticas-mipyme>.

56 Ibid.

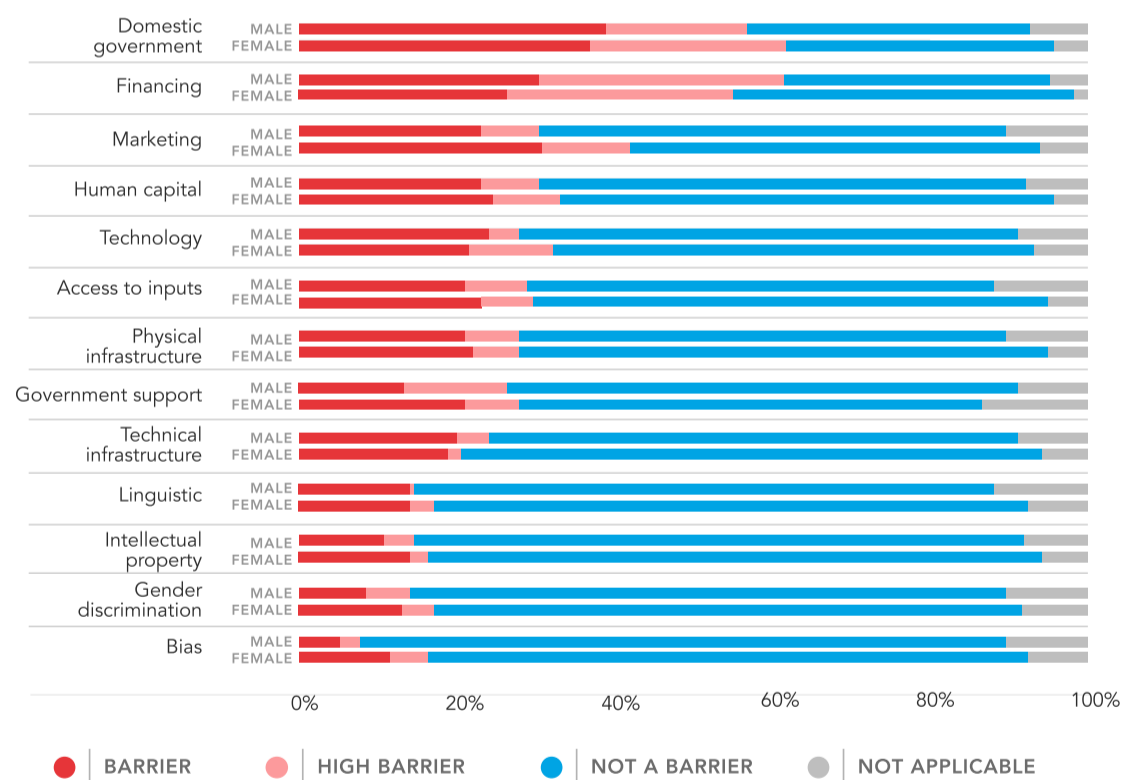
57 Global Entrepreneurship Monitor, *2018/2019 Global Report* (London, United Kingdom: GEM, 2019).

Slightly more women than men identified this factor as a high barrier (25% and 18%, respectively), but overall, entrepreneurs of both genders similarly see it as a general barrier, with 37% of women and 39% of men reporting this view. Regarding financing, 62% of men and 55% of women perceived this factor as a barrier for their business.

While responses from both genders are similar, there are statistically significant differences in views regarding marketing and bias, as women are more likely to identify these as barriers. For marketing, 42% of surveyed women see this as a barrier, compared to 30% of men. As for bias, 17% of women perceive it as a barrier, compared to 8% of men. Despite this, the majority of both women and men do not view these two factors as major barriers for their MSME. Nevertheless, there is a small statistically significant difference in women and men’s views of these factors that could become more pronounced in a larger study.

FIGURE 7. Perception of barriers, disaggregated by gender

Question 9.1: What are the barriers to your company’s overall success?



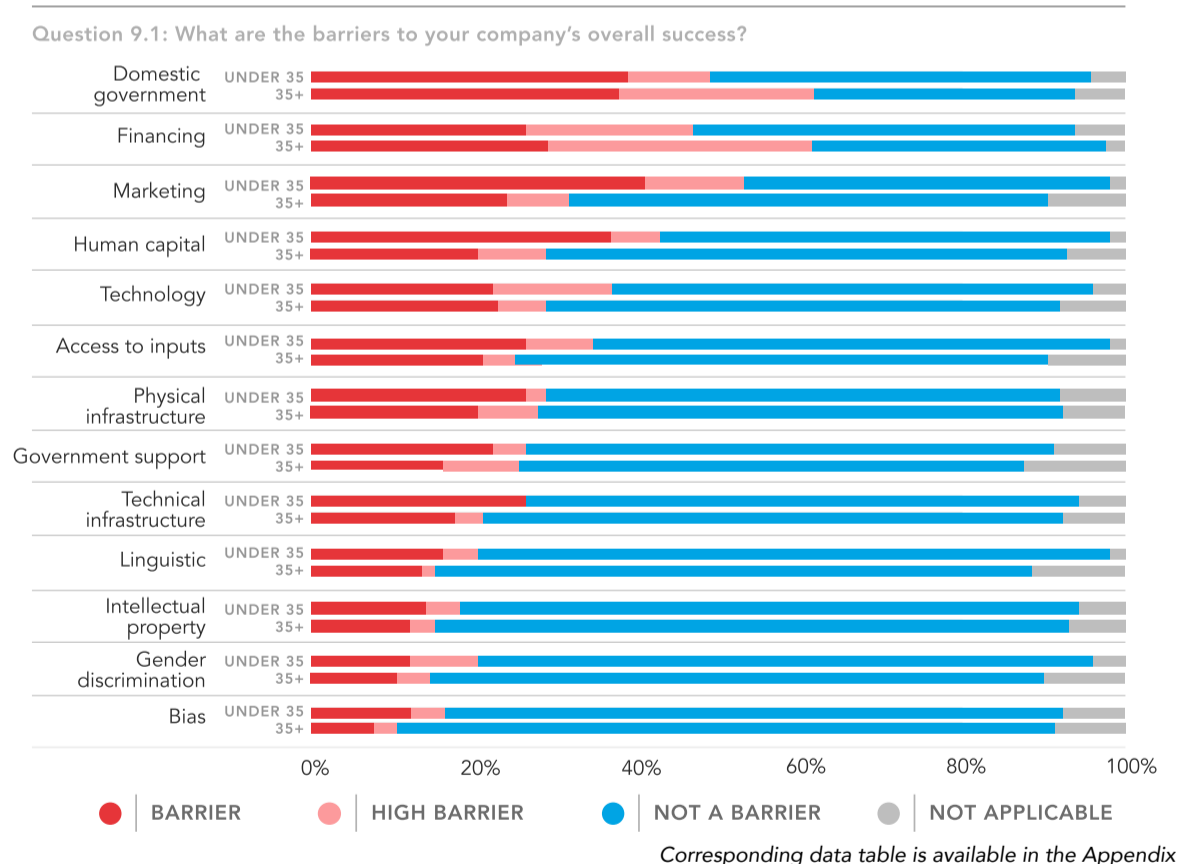
Corresponding data table is available in the Appendix

Finally, disaggregating respondents’ views by age, there is a notable difference between older and younger entrepreneurs’ perceptions of barriers. Considering the domestic government, less younger entrepreneurs (49% of these respondents) report this as a barrier compared to older entrepreneurs (62% of these respondents). Similarly, for financing, 47% of younger entrepreneurs and 61% of older entrepreneurs see this factor as a barrier.

For each of these two factors, slightly more older respondents than younger ones see them as high barriers. Almost a quarter (24%) of older entrepreneurs view the domestic government as a high barrier, compared to 10% of younger respondents. In turn, 32% of older entrepreneurs see financing as a high barrier, compared to 20% of younger participants.

For the remaining options, more younger entrepreneurs view these factors as barriers compared to older entrepreneurs. Some of the most pronounced differences in barrier perception can be seen for marketing, human capital, government support, and linguistic barriers. For marketing, 53% of younger entrepreneurs view this factor as a barrier, compared to 32% of older entrepreneurs. Considering human capital, 43% of younger respondents said this is a barrier, compared to 29% of older respondents. For government support, 34% of younger entrepreneurs perceive this as a barrier, compared to 26% of older respondents. Lastly, for linguistic barriers, 20% of younger entrepreneurs reported this factor, compared to 15% of older respondents.

FIGURE 8. Perception of barriers, disaggregated by age



Small statistical differences between older and younger entrepreneurs' views can be seen for financial, marketing, and linguistic barriers. While the differences for the other options are not statistically significant, these could still hint at trends in perceptions among younger and older entrepreneurs that could be studied in further research.

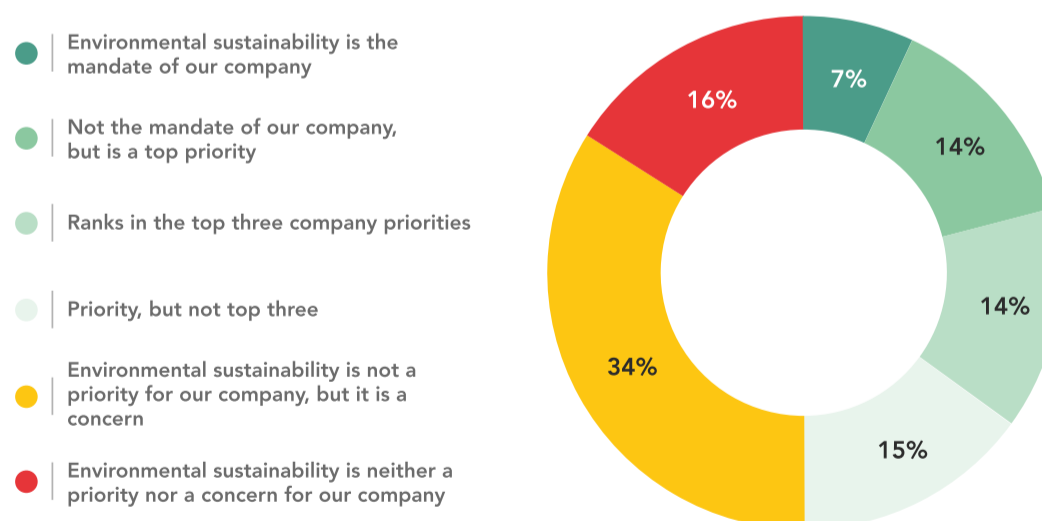
GROWTH AND THE ENVIRONMENT: ENVIRONMENTAL SUSTAINABILITY AS AN MSME PRIORITY

In addition to barriers to business growth, another growing concern for MSMEs is the sustainable nature of their business operations. In 2018, Peru passed its Framework Law on Climate Change (Law N° 30754). The law established Peru's intergenerational approach and measures for climate change mitigation and adaptation, aiming to reduce its vulnerability to climate change, take advantage of opportunities in low-carbon growth, and comply with its international commitments to the United Nations Framework Convention on Climate Change.⁵⁸ Peru also has six laws and nine national policies specific to climate change and environmental sustainability.⁵⁹

Among the survey population, 84% of respondents said that environmental sustainability is a priority or concern for their MSME. Looking more closely, half of all surveyed entrepreneurs said that they view environmental sustainability as a priority for their business, whether this is their core mandate, a top priority, among their company's top three priorities, or a general priority. Another third of the survey population (34%) said that while environmental sustainability is not a priority for their company, they do view it as a concern.

FIGURE 9. Views on Environmental Sustainability

Question 6.1: To what extent is environmental sustainability a concern for your company?



⁵⁸ London School of Economics and Political Science, "Peru – Framework Law no 30754 on Climate Change," Grantham Research Institute on Climate Change and the Environment, LSE, 2020, <https://climate-laws.org/cclow/geographies/peru/laws/framework-law-no-30754-on-climate-change>.

⁵⁹ London School of Economics and Political Science, "Peru – Climate Laws," Grantham Research Institute on Climate Change and the Environment, LSE, 2020, <https://climate-laws.org/cclow/geographies/peru>.

These findings complement respondents' views on the impact of climate change on their industry.⁶⁰ Three-quarters of the survey population (76%) said they believe that climate change will have some impact on their industry. Broken down, 34% of respondents said that they believe climate change will have a significant impact, while 42% think it will have a low impact.

Among respondents who think climate change will have a high impact on their MSME, about a third (32%) are from the wholesale and retail industry, while 9% are from the manufacturing industry. An important note here is that the majority of MSMEs in the survey population work in these two industries, resulting in some over-sampling of these businesses. However, this is to be expected, given that these two areas are the top activities of registered MSMEs in Peru.

Most of the survey population (64%) also said they are “very willing” to incorporate environmental sustainability practices into their business strategy or operations.⁶¹ On the other hand, about a quarter (24% of respondents) said they are “somewhat willing” to do the same.

Moreover, statistical analysis suggests a positive correlation between this variable and business size. As enterprises grow larger – from micro to small – respondents become more willing to incorporate environmental sustainability into their business models. For example, half of micro enterprises said they are “very willing” to incorporate environmental sustainability practices, whereas two-thirds of small enterprises said the same. Moreover, while 31% of surveyed micro enterprises said they are “somewhat willing” to incorporate such practices, 23% of small enterprises reported the same view.

Further disaggregating respondents' views by their MSME industry, almost a third of surveyed businesses that prioritize environmental sustainability⁶² are in the wholesale and retail trade industry (31% of this subgroup). The second top industry that prioritizes environmental sustainability in the sample population is manufacturing (12% of this subgroup), followed by accommodation and food services (10% of this subgroup).⁶³

⁶⁰ Taken from responses to Question 6.3: To what extent do you expect climate change to impact your company or industry?

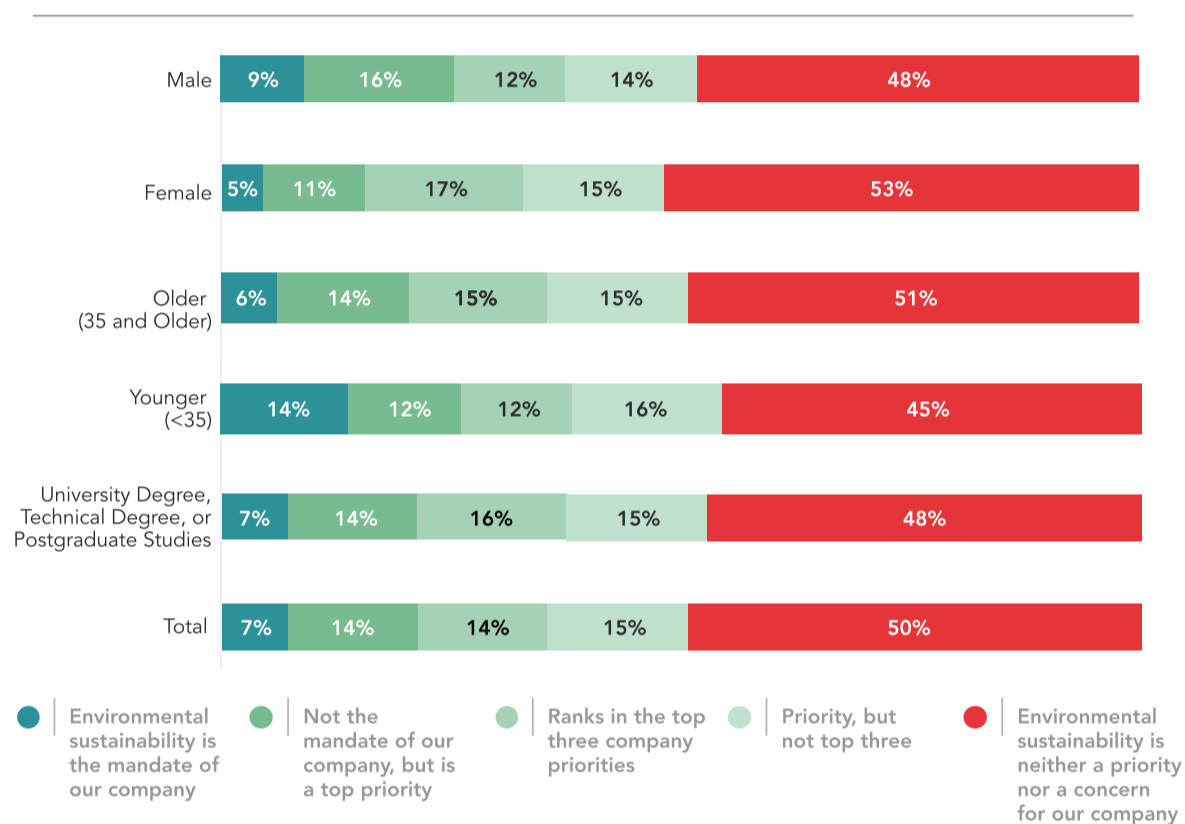
⁶¹ Taken from responses to Question 6.2: Given the opportunity and the education necessary, to what extent is your company willing to incorporate environmental sustainability into your business strategy or operations?

⁶² This refers to surveyed businesses who indicated environmental sustainability as their business mandate, top priority, among their top three priorities, or a general priority for their MSME.

⁶³ Data table is available in the appendix.

As for views broken down by gender and age, respondents' views of environmental sustainability are similar overall. Of surveyed women, 82% said they view environmental sustainability as a priority or concern for their MSME, while 86% of men said the same. Meanwhile, 90% of younger entrepreneurs and 83% of older entrepreneurs also indicated environmental sustainability as a priority or concern.

FIGURE 10. Views on environmental sustainability disaggregated by gender, age and level of education



ACCESS TO AND PERCEPTION OF MSME SUPPORT SERVICES

Peru has a wide variety of support services and programs for MSMEs, ranging from entrepreneurial networks like Kunan to government-run initiatives like Innovate Peru.⁶⁴

Almost half of the survey population (48%) reported accessing support services of some kind. The most accessed support service is acquiring market information (24% of respondents) that helps entrepreneurs gauge market demand for their business's product or service. The second most accessed service is in-person advisory services (16%), which encompass tutoring and business strategy guidance, among other

⁶⁴ A report written by Kunan for the APEC-Canada Growing Business Partnership, titled *The Existing Landscape of Social Entrepreneurship in Peru*, contains a detailed appendix of MSME support programs across Peru.

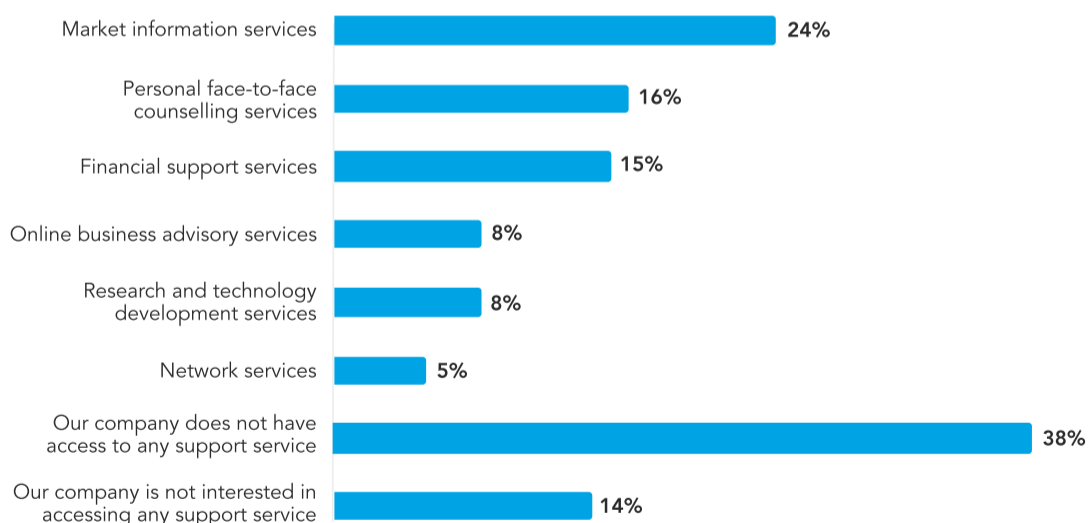
topics. Lastly, the third most mentioned option is financial support services (15%), which includes financing options for MSMEs and advisory services on procuring funds.

A significant proportion (38%) of the survey population reported that their business does not have access to any support services. Within this group, over half of respondents are women (56% of this subgroup). Moreover, 45% of all surveyed women in the survey population said their MSME lacks access to support services, compared to just 16% of male entrepreneurs who report the same. These results suggest that women entrepreneurs may have a harder time accessing such services than their male counterparts.⁶⁵ Considering age, similar numbers of younger and older entrepreneurs reported having no access to support services: 39% of all surveyed older entrepreneurs said their MSME lacked access to support services, while 37% of younger entrepreneurs said the same.

Lastly, 14% of survey respondents said that they were not interested in accessing any support services. Similar numbers of both men and women, as well as older and younger entrepreneurs, reported having this lack of interest (14% of respondents in each group).

FIGURE 11. Access to support services

Question 8.1: To which of the following support services does your company have access? Select all that apply.



⁶⁵ However, this result is not statistically significant.

In addition to these general support services, survey respondents were asked about their views of specific MSME support programs, social policies, and state-run initiatives available in Peru. When asked about whether lacking government support services poses a challenge to their MSME's growth, over a quarter of the survey population (27%) said that this was a barrier. Table 2 presents the specific options that respondents were asked to review and their perceptions of each one.

TABLE 2. Perceptions of MSME support programs, institutions and initiatives

Question 8.2: Please identify the impact of each of the following programs, social policies, and state initiatives on your company.

MSME Support Programs and Initiatives	Positive Impact	No Impact	Negative Impact	Not Applicable	I'm Not Aware
Peruvian Entrepreneur (Emprendedor Peruano)	64	22	2	45	117
Innovate Peru	62	42	1	47	98
Centres for Business Development (Centros para el Desarrollo Empresarial)	56	44	2	49	99
COFIDE (Corporación Peruana para el Desarrollo)	53	51	6	65	75
Export promotion programs (trade missions, marketing)	46	20	4	56	124
Tax incentives for research and development	38	20	3	55	134
CRECER Fund	34	21	4	55	136
Entrepreneurship support programs (seed capital incubation)	31	23	2	56	138
Support program for science, technology and technological innovation (FONDECYT)	30	28	5	57	130
Technological services from CITEs (Centers of Productive Innovation and Technology Transfer)	29	30	1	49	141
Technical assistance programs for the adoption of technology and business management (CITEs, technological missions and consultancies, technical assistance, FINCyT, etc.)	24	27	1	58	140
StartUp Peru	21	33	6	64	126
Produce Virtual	20	24	3	64	139
Digital Kit	14	27	3	59	147

The most well-known institutions and programs among respondents⁶⁶ are the Development Bank of Peru (COFIDE) (70% of respondents know this institution), and three programs from the Ministry of Production, namely the Innovate Peru program (61%), the Centres for Business Development (60%), and the Peruvian Entrepreneur platform (53%).

⁶⁶ This includes the programs, social policies, and state initiatives that more than half of the survey population said they are aware of.

COFIDE is the development bank of Peru, and it provides financing and business development support for micro and small enterprises. Its most notable programs include the FONDEMI Microenterprise Development Fund, and its business development centres in Lima and Tarapoto that provide virtual talks, online courses, and business advisory clinics.⁶⁷

Innovate Peru, or the National Innovation Program for Competitiveness and Productivity, is a program from the Ministry of Production that aims to increase business innovation and facilitate technology adaptation for companies. It provides financing for businesses through national competitions and funds, such as the MSME Fund (*Fondo MIPYME*) and the Research and Development Fund for Competitiveness (FOMITEC).⁶⁸

The Centres for Business Development, also operated by the Ministry of Production (PRODUCE), are physical centres meant to provide free business support services for micro and small enterprises. These centres are run by PRODUCE with their partner *Tu Empresa* (Your Company), and together they provide advising and services on business management and formalization of informal MSMEs. These centres are meant to complement services from the Centers of Productive Innovation and Technology Transfer (CITEs), which provide MSMEs with technological support.

Lastly, Peruvian Entrepreneur is a virtual platform also from the Ministry of Production, which provides business development services to entrepreneurs through free online courses and in-person training.⁶⁹ These services are designed to promote and develop the competitiveness of MSMEs, through courses that teach entrepreneurs how to manage competitive, responsible, and sustainable businesses.

Among these four initiatives, Peruvian Entrepreneur had the highest rating among its users. Of the surveyed entrepreneurs who have accessed this program,⁷⁰ 73% said it had a positive impact on their business. For Innovate Peru, 59% of entrepreneurs who accessed this program said it had a positive impact on their MSME, while 55% who accessed services from the Centres for Business

⁶⁷ COFIDE, "Productos y Servicios," COFIDE, 2016, <https://www.cofide.com.pe/COFIDE/productos>.

⁶⁸ Ministerio de la Produccion, "Historia – Innovate Peru," Ministerio de la Produccion, 2020, <https://www.innovateperu.gob.pe/quienes-somos/historia>.

⁶⁹ Ministerio de la Produccion, "Emprendedor Peruano," Ministerio de la Produccion, 2020, <https://emprendedorperuano.produce.gob.pe/Home/AcercaDe>.

⁷⁰ The percentages cited in this paragraph exclude respondents who said they were unaware of the initiative or that it was not applicable to them.

Development said the same. Lastly, 48% of respondents who accessed services from COFIDE said these positively impacted their business.

Disaggregated by gender and age, overall women and men, as well as younger and older entrepreneurs, have similar views of these programs. For Peruvian Entrepreneur, 71% of female users and 76% of male users said this initiative had a positive impact on their business. Sixty percent of younger users and 76% of older users said the same.

For Innovate Peru, 60% of women and 57% of men who used this program said it had a positive impact, while 55% of younger entrepreneurs and 59% of older entrepreneurs said the same.

For the Centres for Business Development, 58% of female users and 52% of male users said it had a positive impact on their business. Meanwhile, 45% and 56% of younger and older users, respectively, said it had a positive impact.

Lastly for COFIDE, 48% of female users and 49% of male users said it had a positive impact, while 47% of younger users and 48% of older users said the same.

TABLE 3. Usage of select support initiatives, disaggregated by gender and age

Note: These numbers exclude respondents who were not aware of the initiative or said it was not applicable to their business

MSME Support Programs and Initiatives	Women entrepreneurs	Male entrepreneurs	Younger entrepreneurs	Older entrepreneurs
Innovate Peru	58 (48% of all surveyed women)	47 (37% of all surveyed men)	20 (41% of all surveyed young entrepreneurs)	84 (42% of all surveyed old entrepreneurs)
Peruvian Entrepreneur (Emprendedor Peruano)	45 (37% of all surveyed women)	42 (33% of all surveyed men)	20 (41% of all surveyed young entrepreneurs)	67 (34% of all surveyed old entrepreneurs)
COFIDE (Corporación Peruana para el Desarrollo)	56 (46% of all surveyed women)	53 (41% of all surveyed men)	19 (39% of all surveyed young entrepreneurs)	87 (44% of all surveyed old entrepreneurs)
Centres for Business Development (Centros para el Desarrollo Empresarial)	55 (45% of all surveyed women)	46 (36% of all surveyed men)	20 (41% of all surveyed young entrepreneurs)	80 (40% of all surveyed old entrepreneurs)
Digital Kit	28 (23% of all surveyed women)	16 (13% of all surveyed men)	11 (22% of all surveyed young entrepreneurs)	35 (18% of all surveyed old entrepreneurs)
CITEs	37 (31% of all surveyed women)	23 (18% of all surveyed men)	13 (26% of all surveyed young entrepreneurs)	47 (24% of all surveyed old entrepreneurs)
Produce Virtual	29 (24% of all surveyed women)	18 (14% of all surveyed men)	8 (16% of all surveyed young entrepreneurs)	38 (19% of all surveyed old entrepreneurs)

For the remaining options included in the survey, half or more of the survey population said that they were unaware of these initiatives. The least-known initiative among survey respondents is the Digital Kit by the Ministry of Production, an online platform meant to provide MSMEs with online resources and business courses.⁷¹ Of the survey population, 59% said they were unaware of this initiative.

More than half of the survey respondents said they also were unaware of technical services from CITEs⁷² and Produce Virtual,⁷³ the Ministry of Production's online platform for MSMEs to access applications and services. Overall, these results show that many entrepreneurs remain unaware of online services and new technologies they could harness for their MSME, potentially indicating unequal access to these services.

Regarding the Digital Kit, Produce Virtual, and technical services from CITEs, women and men who accessed these services have similar views on their impact on their MSME. Notably, for each of these options, male entrepreneurs are statistically more likely to say that the initiative in question is not applicable to their business.

An important caveat here is that overall, the majority of both surveyed men and women said they are unaware of it or that it was not applicable to them. Nevertheless, this result indicates a difference in perception between women and men that could become more pronounced in a larger study.

Younger and older entrepreneurs' views on these three initiatives are also generally similar. One notable difference in opinion can be seen in views on the Digital Kit, where 9% of younger users compared to 34% of older users said it had a positive impact. However, this difference is not statistically significant in this sample.

71 Ministerio de la Produccion, "Kit Digital," Ministerio de la Produccion, 2020, <http://www.kitdigital.pe/>.

72 Instituto Tecnológico de la Produccion, "¿Qué es un CITE?," Instituto Tecnológico de la Produccion, 2020, <https://www.itp.gob.pe/nuestros-cite/>.

73 Ministerio de la Produccion, "Desde hoy empresas pueden tramitar autorización para reanudar actividades vía la plataforma Produce Virtual," Ministerio de la Produccion, 2020, <https://www.gob.pe/institucion/produce/noticias/151058-desde-hoy-empresas-pueden-tramitar-autorizacion-para-reanudar-actividades-via-la-plataforma-produce-virtual>.

Section 3: Opportunities and Challenges for Social Entrepreneurship

Social entrepreneurship is a steadily growing interest among MSMEs in Peru. The social entrepreneurship ecosystem is also expanding at a similar rate to support aspiring entrepreneurs who want to start a social enterprise. Key actors like Kunan and NESsT act as hubs for this ecosystem, nurturing networks for social enterprises like the [Kunan Network](#). However, while there is legislation in place to assist MSMEs, there is no equivalent specific to social enterprises. Moreover, *Perú Responsable*, the main program endorsed by Peru to promote corporate social responsibility among businesses, was shut down in early 2020.⁷⁴

Though there are no national statistics on social enterprises, there have been preliminary studies assessing the landscape of social entrepreneurship in Peru. The *2019 Report on the State of Social and Environmental Entrepreneurship in Peru* is the first to comprehensively cover social and environmental entrepreneurship in the economy.⁷⁵ As the authors of the report argue, social enterprises encounter distinct challenges in addition to the barriers they face as MSMEs, such as remaining confusion over the definition of social entrepreneurship.⁷⁶

This section will examine the opportunities and challenges that survey respondents perceive when pursuing social entrepreneurship. In particular, this section will explore the following:

1. Respondents' understanding of what social entrepreneurship is;
2. How respondents define success in this type of entrepreneurship;
3. How respondents want to scale up their social enterprise;
4. The barriers respondents see to their enterprise's growth; and
5. The training respondents receive specifically for social entrepreneurship.

⁷⁴ Andina, "Gobierno aprueba la reestructuración del programa Trabaja Perú," Andina, 2020, <https://andina.pe/agencia/noticia-gobierno-aprueba-reestructuracion-del-programa-trabaja-peru-781740.aspx>; El Peruano, "Decreto Supremo que aprueba la reestructuración del Programa para la Generación de Empleo Social Inclusivo "Trabaja Perú" y declara la extinción del Programa "Perú Responsable"," El Peruano, 2020, <https://busquedas.elperuano.pe/normaslegales/decreto-supremo-que-aprueba-la-reestructuracion-del-programa-decreto-supremo-n-004-2020-tr-1846653-2/>.

⁷⁵ The report was written by Kunan in collaboration with La Universidad Científica del Sur, Innovate Peru, Insitum, and NESsT.

⁷⁶ Kunan Peru, *Reporte Sobre el Estado del Emprendimiento Social y Ambiental en el Perú* (Lima, Peru: Kunan Peru, 2019).

PERCEPTIONS OF SOCIAL ENTREPRENEURSHIP

There are various definitions of social entrepreneurship in academic and business literature. Beginning with entrepreneurs' knowledge of this concept is key as it illustrates their understanding of social entrepreneurship and of whether they themselves can participate in it. As stated in *The Existing Landscape of Social Entrepreneurship in Peru*, “[a] lack of proper understanding of the meaning of social entrepreneurship...prevents the general public and institutions [and] even social entrepreneurs from grasping its true potential and bringing forward initiatives, programs, and policies aimed at supporting the growth of this sector within the economy.”⁷⁷

In this report, social enterprises are defined as businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners. In contrast, a definition from Kunan describes social enterprises as either for-profit or not-for-profit organizations with a sustainable business model that contribute to solving social and environmental problems affecting vulnerable populations.⁷⁸ Overall, these two definitions similarly highlight the need for a core social mandate. Kunan's definition differs slightly as it places a greater emphasis on a sustainable business model needed to carry out this mandate.

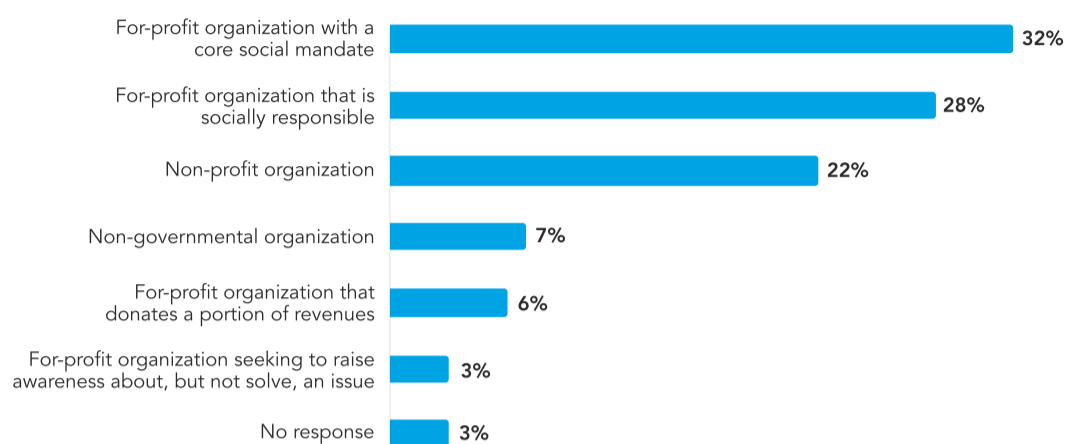
Within the survey population, the most prevalent understanding of social enterprises is that these are for-profit businesses that actively carry out a social mandate (32% of respondents). This view is similarly shared by the majority of both women and men (33% and 30% each), as well as older entrepreneurs (33% of this group). In contrast, the majority of younger entrepreneurs (31%) think social enterprises are for-profit organizations that are generally socially responsible. Overall, this result indicates that most of the survey population (60%) think social enterprises are for-profit organizations like MSMEs.

⁷⁷ Kunan Peru, *The Existing Landscape of Social Entrepreneurship in Peru* (Vancouver, Canada: Kunan Peru, 2019), p.10.

⁷⁸ Kunan Peru, *Reporte Sobre el Estado del Emprendimiento Social y Ambiental en el Perú* (Lima, Peru: Kunan Peru, 2019), p.26-27.

FIGURE 12. Respondents' definitions of a social enterprise

Question 4.1: Which of the following definitions best describes your idea of a social enterprise?



As for whether survey respondents consider themselves as working in a social enterprise, one-third of the survey population said that they do consider their company as a social enterprise or as one seeking to address social issues (31% of respondents). The gender and age breakdown of this subgroup can be seen in Table 4 below.

TABLE 4. Demographics of social entrepreneurs in survey population

Demographic	Number of Respondents
Women	36
Men	42
Younger entrepreneurs	17
Older entrepreneurs	60
Total respondents who self-identified as social entrepreneurs	78

Within this subgroup, there are almost even numbers of women and men. There are also similar numbers of younger and older entrepreneurs in this subgroup: 35% of all younger entrepreneurs in the survey population said they consider their company as a social enterprise, while 30% of all older entrepreneurs said the same. For comparison, the 2019 *Report on the State of Social and Environmental*

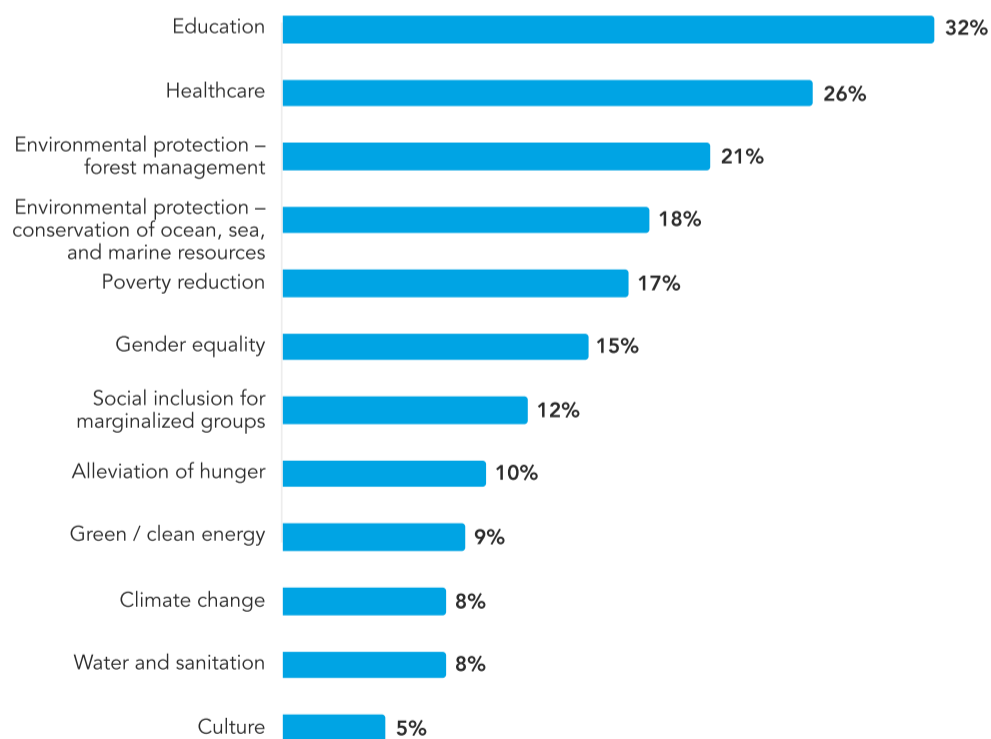
Entrepreneurship in Peru found that out of the 161 enterprises surveyed for the study, 41% are managed by women, while 78% are led by young entrepreneurs between the ages of 18 to 39 years old.⁷⁹

When this group of surveyed social entrepreneurs was asked about their rationale for wanting to engage in this type of entrepreneurship, most said they wanted to contribute to the social good (32% of this subgroup).⁸⁰ Other motivations that respondents mentioned include wanting to have business growth at all levels (27%), contributing to Peru's economic growth (9%), engendering social change (9%), and attaining personal well-being and fulfilment (8%).

As for the areas of impact that these aspiring social entrepreneurs want to focus on, the top three mentioned are education (32%), healthcare (26%), and environmental protection (21% for forest management and 18% for conservation of ocean, sea, and marine resources).

FIGURE 13. Mandates of self-identifying social enterprises

Question 4.5: Which area(s) is your enterprise seeking to impact? Select all that apply.



⁷⁹ Ibid., p.95.

⁸⁰ Taken from Question 4.3: Please describe your motivation for wanting to become a social entrepreneur or work at a social enterprise.



Peru has several strong examples of successful MSMEs that give back to their communities.

One of these examples is qAIRa.

The enterprise was born out of Abarca's engineering thesis project, wherein she created a drone equipped with sensors that detect levels of air contamination. qAIRa's drones are now used by several clients, including Peru's Ministry of Health and the Municipality of Surco. In 2017, qAIRa was recognized at the Seedstars Summit in Switzerland, a major international startup competition for entrepreneurs in emerging economies, where Abarca won the Best Female Entrepreneur award.⁸²

qAIRa: a social enterprise that focuses on digitizing and democratizing information on air quality.⁸¹ Co-founded by Mónica Abarca and Carlos Saito, qAIRa uses its own innovative technology and drones to map air quality across Peru, with the goal of providing individuals with the tools they need to become agents for environmental change.



Yaqua: a social enterprise founded by Fernando Tamayo that provides clean bottled drinking water for Peru's rural communities. Yaqua invests its dividends and proceeds from its bottled water sales in water provision projects for communities that don't have access to drinkable water.⁸³

Another success story is Yaqua.

Since its start in 2013, the enterprise has set up five water projects, in Iquitos, Amazonas, Huancavelica, Ayacucho, and Cajamarca, and has impacted the lives of more than 1,300 people. Yaqua also works with local community members to discuss the needs for each water project, and the enterprise identifies a local collaborator who is responsible for overseeing and maintaining the water project after its completion.⁸⁴ Yaqua is

now planning to set up more water projects in La Quinoa and Chota. In addition to these projects, Yaqua has also developed its own patented water filter that has a high metal elimination capacity, allowing those living in rural communities to access previously contaminated water sources.⁸⁵

81 qAIRa, "About Us," qAIRa, 2020, <https://www.qairadrones.com/index.php?r=site/nosotros>.

82 Seedstars, "Meet our 2017 Global Summit winners," qAIRa, 2017, <https://www.seedstars.com/magazine/meet-our-2017-global-summit-winners/>.

83 Yaqua, "Nosotros," Yaqua, 2018, <https://www.yaqua.pe/nosotros/>.

84 One Young World, "Yaqua," One Young World, 2020, <https://www.oneyoungworld.com/ambassador-projects/yaqua>.

85 NESST, "NESST & Kiva Partner for Water Access in Peru," NESST, 2016, <https://www.nesst.org/nesst/blog/2016/11/08/nesst-kiva-yaqua>.

One last prominent example is Lumni. By investing in ISAs rather than traditional student loans, Lumni is able to make financing available to students of all backgrounds and offer students strong repayment protections, among other benefits.⁸⁷ Lumni operates in four economies in addition to Peru, namely Chile, Colombia, Mexico, and the United States. It has been recognized through multiple awards, one of which is the 2011 Social Entrepreneur for Latin America award from the World Economic Forum.



Lumni: A social business founded by Felipe Vergara that provides educational funding for university students. Lumni finances students through Income Share Agreements (ISAs), wherein students repay the funding they receive by giving a fixed percentage of their future salary for a set period of time.⁸⁶

SUCCESS AS A SOCIAL ENTREPRENEUR

With the examples available of internationally and domestically recognized social enterprises, how do entrepreneurs perceive success for this type of business? In other words, how do survey respondents define success in social entrepreneurship?

Standards of successful social entrepreneurship have so far been set by existing enterprises. During the *APEC-Canada Growing Business Partnership MSME, Competitiveness, and Social Innovation Training Day* hosted by APF Canada and Kunan Peru in September 2019, social entrepreneurship hub NESsT highlighted best practices from existing social enterprises like [Wasi Organics](#) and [Pietà](#). NESsT presented five common characteristics of effective social businesses: a measurable social or environmental impact, a scalable and replicable model, economic sustainability, intersectoral collaboration, and a committed team. This standard corresponds with Kunan's aforementioned definition of social entrepreneurship, which emphasizes the need for a sustainable business model and the ability to measure social impact.

As for social entrepreneurs in the *2020 Survey of Entrepreneurs and MSMEs in Peru*, these survey respondents define successful social entrepreneurship in various ways.

⁸⁶ Lumni, "Our Team," Lumni, 2020, <https://www.lumni.net/about-2/#dondetrabajamos>.

⁸⁷ American Enterprise Institute, *Investing in Value, Sharing Risk* (Washington DC, United States of America: AEI, 2014).

The top three signifiers of success that respondents identified include accomplishing their goals (21% of respondents), their commitment and dedication (19%), and user or consumer satisfaction (17%).

TABLE 5. Defining success as a social entrepreneur

Question 4.4: How do you define success for your social enterprise?

Definition	Number of Respondents
Accomplishment of goals	16
Commitment and dedication	15
User/consumer satisfaction	13
Positively contribute to society	7
Creativity and innovation	7
Commitment to the environment	7
Good management	6
Business growth	5
Generate a good working climate	1
Uphold ethical and moral values	1
Total respondents who are social entrepreneurs	78

When disaggregated by gender, women and men in this subgroup are overall found to have similar understandings of successful social entrepreneurship. However, there are two key differences in their perceptions of success. First, more women than men said that they view goal fulfilment as a marker of a social enterprise's success. Among women, 31% identified this as their definition of success, compared to just 10% of men. Second, more men than women said they saw commitment and dedication as a sign of a successful social business: 24% of men defined success in this way, compared to 14% of women.

As for differences in views by age, younger and older entrepreneurs emphasize different markers of success for social enterprises. Among younger entrepreneurs, goal fulfilment is the top marker of success (35% of young entrepreneurs in this subgroup), whereas older respondents emphasized commitment and dedication (22% of older entrepreneurs in this subgroup).

SCALING UP SOCIAL ENTERPRISES' IMPACT

In addition to overall growth plans for their MSMEs, entrepreneurs also have specific ideas for how they want to scale up their social enterprise's impact. Scaling up can be defined as finding the “most effective and efficient way to increase a social enterprise's social impact based on its operational model, to satisfy the demand for relevant products and/or services.”⁸⁸ Notably, this definition does not focus on the growth of the social enterprise itself, but instead of its social impact.

Most surveyed social entrepreneurs said they wanted to scale up the impact of their social enterprise in some way (85% of this subgroup). This includes the majority of both women (86% of female respondents in this subgroup) and men (83%), as well as younger (65%) and older entrepreneurs (90%).

The most prevalent plan among respondents for expanding the impact of their social enterprises is to establish operations at the national level (30% of respondents in this subgroup). This plan is particularly favoured by male entrepreneurs as well as by older respondents. The second most cited plan of expansion is disseminating knowledge through training sessions or workshops (26% of respondents in this subgroup). Finally, the third most mentioned plan for scaling up social enterprises is to expand businesses' existing operations at the local level (24% of respondents in this subgroup).

TABLE 6. Social entrepreneurs' scale-up plans, disaggregated by **gender** and **age**

Question 4.7: How do you intend to scale the impact of your social enterprise? Select all that apply.

Scale-Up Plans	Women Entrepreneurs	Men Entrepreneurs	Younger Entrepreneurs	Older Entrepreneurs	Total Responses
Establish operations at the national level	8	15	3	20	23
Disseminate knowledge through training or workshops	9	11	3	17	20
Expand existing operations at the local level	8	11	3	15	19
We do not intend to scale	5	7	6	6	12
Participate in new partnerships with organizations and associations	4	3	1	6	7
Sale or merger with another organization or company	2	2	1	3	4
Establish new locations abroad	1	1	0	2	2
Total responses	89				
Total respondents who are social entrepreneurs	78				

88 OECD, *Policy Brief on Scaling the Impact of Social Enterprises* (Paris, France: OECD, 2016), p.4.

There is also the recognition that growth for a social enterprise may come at a risk of compromising its mandate. Scholars have coined the term “mission drift” to describe the unique challenge social enterprises face in balancing their social mandate with the need for economic sustainability.⁸⁹ Generally, MSMEs focus on profit generation, whereas social enterprises also seek to achieve a social or environmental goal. These two elements can therefore come into conflict, and an emphasis on growth may cause a social enterprise to stray from its social mandate.

When respondents were asked about their perspective on whether expanding their social enterprise will compromise its mandate, over half agreed that there was some risk of this happening (52% of respondents in this subgroup).⁹⁰ Of the surveyed social entrepreneurs, 38% said they believe business growth poses a “high risk” to their mandate, while 14% said they believe growth poses a “very high risk.” However, while most respondents said there was some form of risk, a significant number of surveyed social entrepreneurs said they did not think MSME growth would compromise their enterprise’s social mandate (47% of respondents in this subgroup).

Disaggregated by gender, 64% of female social entrepreneurs said they agree that business growth would compromise their enterprise’s mandate. On the other hand, the majority of male social entrepreneurs said they did not believe growth will compromise their enterprise’s mandate (57% of men in this subgroup). This difference in opinion is not statistically significant. Nevertheless, it could point to a larger trend that may become more pronounced in future research.

On the other hand, in terms of age, the majority of both younger and older entrepreneurs agree that business growth does pose some degree of risk of compromising their enterprise’s mandate (53% of younger respondents and 52% of older respondents in this subgroup).

BARRIERS TO SOCIAL ENTERPRISES’ GROWTH

Due to the nature of their work, social enterprises face specific barriers to their growth within the overall context of MSME expansion. As previously mentioned, some of these barriers include a lack of specialized support for social enterprises,

⁸⁹ Virtue Ventures, “Mission Drift,” Virtue Ventures, 2020, http://www.4lenses.org/setypology/mission_drift.

⁹⁰ Taken from Question 4.8: From your perspective, will growing your business compromise the social mandate or original intent of your company?

a lack of financing, and an absence of relationships between enterprises and actors in the social entrepreneurship ecosystem. In the survey, respondents were asked to evaluate the impact of four factors on their enterprise's growth: the domestic government, public apathy, industry inertia, and quantification of impact. In the following section, the term "barrier" is used to refer to respondents' identification of a factor as either a high barrier or a barrier to their social enterprise's success.

The most cited barrier among respondents is the domestic government. Almost half of surveyed social entrepreneurs (45%) agree that there is insufficient state support to address their enterprise's targeted social or environmental issue. Indeed, there is no public policy that specifically caters to social enterprises in Peru; instead, these enterprises are counted in the overall number of MSMEs. Kunan argues that "the lack of a legal framework [to identify] social businesses [can] lead entrepreneurs to adopt diverse legal structures that do not necessarily suit their needs."⁹¹ They argue that this can reduce the competitiveness of Peruvian social enterprises and even cause them to incur more costs than otherwise needed.

The second most cited barrier is public apathy (42% of surveyed social entrepreneurs). This factor encompasses the lack of public awareness of the social enterprise's targeted social or environmental issue and the lack of willingness to address it. Notably, this factor was indicated as a high barrier to social enterprises' growth more than any other option (22% of respondents).

As for the remaining two options, industry inertia (38%) and quantification of impact (32%), surveyed social entrepreneurs reported these factors as barriers. Industry inertia refers to the inability or lack of willingness to address a targeted social or environmental issue in the industry the social enterprise is involved in. The quantification of impact then refers to a social enterprise's inability to effectively quantify or communicate its social impact.

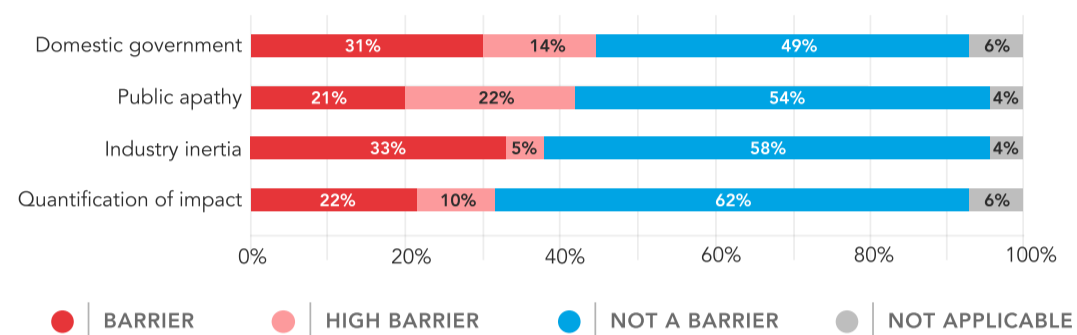
Overall, though the domestic government and other factors were recognized to be barriers to a social enterprise's success, the majority of surveyed social entrepreneurs do not see any of these factors as barriers. This is perhaps due to the high number of respondents who accessed MSME support services. Over two-thirds (67%) of surveyed social entrepreneurs said they accessed some form of

⁹¹ Kunan Peru, *The Existing Landscape of Social Entrepreneurship in Peru* (Vancouver, Canada: Kunan Peru, 2019), p.10.

support services for their enterprise, while just 27% said they lacked access to such services.⁹² Moreover, the rate of accessing support services among social enterprises is higher than that among non-social enterprises in the survey population (67% of social enterprises compared to 43% of non-social enterprises).

FIGURE 14. Barriers to social enterprises' growth

Question 9.2: What are the barriers to your company's overall success?

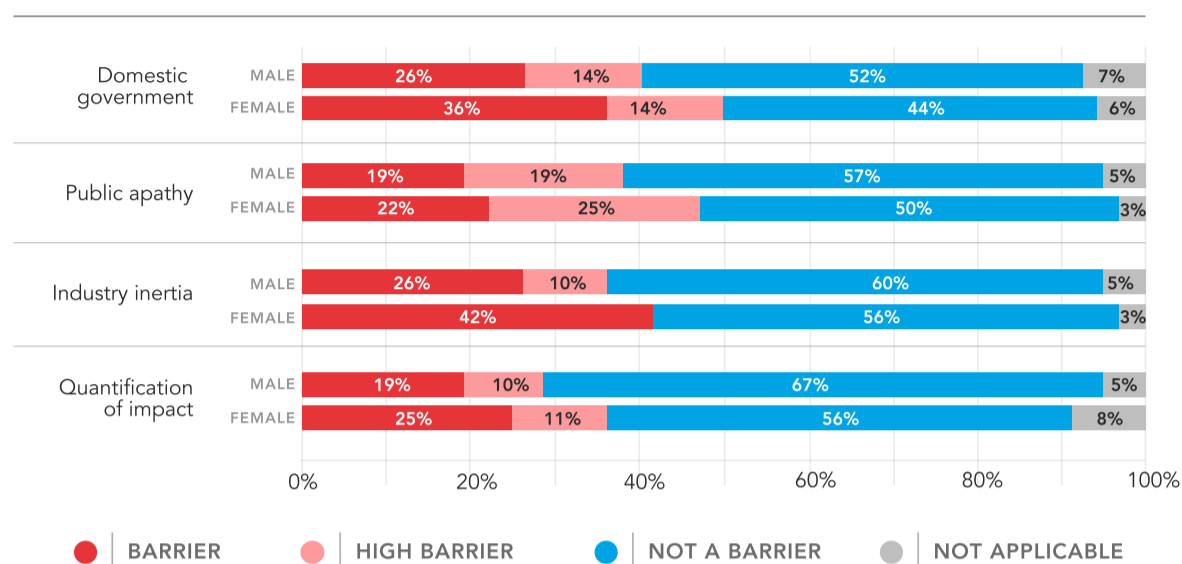


When disaggregating the data by gender, more women than men are found to perceive all the question options as barriers to their social enterprise's success. Regarding the domestic government, half of female social entrepreneurs think this factor is a barrier, compared to 40% of male social entrepreneurs. Considering public apathy, 47% of women think this is a barrier, compared to 38% of men, while for industry inertia, 42% of women agree this is a barrier while 36% of men said the same. Finally, for quantifying their social enterprise's impact, 36% of women think this is a barrier compared to 29% of men.

Notably, the general trend still holds in this gender disaggregated data: with the exception of the domestic government, the majority of both women and men do not perceive any of these factors as barriers. However, the descriptive differences in views between women and men are not statistically significant in this study. Despite this, these points may still lead to trends that can be investigated in future research.

⁹² Moreover, 6% of surveyed social entrepreneurs said they were not interested in accessing any support services. Taken from Question 8.1: To which of the following support services does your company have access?

FIGURE 15. Perception of barriers to social enterprises, disaggregated by gender

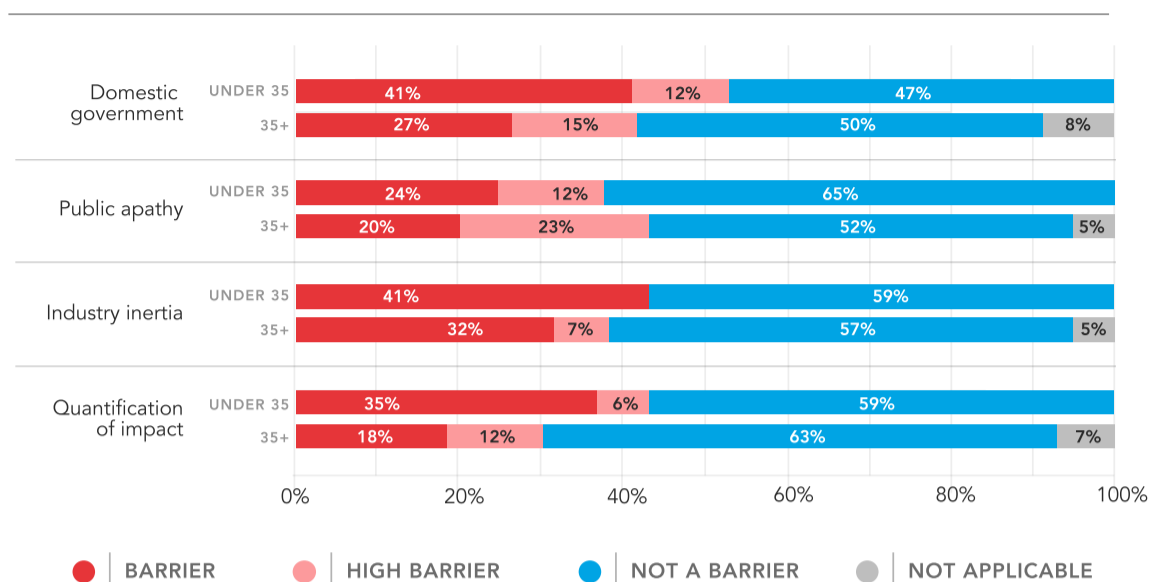


Considering differences in views between younger and older respondents, older entrepreneurs seem more concerned about the impact of public apathy on their enterprise's success, whereas younger respondents are most concerned with the domestic government. For public apathy, 43% of older entrepreneurs said this factor is a barrier, compared to 36% of younger entrepreneurs. Moreover, this factor is the only option that more older entrepreneurs indicated was a barrier than did younger respondents. For the domestic government, over half of younger entrepreneurs (53%) think this is a barrier, compared to 42% of older entrepreneurs.

For the inability to quantify of their enterprise's social impact, 41% of younger entrepreneurs said this is a barrier for them, while 30% of older entrepreneurs said the same. Meanwhile, similar numbers of younger and older entrepreneurs said they think industry inertia is a barrier (41% and 39%, respectively).

Overall, a noteworthy finding is that at least half of both women and younger entrepreneurs indicated the domestic government as a barrier for their social enterprise. Though the majority of surveyed social entrepreneurs said this factor is not a barrier (55% of respondents), this result shows that the government's lack of institutional support for social entrepreneurship may disproportionately impact women and young entrepreneurs in the survey population.

FIGURE 16. Perception of barriers to social enterprises, disaggregated by age



The Existing Landscape of Social Entrepreneurship in Peru report offers case studies that illustrate how these barriers, among other factors, impact social enterprises on the ground. Table 7 presents these case studies and the specific challenges each one faced.

TABLE 7. Case Studies from The Existing Landscape of Social Entrepreneurship in Peru

Social Enterprise	Business Size	Area of Impact	Industry	Notes
Burana	Micro	Social and cultural; addresses social stigma and lack of access to dignified labour opportunities for imprisoned women	Manufacturing	<ul style="list-style-type: none"> • Difficulty in increasing international sales/exporting • Lack of educational opportunities to develop a business career as a student • Lack of social entrepreneurship education)
Q'uma Chocolate	Micro	Economic; provides economic growth to lower-level cacao farmers	Agriculture	<ul style="list-style-type: none"> • Has received public funding support from organizations such as USAID, PROMPERÚ, and Empeude UP • Majority of income comes from exports to developed markets • Lack of consistent sources of funding and profitability caused difficulties with sustainability of SE • Suggests that time and dedication to work is key to successful SE (implies that it is better to start a SE when you're young) • Biggest challenge in the beginning was to find the right suppliers and establishing trust
EmpanaCombi	Small	Social; addresses labour exclusion of people with physical, sensory, and cognitive disabilities	Food and Nutrition	<ul style="list-style-type: none"> • Raised capital in its first year through fundraising • Faced challenges in operations, product development, marketing, and commercialization • Realized the importance of financial management
Inka Moss	Medium	Economic; produces sustainable and eco-friendly white moss (a good fertilizer)	Agricultural	<ul style="list-style-type: none"> • Average age of current staff is 36 years old • Biggest challenge was logistics as locations to farm the moss are 2-3 hours from the plant • Other challenges include climate change (affected production) and public infrastructure (lack of roads to get to the moss) • Founder said that he has seen many entrepreneurs inflate numbers to achieve their objectives • Implied difficulty with stakeholder relations

TRAINING AND SUPPORT FOR SOCIAL ENTERPRISES

Given the unique barriers that social enterprises face to their growth and success, what kind of training and support can MSMEs access to learn about social entrepreneurship?

Kunan argues that there is a lack of specialized support for social enterprises. Though organizations like Kunan and NESsT provide support and financing for social enterprises, Kunan argues that more co-ordination between actors in the social entrepreneurship ecosystem is needed to make this structure more accessible for enterprises. Indeed, preliminary survey research from INCUBA in 2016 found that the majority of social enterprises did not have relationships with key actors in the ecosystem, like investment funders and accelerators. Moreover, while there are existing MSME support programs to assist social enterprises, these are not tailored to meet enterprises' needs.

Disaggregating this data by gender, more women than men received training on social entrepreneurship. However, only 19% of surveyed social entrepreneurs said they received some training specific to social entrepreneurship. While a quarter of female social entrepreneurs said they received training, only 14% of male social entrepreneurs said the same. In terms of age, 29% of young social entrepreneurs indicated that they received training, while just 17% of older entrepreneurs reported the same.⁹³ Together, these results highlight the absence of specific and targeted training for social entrepreneurship that organizations like Kunan have already observed.

Among the few who did receive training on social entrepreneurship, most said their training covered two main topics: business strategy and entrepreneurship. Other topics that were mentioned include entrepreneurship skills like business strategy and management, and technical skills like marketing and social media. Respondents also mentioned training topics related to specific areas of social entrepreneurship, such as health and community service.

⁹³ Only two additional respondents, who did not self-identify as a social entrepreneur, said they received this training. As for how these entrepreneurs received their training, two respondents said they used online applications to learn about social entrepreneurship, while another two said they received in-person or virtual mentorship on this topic.

TABLE 8. Social entrepreneurship training topics

Question 5.5: Have you ever received training specific to social entrepreneurship?

Question 5.6: What type of training did you receive? (Answered by those who answered "yes" to 5.5)

Topic	Number of Respondents
Business strategy	11
Entrepreneurship	9
Education	5
Trade and sales	3
Marketing	2
Social development and welfare	2
Agriculture	1
Business management	1
Health	1
Animal care and health	1
Environmental indicators	1
Community service	1
Automotive and mechanical products	1
Social issues in Peru	1
Human resources	1
Social media	1
No response	1
Total responses	43
Total respondents who said they received training specific to social entrepreneurship	32

While there is a lack of specialized training and support for social entrepreneurship, social enterprises do access existing support programs for MSMEs. As previously mentioned, the majority of surveyed social entrepreneurs said they have accessed support services of some kind (67% of respondents).⁹⁴

Like the general survey population, the most well-received support initiatives among social entrepreneurs are Peruvian Entrepreneur, Innovate Peru, the Centres for Business Development, and COFIDE. Moreover, the most well-known option among these respondents is COFIDE (79% of surveyed social entrepreneurs). However, in contrast to the general survey population, descriptive results show that social entrepreneurs are more aware of the various support options available to them. At least half of surveyed social entrepreneurs are aware of each option (see Table 9).

⁹⁴ Taken from Question 8.1: To which of the following support services does your company have access?

TABLE 9. Social entrepreneurs' perceptions of MSME support programs

MSME Support Programs and Initiatives	Positive Impact	No Impact	Negative Impact	Not Applicable	I'm Not Aware
Peruvian Entrepreneur (Emprendedor Peruano)	39	5	1	12	21
Innovate Peru	35	9	0	13	21
Centres for Business Development (Centros para el Desarrollo Empresarial)	31	6	0	14	27
COFIDE (Corporación Peruana para el Desarrollo)	30	5	2	25	16
Export promotion programs (trade missions, marketing)	26	5	1	19	27
Tax Incentives for Research and Development	22	1	1	20	34
Support program for science, technology and technological innovation (FONDECYT)	21	10	1	17	29
Technological services from CITEs (Centers of Productive Innovation and Technology Transfer)	20	5	0	15	38
Entrepreneurship support programs (seed capital incubation)	17	9	0	15	37
CRECER Fund	14	5	3	17	39
Technical assistance programs for the adoption of technology and business management (CITEs, technological missions and consultancies, technical assistance, FINCYT, etc.)	14	8	1	21	34
StartUp Peru	14	6	5	20	33
Produce Virtual	14	6	0	20	38
Digital Kit	10	11	1	17	39

Conclusion

Findings from the *2020 National Survey of Entrepreneurs and MSMEs in Peru* have highlighted the need to continue supporting MSMEs, both in their general business needs and the specific barriers they face in social entrepreneurship. This report concludes with reflections on three areas: the accessibility of support for MSMEs, the need for specialized support for social enterprises, and the impact of the recent COVID-19 pandemic on MSMEs in Peru.

MAKING SUPPORT ACCESSIBLE FOR MSMEs

This report poses three queries on the accessibility of support initiatives for Peruvian MSMEs.

How Accessible Are Existing Support Programs, Initiatives, and Institutions to MSMEs?

One notable finding of this report is that the most well-known support programs and institutions among the survey population are COFIDE, Innovate Peru, the Centres for Business Development, and the Peruvian Entrepreneur platform. This report therefore confirms the success of these programs in reaching Peruvian MSMEs. However, more than half of the survey respondents are unaware of other key support programs available to them, such as PRODUCE initiatives like the Digital Kit, Produce Virtual, and StartUp Peru.

This report recommends that the Ministry of Production and other support service providers review the accessibility of their programs. This accessibility review can be done through qualitative studies that investigate how entrepreneurs find out about support programs and share information about them (e.g., through their personal networks, social media), how entrepreneurs' access differs by their geographic location (e.g., in Lima and Peru's coastal region versus its mountainous and jungle areas), whether technological barriers (e.g., lack of devices and internet access) affect MSMEs' access to online platforms, and the reasons why MSMEs choose to access support programs, among other queries. Acknowledging the rural/urban dimension of MSMEs' experiences in Peru is important, as this aspect determines the opportunities and challenges they face. This report also highlights potential technological barriers that prevent entrepreneurs from accessing online support services, given that many surveyed entrepreneurs did not access online support platforms. Lastly, this report recommends the centralization of information on

support programs through an existing platform that is already widely used by entrepreneurs.

How Can Restrictive Domestic Government Policies Be Revised?

As survey data has showed, the top barrier that entrepreneurs have experienced to the growth of their business is the domestic government. More than half of the survey respondents have said that restrictive regulations or administrative procedures, among other concerns, are hurdles to the success of their MSME. This includes obstructive municipal bureaucracy and perceptions of lacking government services for MSMEs.

This report recommends a periodic government-led review of these items, according to findings from the *2020 National Survey of Entrepreneurs and MSMEs in Peru* and the 2018/2019 Global Entrepreneurship Monitor report. This report recognizes that general and COVID-19 related measures have already been implemented.⁹⁵ Given these reforms, it is important to periodically evaluate their impact on entrepreneurs. This report thus recommends periodic and sustainable consultations with entrepreneurs to understand the impact of national and municipal government policies on their MSMEs. This data and information should also be made accessible via press releases, government reports, and other publications.

How Can MSMEs Be Encouraged to Go Abroad?

A key finding in this report is the overall lack of international experience among the survey population. As previously discussed, only a third of surveyed entrepreneurs said that employees in their business, including founders, have worked or studied outside of Peru. Moreover, as descriptive statistics have shown, just over a quarter of the survey population (28%) has accessed export promotion programs that support MSMEs in expanding their businesses abroad.

This report argues that international experience for MSMEs must be encouraged further by the Ministry of Production and Ministry of Foreign Trade and Tourism. This report does recognize that in the 2025 National Strategic Export Plan, the Ministry of Foreign Trade and Tourism has highlighted the overwhelming participation of micro and small enterprises in exports. In addition to policy

⁹⁵ Ministerio de la Produccion, "Gobierno promueve el financiamiento para las Mipymes, emprendimientos y startups," Ministerio de la Produccion, 2020, <https://www.mef.gob.pe/es/noticias/notas-de-prensa-y-comunicados/6266-gobierno-promueve-el-financiamiento-para-las-mipymes-emprendimientos-y-startups>; Andina, "Peru tax reform facilitates SMEs' growth," Andina, 2016, <https://andina.pe/ingles/noticia-peru-tax-reform-facilitates-smes-growth-645948.aspx>.

approaches in this plan, international experience can be further encouraged through online courses on platforms like Peruvian Entrepreneur that would highlight the advantages of going abroad. Businesses can also be incentivized through tax incentives and awards recognizing MSMEs that do business abroad. Lastly, MSMEs can be encouraged to gain international experience through mentorships with businesses that have already expanded their operations abroad.

SOCIAL ENTERPRISES NEED SPECIALIZED SUPPORT AND LEGISLATION

A second general trend identified in this report is the lack of specialized support for social enterprises in Peru. While these enterprises access existing support initiatives available for all MSMEs, these options likely do not address their specific needs.

Supporting the Social Entrepreneurship Ecosystem

Surveyed social entrepreneurs reported that they do actively access existing support services and that they are aware of the various support initiatives available to them. Moreover, the same support programs that are generally well received among the survey population are also popular among the subgroup of social entrepreneurs. However, these services may not meet all their needs as social entrepreneurs. Moreover, existing services for social entrepreneurship provided by organizations like Kunan and NESsT are not widely known.

This report recommends that relevant government bodies, particularly the Ministry of Production, work more closely with actors in the social entrepreneurship ecosystem. Such collaboration should help to disseminate information on social entrepreneurship and the actors supporting social enterprises like Kunan and NESsT. This collaboration should also help social enterprises to build relationships with actors in the ecosystem, centralize the access points to government information and support services, and also ensure that entrepreneurs are aware of the services, financing, and training available to them.

Creating Specialized Legislation

The need for specialized support goes hand in hand with official legislative recognition and national statistics on social enterprises across Peru. Currently, there is no national legislation or public policy that specifically targets Peru's social enterprises. Moreover, data on social enterprises is not collected in national

statistics on MSMEs. To make support for social enterprises more robust, a clear understanding of this landscape is crucial. This requires national statistics on social enterprises that are updated on a regular basis and targeted strategies to engage these enterprises.

This report thus recommends that social enterprises be specifically recognized in existing MSME legislation, in order to collect official statistics on social enterprises across Peru and target these enterprises in government-run initiatives like Innovate Peru. This report also recommends the inclusion of social enterprises in MSME legislation given the popular understanding of these enterprises as for-profit businesses, as demonstrated in the survey results. Ideally, such legislation must fit the prevalent definition of social entrepreneurship in Peru, which is that social enterprises can be either for-profit or not-for-profit organizations that have an explicit social mandate and a sustainable business model.⁹⁶

Building on this current study of MSMEs and social enterprises, this paper also recommends further investigation into municipal level or subnational data collection on existing social enterprise legislation – with the aim of further co-ordinating policies and legislation between different levels of government. Although not specifically explored in this study, there is potential for consultation between local actors in the social entrepreneurship ecosystem and other relevant national government bodies such as the Ministry of Production, which may further streamline the support and resources for MSMEs.

THE IMPACT OF COVID-19

The COVID-19 pandemic poses an extraordinary challenge for MSMEs in Peru and around the world, as lockdowns and social distancing measures have reduced traffic for businesses, disrupted supply chains, impacted operational costs, and more. The Lima Chamber of Commerce's Institute of Economics and Business Development has estimated that Peru's GDP will drop by 3.7% in 2020 due to the pandemic.⁹⁷ Micro and small enterprises are expected to be the hardest hit in this economic downturn. The Ministry of Production and Ministry of Economy and

⁹⁶ Kunan Peru, *Reporte Sobre el Estado del Emprendimiento Social y Ambiental en el Perú* (Lima, Peru: Kunan Peru, 2019).

⁹⁷ Economía Verde, "Covid 19 en el Perú: El impacto en las Mypes," Economía Verde, 2020, <https://economiaverde.pe/covid-19-en-el-peru-el-impacto-en-las-mypes/>.

Finance, among other government bodies, have instituted a number of financial and employment support measures to assist MSMEs during the pandemic.⁹⁸

Support Offered by the Peruvian Government

Among the support measures offered by the Peruvian government is the Business Support Fund⁹⁹ for micro and small businesses and the *Reactiva Peru* fund,¹⁰⁰ wherein 50,000 MSMEs will receive loans from municipal savings banks with low rates. The Ministry of Production has also made free services available through CITEs for implementing COVID-19 safety protocols.¹⁰¹ In addition, the government has approved a three-month extension for submissions of income tax declarations from SMEs.¹⁰² Recently, the Peruvian Association of Small and Micro Enterprises has opened a survey on the impact of COVID-19 on MSMEs to gather data and perspectives from businesses.¹⁰³ The published results of this survey will likely be noteworthy.

The Ministry of Production also recently launched the Innova COVID-19 Challenge: Innovate to Save through the Innovate Peru program to involve MSMEs in the fight against the pandemic.¹⁰⁴ This initiative has a total fund of S/. 10M (approximately C\$4M) to co-finance innovative solutions to help prevent and control outbreaks. The Innova COVID-19 Challenge is also searching for communication projects related to the pandemic, in hopes of continuing to disseminate important information about COVID-19 to citizens, as well as stimulating motivation among entrepreneurs during the health crisis.

Moving Forward

The national survey results presented in this report represent the MSME and social entrepreneurship landscape before the recent impacts of the COVID-19 pandemic.

98 World Bank, "Map of SME-Support Measures in Response to COVID-19," World Bank, 2020, <https://www.worldbank.org/en/data/interactive/2020/04/14/map-of-sme-support-measures-in-response-to-covid-19>.

99 LP, "Factoring como alternativa de financiamiento para las Mipyme en el marco del covid-19," LP, 2020, <https://lpderecho.pe/factoring-alternativa-financiamiento-mipyme-covid-19/>.

100 Andina, "Reactiva Perú: 50,000 mipymes recibirán créditos de cajas ediles a tasas bajas," Andina, 2020, <https://andina.pe/agencia/noticia-reactiva-peru-50000-mipymes-recibiran-creditos-cajas-ediles-a-tasas-bajas-798095.aspx>.

101 Gestion, "Produce brindará asistencia a 16,000 mipymes para impulsar reactivación económica," Gestion, 2020, <https://gestion.pe/economia/coronavirus-peru-produce-brindara-asistencia-a-16000-mipymes-para-impulsar-reactivacion-economica-nndc-noticia/>; Andina, "Instituto Tecnológico de la Producción impulsará reactivación de las mipymes," Andina, 2020, <https://andina.pe/agencia/noticia-instituto-tecnologico-de-produccion-impulsara-reactivacion-de-mipymes-796690.aspx>.

102 International Monetary Fund, "Policy Responses to COVID-19," IMF, 2020, <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>.

103 Asociacion PYME Peru, "Encuesta Empresarial Sobre Impacto del Covid-19 en el Sector Mipyme," Asociacion PYME Peru, 2020, <http://asociacionpyme.pe/noticias/observatorios/encuesta-empresarial-sobre-impacto-del-covid-19-en-el-sector-mipyme/>.

104 Ministerio de la Produccion, "Reto Innova COVID-19," Ministerio de la Produccion, 2020, <https://innovatepe.gob.pe/RetoinnovaCovid19/index.html>.

However, while the pandemic continues to challenge MSMEs, the existing trends presented by this report are not erased by recent events. Instead, the pandemic's effects compound these trends, and the convergent impact of both factors must be analyzed.

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