

Tackling informality, better targeting and co-ordinating SME policies for small business to flourish in LAC, recommends OECD-CAF report

25/04/2019 – Latin American policy makers have accumulated significant SME policy experience, but still face major challenges to further mainstream SME policy into their wider national development strategies, make co-ordination and consultation mechanisms more effective, and improve monitoring and evaluation mechanisms, according to the [SME Policy Index - Latin America and the Caribbean 2019](#). It was launched today in Lima, Peru at a [regional ministerial event](#) organised by the OECD and the Latin American and Caribbean Economic System (SELA), with the support of the Ministry of Production and the Ministry of Foreign Trade and Tourism of Peru.

Accounting for over 99.5% of firms in the LAC region and generating 60% of formal productive employment, SMEs are critical motors for growth and social inclusiveness in the region, and a key priority for LAC policy makers. Yet LAC SMEs are facing the competition of a large informal sector and a significant productivity gap with large enterprises.

The joint OECD-CAF report, which also received considerable support and contributions from SELA, as well as the Foundation for the Strategic Analysis and Development of the SME” (*Fundación para el Análisis Estratégico y Desarrollo de la Pyme*, or FAEDPYME), is the first edition of the SME Policy Index (SME PI) series for the LAC region. It reviews the policy landscape for SME development in seven Latin American countries (LA7) – including all members of the Pacific Alliance (Chile, Colombia, Mexico, Peru), as well as Argentina, Ecuador and Uruguay, and provides recommendations for unlocking further SME growth.

Key findings:

- Despite notable heterogeneity, each of the LA7 countries has accumulated significant SME policy experience, including in improving overall business environments and providing targeted support to firms. On a whole-of-government level, they have prioritised measures to cut red tape and simplify administrative procedures, including through the widespread use of e-government services. They have also launched targeted measures to enhance productivity, innovation and digitalisation, with the overall objectives of reducing dependence on the commodity/oil sector, developing advanced manufacturing and service activities, promoting technological upgrades, and further integrating into regional and global value chains.
- Yet, the assessment notes that there are challenges with regards to policy planning, implementation and impact assessment, especially as governments attempt to balance multiple objectives related to economic transformation, employment generation and the reduction of poverty and inequality. Balancing these multiple objectives will require the design and implementation of programmes targeting different segments of the SME population – as well as managing a wider range of initiatives, investing more resources, and engaging in a more extensive dialogue with various categories of SMEs. The assessment recommends that this should be conducted in the framework of an SME policy that supports and promotes productive transformation, but also addresses the issue of informality and responds to the basic needs of the vast microenterprise population.
- The assessment also finds that measuring effectiveness through monitoring and evaluation is a particularly weak area. This is important because despite a solid level of policy implementation demonstrated by the SME PI scores, the actual impact of such programmatic efforts remains to be seen in many cases.

Overall, the findings and recommendations of this report are delivered in response to strong demand from policy makers in the LAC region for assistance in better leveraging SME policy as a tool for sustainable economic development. To this end, the study provides specific recommendations to help LA7 policymakers and stakeholders ensure an integrated approach to SME policy - whereby interventions are strategic, sequenced and coherent - to increase the impact of interventions and programmes. It emphasises the importance of paying attention to good policy-making practices throughout the policy cycle – from design, adoption and implementation to monitoring and evaluation (M&E) – to help ensure that support remains responsive to firms’ needs.

The [SME Policy Index \(SME PI\)](#) is an analytical tool developed by the OECD, in co-operation with international partners, to map SME policies and programmes and to assess alignment with good practice over time. Since its first application in 2007, it has been used in 38 economies and four regions worldwide, including the Mediterranean Middle East and North Africa region, Western Balkans and Turkey, the Association of Southeast Asian Nations (ASEAN), and Eastern Europe and Central Asia (Eastern Partner Countries). The SME PI framework aims to provide an independent and rigorous assessment of the policy environment for SMEs across a number of policy areas – such as access to finance, innovation, associativity, and internationalisation – to benchmark policy efforts against international good practice; and to provide guidance for policy reform and implementation on the basis of these findings.

The SME PI is a valuable tool to track progress among countries and across time. By undertaking the exercise every few years (as it is done in other regions where the SME PI is applied), Latin American countries can ascertain their progress in reforming and strengthening their SME development agendas and individual programmes. This helps them to move towards more effective policies and a common set of objectives outlined at the regional level.

Working with over 100 countries, the OECD is a global policy forum that promotes policies to improve the economic and social well-being of people around the world. [The OECD Regional Programme for Latin America and the Caribbean \(LACRP\)](#) contributes to this effort by bringing and adapting the OECD working methods of production of relevant and timely statistics, policy assessment, policy dialogue and policy advice to the LAC region. The LACRP was created in 2016 to strengthen the OECD's already longstanding co-operation with the region, and aims to support the region in advancing its reform agenda along three key regional priorities: increasing productivity, advancing social inclusion, and strengthening institutions and governance.

CAF - the Development Bank of Latin America - has as its mission to promote sustainable development and regional integration by financing projects from the public and private sectors, the provision of technical cooperation and other specialized services. Established in 1970 and currently made up of 19 countries - 17 from Latin America and the Caribbean, together with Spain and Portugal - and 13 private banks, it is one of the main sources of multilateral financing and an important generator of knowledge for the region. More information at www.caf.com CAF, Strategic Communication Department, prensa@caf.com Find us at: Facebook: CAF.America.Latina / Twitter: @AgendaCAF

The Latin American and Caribbean Economic System (SELA) is a regional intergovernmental organisation, based in Caracas, Venezuela, aimed at promoting a system of consultation and coordination to agree on common positions and strategies within the Latin American and Caribbean region in economic matters; contribute with these positions to countries, groups of nations, forums and international organisations; and promote cooperation and integration between Latin American and Caribbean countries.

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