SME Policy Index

Latin America and the Caribbean 2024

TOWARDS AN INCLUSIVE, RESILIENT, AND SUSTAINABLE RECOVERY

OECD

CAF DEVELOPMENT BANK OF LATIN AMERICA AND THE CARIBBEAN

SELA LATIN AMERICAN AND CARIBBEAN ECONOMIC SYSTEM

SME Policy Index: Latin America and the Caribbean 2024

TOWARDS AN INCLUSIVE, RESILIENT,
AND SUSTAINABLE RECOVERY

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Foreword

The 2024 edition of the *SME Policy Index: Latin America and the Caribbean Towards an inclusive, resilient, and sustainable recovery* assess regional trends and progress in the design, implementation and impact of policies affecting micro, small and medium-sized enterprises (SMEs) in nine countries (Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, and Uruguay), and also helps identify reform priorities for more effective, efficient, and coherent SME policies by benchmarking national measures against OECD standards.

Since 2019, when the first edition of the SME Policy Index in the Latin America and the Caribbean (LAC) region was released, SMEs have been the key components of economic growth, job creation, regional and local development, sustainability and social cohesion in the region. They currently make up 99.5% of LAC businesses and account for approximately 60% of formal employment. Given their small size and limited resources, with almost nine out of ten classified as microenterprises, SMEs in the region need targeted policy support to boost their economic resilience and productive potential. All nine participating governments have enhanced their SME policy frameworks over the past five years at different speeds and with different approaches in the context of budgetary constraints. Policies to further strengthen SME operational environments, enhance e-government services, and support programmes that bolster innovation and technology have particularly built on the recommendations from the 2019 and first edition of the SME Policy Index for the LAC region.

The 2024 SME Policy Index recommends that LAC governments could further enhance their support to SMEs by focusing on coordinated policy approaches and coherence across the implementing public institutions together with boosting the use of policy evaluation and monitoring, helping promote access to formal finance and supporting links to export markets. First, countries should renew their strategic planning for SME policies, considering disruptions from the COVID-19 pandemic and ongoing political and economic instability. Robust policy co-ordination mechanisms and enhanced operational autonomy for implementation bodies are essential. Allocating resources for policy monitoring and evaluation could facilitate informed decision-making. Second, priority should be given to the promotion of access to finance for SMEs in the LAC region, with nearly half of SMEs reporting lack of access to formal credit, by diversifying financial sources and improving SMEs' financial literacy. Finally, targeted measures to support SMEs integrate into global value chains could be enhanced by using the SME Policy Index to improve the regional coherence of national SME policy frameworks related to trade.

This second edition of the SME Policy Index for the LAC region includes two new countries in the analysis, Brazil and Paraguay, builds on the 2019 edition methodology with new dimensions on policies supporting the digital transformation and the green economy, as well as a cross-cutting gender approach throughout.

The report is the result of over two years of collaboration between the OECD, CAF (Development Bank of Latin America and the Caribbean), and the Latin American and Caribbean Economic System (SELA), responding to strong demand from LAC policymakers. It is a key output of the OECD LAC Regional Programme (LACRP) and leverages the OECD's comparable statistics, policy assessment and dialogue, as well as peer advice. It also illustrates the Programme’s commitment to working closely with regional partners and facilitating broader participation of LAC countries in OECD initiatives.

We look forward to continuing our joint efforts in designing and implementing policies that foster an inclusive, robust and sustainable growth trajectory in the LAC countries on the back of productive and resilient SMEs.

Mathias Cormann	**Sergio Díaz-Granados**	**Clarems Endara Vera**
Secretary-General	Executive President	Permanent Secretary
OECD	CAF	SELA

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Abbreviations and acronyms

Argentina	
AAICI	Argentine Investment and International Trade Agency *Agencia Argentina de Inversiones y Comercio Internacional*
AFIP	Federal Administration of Public Revenues *Administración Federal de Ingresos Públicos*
ANR	Non-Refundable Contributions *Aportes No Reembolsables*
BCRA	Central Bank of Argentina *Banco Central de la República Argentina*
BICE	Bank for Investment and Foreign Trade *Banco de Inversión y Comercio Exterior*
BNA	National Bank *Banco de la Nación*
CICyT	Interinstitutional Council of Science and Technology *Consejo Interinstitucional de Ciencia y Tecnología*
CNV	National Securities Commission *Comisión Nacional de Valores*
COFECyt	Federal Council of Science, Technology, and Innovation *Consejo Federal de Ciencia, Tecnología e Innovación*
CoFeFuP	Federal Council of the Public Function *Consejo Federal de la Función Pública*
CPPPE	Public-Private Council for the Promotion of Exports *Consejo Público Privado para la Promoción de Exportaciones*
CUIT	Unique Tax Identification Code *Clave Única de Identificación Tributaria*
EEAE	Specialised Entities for Entrepreneur Support *Entidades Especializadas de Apoyo al Emprendedor*
ENACOM	National Communications Agency *Ente Nacional de Comunicaciones*
FOGABA	Guarantee Fund Buenos Aires *Fondo de Garantías Buenos Aires*
FOGAR	Argentine Guarantee Fund *Fondo de Garantías Argentino*
FONTAR	Argentine Technology Fund *Fondo Tecnológico Argentino*
GACTEC	Scientific and Technological Cabinet *Gabinete Científico y Tecnológico*
GDE	Electronic Document Management System *Gestión Documental Electrónica*
LUFE	Single Financial and Economic Record *Legajo Único Financiero y Económico*
MDP	Ministry of Productive Development

	Ministerio de Desarrollo Productivo
MINCYT	Ministry of Science, Technology and Innovation *Ministerio de Ciencia, Tecnología e Innovación*
OLES	Simple Export Logistic Operators *Operadores Logísticos Exporta Simple*
ONPI	National Observatory of Industrial Parks *Observatorio Nacional de Parques Industriales*
RENPI	National Register of Industrial Parks *Registro Nacional de Parques Industriales*
RFCEM	SMEs Electronic Credit Invoice *Factura de Crédito Electrónica MiPyME*
SIPRO	Supplier Information System *Sistema de Información de Proveedores*
TAD	Distance Procedures platform *Plataforma de Trámites a Distancia*

Brazil	
ABDI	Brazilian Industrial Development Agency
ApexBrasil	Brazilian Trade and Investment Promotion Agency *Agência Brasileira de Promoção de Exportações e Investimentos*
BMP	Brazil More Productive *Programa Brasil Mais Produtivo*
BNDES	National Bank for Economic and Social Development *Banco Nacional de Desenvolvimento Econômico e Social*
DREI	National Department of Business Registration and Integration *Departamento Nacional de Registro Empresarial e Integração*
EGD	Digital Government Strategy *Estratégia de Governo Digital*
EMBRAPII	Brazilian Company for Industrial Research and Innovation *Empresa Brasileira de Pesquisa e Inovação Industrial*
FINEP	Financing Agency for Studies and Projects *Financiadora de Estudos e Projetos*
GTP-APL	Permanent Working Group for Local Productive Arrangements *Grupo de Trabalho Permanente para Arranjos Produtivos Locais*
IBGE	Brazilian Institute of Geography and Statistics *Instituto Brasileiro de Geografia e Estatística*
INMETRO	National Institute of Metrology, Quality and Technology *Instituto Nacional de Metrologia, Qualidade e Tecnologia*
IPCA	Broad National Consumer Price Index *Índice Nacional de Preços ao Consumidor Amplo*
LGPD	Brazil's General Data Protection Law
MDIC	Ministry of Development, Industry, Trade and Services *Ministério do Desenvolvimento, Indústria, Comércio e Serviços*
MEI	Individual Microentrepreneurs *Microempreendedor Individual*
MGI	Ministry of Management and Innovation in Public Services *Ministério da Gestão e da Inovação em Serviços Públicos*
PEIEX	Export Qualification Programme *Programa de Qualificação para Exportação*
PNCE	National Export Culture Plan
PRONAMPE	National Programme for Supporting Micro and Small Enterprises
REDESIM	Simplification of Registration and Legalisation of Companies and Businesses
RFB	Federal Revenue of Brazil *Receita Federal do Brasil*
SDIC	Secretariat for Industrial Development, Innovation, Trade and Services *Secretaria de Desenvolvimento Industrial, Inovação, Comércio e Serviços*

SEBRAE	Brazilian Micro and Small Business Support Service *Serviço Brasileiro de Apoio às Micro e Pequenas Empresas*
SENAC	National Commercial Apprenticeship Service *Serviço Nacional de Aprendizagem Comercial*
SENAI	National Industrial Apprenticeship Service *Serviço Nacional de Aprendizagem Industrial*
SETE	Extraordinary Secretariat for State Transformation *Secretaria Extraordinária para Transformação do Estado*
SGD	Secretary of Digital Government *Secretaria de Governo Digital*

Paraguay	
AFD	Development Finance Agency
CAE	Entrepreneurship Support Centers *Centro de Apoyos a Emprendedores*
CBP	Central Bank of Paraguay *Banco Central del Paraguay*
CONACYT	National Council for Science and Technology *Consejo Nacional de Ciencia y Tecnología*
CST	Technology and innovation service centres
DNCP	National Directorate of Public Procurement *Dirección Nacional de Compras Públicas*
EAS	Simplified Joint-Stock Companies *Empresas por Acciones Simplificadas*
EGDI	Electronic Government Development Index
ENCONEC	National Connectivity Strategy
EPHC	Continuous Permanent Household Survey *Encuesta Permanente de Hogares Continua*
FOGAPY	Paraguay Guarantee Fund *Fondo de Garantía del Paraguay*
ITS	Higher Technical Institute
MIC	Ministry of Industry and Commerce *Ministerio de Industria y Comercio*
MITIC	Ministry of Information and Communication Technologies *Ministerio de Tecnologías de la Información y Comunicación*
OCP	Open Contracting Partnership
ONN	National Standardisation Organism *Organismo Nacional de Normalización*
PAC	Yearly Contracting Prorgamme *Programa Annual de Contrataciones*
PCD	distance learning platform
Prociencia	Paraguayan Programme for the Development of Science and Technology *Programa Paraguayo para el Desarrollo de la Ciencia y Tecnología*
Proinnova	Paraguayan Business Innovation Programme *Programa de Innovación en Empresas Paraguayas*
REDIEX	*Red de Inversiones y Exportaciones*, or Investment and Export Network
RUC	Single Taxpayer Register *Registro Único del Contribuyente*
SBDC	Small Business Development Centres *Centros de Desarrollo Empresarial*
SIFEN	National Integrated Electronic Invoicing System *Sistema Integrado de Facturación Electrónica Nacional*
SINAMYPIMES	National SME System *Sistema Nacional de MiPyMES*
SUACE	Unified System for the Opening and Closing of Businesses *Sistema Unificado de Apertura y Cierre de Empresas*

Uruguay	
AGESIC	E-Government and Information Society Agency of Uruguay *Agencia de Gobierno electrónico y Sociedad de la Información de Uruguay*
ANDE	National Development Agency *Agencia Nacional de Desarrollo*
ANII	National Agency for Research and Innovation *Agencia Nacional de Investigación e Innovación*
ARCE	Contracting and Purchasing Agency of the State *Agencia Reguladora de Compras Estatales*
BCU	Central Bank of Uruguay *Banco Central del Uruguay*
CONICYT	National Council of Innovation, Science and Technology *Consejo Nacional de Innovación, Ciencia y Tecnología*
Dinapyme	National Directorate of Crafts, Small and Medium-Sized Enterprises *Dirección Nacional de Artesanías, Pequeñas y Medianas Empresas*
DIPCI	Directorate of Trade and Investment Promotion Intelligence
EGDI	E-Government Development Index
FIS	Sectorial Innovation Fund *Fondo de Innovación Sectorial*
FODIME	Market Diversification Fund *Fondo de Diversificación de Mercados*
FSS	Social Security Trust Fund *Fidecomiso de la Seguridad Social*
INEFOP	National Institute for Employment and Vocational Training *Instituto Nacional de Empleo y Formación Profesional*
IRAE	Tax on Income from Economic Activities *Impuesto a las Rentas de las Actividades Económicas*
LATU	Technological Laboratory of Uruguay
MEC	Ministry of Education and Culture *Ministerio de Educación y Cultura*
MEF	Ministry of Economy and Finance *Ministerio de Economía y Finanzas*
MIEM	Ministry of Industry, Energy, and Mining *Ministerio de Industria, Energía y Minería*
OPP	Office of Planning and Budget
OUA	Uruguayan Accreditation Body
RUT	Single Tax Register *Registro Único Tributario*
SIMPI	Industrial Productivity Monitoring Indicators System
TOCAF	Ordained Text of Accounting and Financial Administration *Texto Ordenado de Contabilidad y Administración Financiera*
UDELAR	University of the Republic
UI	Unidades Indexadas
UNIT	Uruguayan Institute of Technical Standards
VUI	One Stop Investment Shop

Chile	
ANID	National Agency for Research and Development *Agencia Nacional de Investigación y Desarrollo*
CCGVyEP	Global Value Chains and Productive Linkages Committee
CMF	Financial Market Commission *Comisión del Mercado Financiero*
COBEX	Chile's Export Loan Coverage Programme
CORFO	Production Promotion Corporation

	Corporación de Fomento de la Producción
CTCI	National Council of Science, Technology, Knowledge, and Innovation for Development *Consejo Nacional de Ciencia, Tecnología, Conocimiento e Innovación para el Desarrollo*
DIPRES	Chilean Budget Directorate *Dirección de Presupuestos de Chile*
ENEF	National Financial Education Strategy *Estrategia Nacional de Educación Financiera*
FIA	Foundation for Agricultural Innovation *Fundación para la Innovación Agraria*
FOCAL	Quality Promotion Programme
FOGAPE	Small Business Guarantee Fund *Fondo de Garantía para Pequeños Empresarios*
INDAP	Institute for Agricultural Development *Instituto de Desarrollo Agropecuario*
PDP	Supplier Development Programme *Programa de Desarrollo de Provedores*
REDVUCE	Inter-American Network of Single Foreign Trade Windows of the IADB
RUT	Unique Tax Number *Rol Único Tributario*
SEGPRES	General Secretariat of the Presidency
SERCOTEC	Technical Cooperation Service *Servicio de Cooperación Técnica*
SERNAC	National Consumer Service *Servicio Nacional del Consumidor*
SUBREI	Undersecretariat for International Economic Relations *Subsecretaría de Relaciones Económicas Internacionales*
UTP	Temporary Union of Suppliers *Unión Temporal de Proveedores*

Colombia	
ANIF	National Association of Financial Institutions
CONPES	National Council for Economic and Social Policy *Consejo Nacional de Política Económica y Social*
DIAN	National Tax and Customs Directorate *Dirección de Impuestos y Aduanas Nacionales*
DNP	National Planning Department *Departamento Nacional de Planeación*
ENEEF	National Economic and Financial Education Strategy *Estrategia Nacional de Educación Económica y Financiera*
FONTUR	National Tourism Fund
INCOTEC	Colombian Institute of Technical Standards and Certification *Instituto Colombiano de Normas Técnicas y Certificación*
MINCIT	Ministry of Commerce, Industry, and Tourism *Ministerio de Comercio, Industria y Turismo*
MinTIC	Ministry of Information and Communications Technology *Ministerio de Tecnologías de la Información y las Comunicaciones*
PAS	Action and Monitoring Plan *Plan de Acción y Seguimiento*
PES	Strategic Sectoral Planning *Planeación Estratégica Sectorial*
RUT	Single Tax Register *Registro Único Tributario*
SECOP	Electronic System for Public Procurement *Sistema Electrónico para la Contratación Pública*
SENA	National Learning Service *Servicio Nacional de Aprendizaje*

SICAL	National Quality Subsystem *Subsistema Nacional de la Calidad*
SNCI	National System for Competitiveness and Innovation *Sistema Nacional de Competitividad e Innovación*

Mexico	
BANCOMEXT	National Bank for Foreign Trade *Banco Nacional de Comercio Exterior*
CENAM	National Metrology Centre
CITICSI	Inter-Ministerial Commission on Information and Communication Technologies and Information Security *Comisión Intersecretarial de Tecnologías de la Información y Comunicación, y de la Seguridad de la Información*
CNBV	National Banking and Securities Commission *Comisión Nacional Bancaria y de Valores*
CNCMIPYME	National Council for the Competitiveness of Micro, Small and Medium-Sized Enterprises *Consejo Nacional para la Competitividad de la Micro, Pequeña y Mediana Empresa*
COFECE	Federal Economic Competition Commission *Comisión Federal de Competencia Económica*
COMPEX	Joint Commission for the Promotion of Exports *Comisión Mixta para la Promoción de las Exportaciones*
CONAHCYT	National Council for Humanities, Science and Technology *Consejo Nacional de Humanidades, Ciencias y Tecnologías*
CONAMER	National Commission for Regulatory Improvement *Comisión Nacional de Mejora Regulatoria*
CONDUSEF	National Commission for the Protection and Defence of Users of Financial Services *Comisión Nacional para la Protección y Defensa de Usuarios de Servicios Financieros*
DGDP	General Directorate for Productive Development *Dirección General de Desarrollo Productivo*
EFIDT	Tax Stimulus for Research and Technology Development *Estímulo Fiscal a la Investigación y Desarrollo de Tecnología*
EMA	Mexican Accreditation Entity
ENE	National Employment Survey *Encuesta Nacional de Empleo y Ocupación*
ENMR	National Strategy for Regulatory Improvement *Estrategia Nacional de Mejora Regulatoria*
FIRA	Trusts related to agricultura *Fideicomisos Instituidos en Relación con la Agricultura*
FONAGA	National Guarantee Fund *Fondo Nacional de Garantías*
HACIENDA	Secretariat of Finance and Public Credit
IMMEX	Maquiladora and Export Services Industry Programme
INADEM	National Institute for the Entrepreneur *Instituto Nacional del Emprendedor*
INEGI	National Institute of Statistics and Geography
INMUJERES	National Institute for Women
LAASSP	Law on Public Sector Procurement, Leasing and Services *Ley de Adquisiciones, Arrendamientos y Servicios del Sector Público*
LGMR	General Law on Regulatory Improvement *Ley General de Mejora Regulatoria*
LIISPCEN	Law to Promote Sustained Growth in the Productivity and Competitiveness of the National Economy *Ley para Impulsar el Incremento Sostenido de la Productividad y la Competitividad de la Economía Nacional*
LNPC	National Laboratory for Consumer Protection
NAFIN	Nacional Financiera, or National Finance
NFIP	National Financial Inclusion Policy
NMX	Mexican Standards
NOM	Mexican Official Standards
PADCE	Entrepreneurial Capacity Developers

	Padrón de Desarrolladoras de Capacidades Empresariales
PIIT	Research and Technological Innovation Park *Parque de Investigación e Innovación Tecnológica*
PNI	National Innovation Plan *Plan Nacional de Innovación*
PROSECO	Economic Sectoral Programme *Programa Sectorial de Economía*
RESICO	Simplified Trust Regime *Régimen Simplificado de Confianza*
RFC	Federal Taxpayers Registry *Registro Federal de Contribuyentes*
RIF	Tax Incorporation Regime *Régimen de Incorporación Fiscal*
RISE	Internal Regulations of the Ministry of Economy *Reglamento Interior de la Secretaría de Economía*
RPC	Public Register of Commerce *Registro Público de Comercio*
SAT	Tax Administration Authority *Servicio de Administración Tributaria*
SE	Secretary of Economy *Secretaría de Economía*
SNICE	National Foreign Trade Information Service
TIPAT	Trans-Pacific Partnership Agreement
T-MEC	North American Trade Agreement
VUCEM	Mexican Foreign Trade One-Stop Shop *Ventanilla Única de Comercio Exterior Mexicano*

Peru	
BCRP	Central Reserve Bank of Peru *Banco Central de Reserva del Perú*
CEPLAN	National Centre for Strategic Planning *Centro Nacional de Planeamiento Estratégico*
CMCR	Multisectoral Regulatory Quality Commission *Comisión Multisectorial de Calidad Regulatoria*
CODEMYPE	National Council for the Development of Micro and Small Enterprises *Consejo Nacional para el Desarrollo de la Micro y Pequeña Empresa*
COFIDE	Development Finance Corporation
CONCYTEC	National Council of Science, Technology and Technological Innovation *Consejo Nacional de Ciencia, Tecnología e Innovación Tecnológica*
CONID	National Advisory Council for Research and Development *Consejo Consultivo de Investigación y Desarrollo*
DGDE	General Directorate of Entrepreneurship Development *Dirección General de Desarrollo Empresarial*
INACAL	National Quality Institute
ITP	Technological Institute of Production *Instituto Tecnológico de la Producción*
ITSE	Technical Inspection Certificate for Safety in Buildings *Certificado de Inspección Técnica de Seguridad en Edificaciones*
PAI	Internationalisation Support Programme
PEDN	Strategic National Development Plan *Plan Estratégico de Desarrollo Nacional*
PENX 2025	National Strategic Export Plan
PESEM	Multiannual Strategic Sector Plan *Plan Estratégico Sectorial Multiannual*
PRODUCE	Ministry of Production *Ministerio de la Producción*

Proinnovate	National Programme for Technological Development and Innovation
PromPerú	Promotion of Peru for Exports and Tourism
RUC	Single Taxpayer Register *Registro Único del Contribuyente*
SBS	Superintendency of Banks of Peru
SINACYT	National System of Science, Technology and Technological Innovation *Sistema Nacional de Ciencia, Tecnología e Innovación Tecnológica*
SUNARP	National Superintendency of Public Registries *Superintendencia Nacional de los Registros Públicos*
SUNAT	National Superintendence of Customs and Tax Administration
UIT	Tax Units *Unidades Impositivas Tributarias*

Ecuador	
CONEIN	National Council for Entrepreneurship and Innovation *Consejo Nacional de Competitividad, Emprendimiento e Innovación*
EAP	economically active population
ENCE	National Electronic Commerce Strategy *Estrategia Nacional de Comercio Electrónico*
INEC	National Institute of Statistics and Census of Ecuador *Instituto Nacional de Estadística y Censos of Ecuador*
INEN	Ecuadorian Standardisation Service *Servicio Ecuatoriano de Normalización*
LOSNCP	Organic Law of the National System of Public Procurement *Ley Orgánica del Sistema Nacional de Contratación Pública*
MPCEIP	Ministry of Production, Foreign Trade, Investment and Fisheries *Ministerio de Producción, Comercio Exterior, Inversiones y Pesca*
PNIF	National Financial Inclusion Policy *Política Nacional de Inclusión Financiera*
RIMPE	Simplified Regime for Entrepreneurs and Popular Businesses *Régimen Simplificado para Emprendedores y Negocios Populares*
RNE	National Register of Entrepreneurs *Registro Nacional de Emprendedores*
RUA	Single Register of Crafts *Registro Único Artesanal*
RUC	Registro Único de Contribuyente *Registro Único de Contribuyente*
RUM	Single Registry of MSMEs *Registro Único de MiPyMES*
RUP	Unified Registry of Suppliers *Registro Único de Proveedores*
SERCOP	National Service for Public Contracting *Servicio Nacional de Contratación Pública*
UTPL	*Universidad Técnica Particular de Loja*
VPEI	Coordination of Export and Investment Promotion Abroad
VUE	Ecuadorian Single Window

Other	
ABL	Asset-Based Lending
PPPs	Public-Private Partnerships
ACTs	Agreements of Technical Cooperation
AEO	Authorised Economic Operator
BDS	Business Development Services
CAN	Andean Community
FDI	Foreign Direct Investment

GDP	Gross Domestic Product
GVC	Global Value Chains
IADB	Inter-American Development Bank
ICT	Information and Communication Technology
IFE	Financial Intermediaries Abroad
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
KPI	Key Performance Indicators
LAC	Latin America and the Caribbean
LA9	The nine Latin American countries included in this assessment (Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Paraguay, and Uruguay)
MERCOSUR	*Mercado Común del Sur*, or Southern Common Market
MGS	Mutual Guarantee Societies
MNEs	multinational enterprises
MOOC	virtual open online courses
MPEs	micro and small enterprises
MRAs	Mutual Recognition Agreements
NCGS	National Credit Guarantee System
NDS	National Digitalisation Strategy
NFEP	National Financial Education Plan
NFES	National Financial Education Strategy
NFIS	National Financial Inclusion Strategy
NGOs	non-governmental entities
OSS	One-Stop-Shop
P2P	peer-to-peer
PA	Pacific Alliance
PISA	Programme for International Student Assessment
PPCs	public-private consultation
RIA	Regulatory Impact Analysis
SACU	Southern African Customs Union
SEZs	Special Economic Zones
SME	micro, small- or medium-sized enterprise; used in this study to refer collectively to all three of these size categories
SME PI	SME Policy Index (OECD)
SOE	State-Owned Enterprises
STEM	Science, Technology, Engineering and Mathematics
TFA	Trade Facilitation Agreement
TFI	Trade Facilitation Indicators
TiVA	Trade in Value Added (OECD)
UTD	Digital Transformation Units
VAT	Value Added Tax
VUCE	Foreign Trade Single Windows
WCO	World Customs Organisation

Executive summary

Latin America and the Caribbean (LAC) is navigating through a challenging macroeconomic landscape. In the past five years, the nine assessed countries (Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, and Uruguay) have undergone significant political transitions and socio-economic shocks, notably the COVID-19 pandemic and the impact of Russia's war of aggression against Ukraine. Micro, small, and medium-sized enterprises (SMEs) have been disproportionately affected. However, they have also emerged as a driving force towards an inclusive, resilient, and sustainable recovery.

SMEs have demonstrated their fundamental role in the social and economic landscape of the region. They constitute 99.5% of businesses, with almost nine out of ten companies falling under the category of microenterprises. Furthermore, SMEs contribute to approximately 60% of formal productive employment. These attributes, amidst complex scenarios, have prompted an even stronger emphasis on positioning the development of SMEs as a clear priority for policy makers in LAC.

This edition of the SME Policy Index (SME PI) illustrates the evolution of SME policy frameworks across the LAC region since 2019 for the seven countries that participated in the first edition (Argentina, Chile, Colombia, Ecuador, Mexico, Peru, and Uruguay), and evaluates Brazil, and Paraguay for the first time. It offers an assessment across eight policy dimensions, accompanied by descriptions of country-specific challenges and provides a way forward with policy recommendations. For the first time, the assessment includes an analysis of policies for the digitalisation of SMEs, which is crucial for fostering an inclusive, resilient, and sustainable SME sector, particularly as the COVID-19 pandemic compelled many firms to go online for the first time, experiencing firsthand the value of digital technologies. Alongside a pilot green economy dimension and a cross-cutting gender approach.

While detailed country-specific challenges and policy recommendations are outlined in the subsequent chapters, some key recommendations generally applicable for the LAC region include:

- **Reinforce the institutional setting for SME policies, considering the disruptions caused by the COVID-19 pandemic as well as political and economic uncertainties.** Developing strategic frameworks for SME policy in collaboration with various stakeholders provides governments with valuable guidance to recognise emerging challenges facing SMEs and devise tailored solutions to tackle them. Enhancing policy coordination mechanisms and reinforcing the operational autonomy of implementation bodies, alongside allocating more resources for monitoring programme implementation, and conducting evaluations of key programmes, are essential steps to ensure more effective SME policy.
- **Implement comprehensive regulatory reform strategies and establish clear goals for reducing administrative burdens.** While many LAC countries are making progress in offering e-services, it is crucial for them to develop national plans for simplifying legislation and reforming regulations. These plans should prioritise areas posing significant barriers to business development and set specific targets for reducing administrative burdens. This approach aims to lower barriers for new entrepreneurs and discourage informality.

- **Strengthen monitoring and evaluation frameworks to facilitate evidence-based policy making.** Although LAC countries typically have robust monitoring and evaluation practices for financial support programmes, they often lack regular monitoring of broader SME policy frameworks and initiatives. To address this, LAC countries could incorporate clear and measurable key performance indicators into policy documents, making government activities transparent and accountable. Additionally, regularly produced outcome-oriented statistical indicators by national statistical offices would provide a comprehensive view of how public policies are influencing various aspects of business sector performance.
- **Enhance the supply of financial products and services and strengthen countries' National Financial Education Strategies (NFES) by involving SMEs.** Crowdfunding mechanisms remain nascent in the region, and there are few strategies to promote financial education effectively among SMEs and entrepreneurs. Establishing tailored regulations and developing education programmes specifically for SMEs could increase confidence and adoption of these financial schemes, while simultaneously building the financial skills of SMEs.
- **Promote the digitalisation of SMEs** through enhanced national digital strategies with well-defined implementation plans, emphasising the development of SME-centric broadband policies to tackle specific challenges. Although progress in broadband connectivity is observable across the region, LAC countries should intensify efforts to foster public-private partnerships aimed at enhancing digital infrastructure, fostering collaboration for the mutual benefit of citizens and businesses. Prioritise inclusive educational initiatives and cultivate a culture of ongoing learning for digital skills development could ensure broad participation in the digital economy.
- **Leverage the advantage of regional and global integration for SMEs.** While some countries may strengthen existing initiatives, others could benefit from learning from the experiences of their counterparts. Introduce matchmaking initiatives to foster stronger linkages between SMEs and large firms, tapping into the potential of large firms to act as customers, innovation partners and advisors to SMEs. Build linkages between national cluster organisations and regional actors, reflecting the importance of spatial proximity in much of cluster activity.
- **Improve efforts to close gender gaps and create the necessary conditions and opportunities for the development and growth of women-led or women-owned SMEs.** The region has made progress in integrating a gender perspective into policies and programmes. Nevertheless, more remains to be done. Enhanced data collection and analysis from a gender perspective are also essential.
- **Align SME support policies with national decarbonisation and green economy targets.** Across the region, environmental policies rarely consider the specific needs of SMEs, and financial incentives for environmental initiatives are scarce. Greening initiatives should be integrated into broader SME policy documents, such as national strategies for SME development or innovation, while increasing availability of financing instruments for investing in greener equipment and processes.

1 Economic context in Latin America and the Caribbean

Latin America and the Caribbean (LAC) is recovering from a complex macroeconomic scenario. This chapter explores the economic landscape of LA9 assessed countries from 2020 to 2023, providing insights into the LAC labour market, informality, and the pivotal role of SMEs in driving an inclusive, resilient, and sustainable recovery. Additionally, it includes a dedicated section on women entrepreneurship, highlighting its significance in the region's economic revival.

Overview

Economic context

Latin America and the Caribbean (LAC) is recovering from a complex macroeconomic scenario. In 2023, the region experienced a deceleration in economic growth and trade volume, along with persistent inflation surpassing pre-pandemic levels, challenging fiscal situation, escalating interest rates, and low growth in formal employment—defining elements of the economic policy during that year. This complex domestic scenario was further compounded by global financial uncertainties and a general slowdown in global growth and trade (ECLAC, 2023[1]). In a broader context, LAC sustained a path of low growth, with a rate of 2.3% in 2023, compared to 4.1% in 2022 (see Table 1.1).

Table 1.1. Real GDP growth for selected countries (2019-2023)

Real GDP growth (%)	2019	2020	2021	2022	2023
Argentina*	-2.0	-9.9	10.7	5.0	-1.8
Brazil*	1.2	-3.6	5.3	3	2.9
Chile*	0.7	-6.4	11.9	2.5	0.0
Colombia*	3.2	-7.3	11.0	7.3	1.2
Ecuador**	0.0	-7.8	4.2	2.9	1.4
Mexico*	-0.3	-8.7	5.8	3.9	3.2
Paraguay**	-0.4	-0.8	4.0	0.1	4.5
Peru*	2.3	-10.8	13.3	2.7	0.5
Uruguay**	0.7	-6.3	5.3	4.9	1.0
LA9	0.6	-6.9	8.3	3.4	1.5
LAC**	0.2	-7.0	7.3	4.1	2.3

Note: LA9 refers to the simple average for the 9 LAC countries.
Source: Authors' elaboration based on * (OECD, 2024[2]) ** (IMF, 2024[3]).

Despite tight monetary policies and falling commodity prices, regional inflation persisted above pre-pandemic levels. Following the inflationary effects of mobility restrictions during and after the pandemic, the global landscape was further impacted by Russia's war of aggression against Ukraine. In the first half of 2022, the upswing in food prices, oil, and transport costs, along with ongoing disruptions in supply chains and heightened financial volatility, contributed to an increase in inflation across LAC economies. The second half of 2022 witnessed several factors leading to a decline in regional inflation, including the deceleration in domestic aggregate demand, the conclusion of support policies for aggregate demand implemented during the pandemic, the adoption of contractionary monetary policies, and lower global prices for food and energy. This trend persisted into the first half of 2023, with inflation standing at 4.9% in year-on-year terms as of June that year (ECLAC, 2023[1]).

Commodity prices, particularly energy commodities, experienced a downward trend since the second half of 2022. This shift was influenced by factors such as a cooler-than-expected start to the year in the northern hemisphere, impacting natural gas and coal prices, and the global economic slowdown, affecting overall energy demand. Notably, it is anticipated that by 2024, commodity prices will remain more than 30% above the average levels recorded in 2019, pre-pandemic onset (ECLAC, 2023[1]).

LAC labour market

While the number of employed people increased by 2% in 2023 compared to 2022, the growth rate decelerated in line with economic activity. ECLAC reports a 1.4% growth in the employment rate for 2023,

a notable reduction from the 5.4% recorded in 2022. This trend of slower job creation is expected to continue into 2024, with a projected growth of 1% (ECLAC, 2023[4]). Although the regional unemployment rate steadily declined from 10.5% in 2020 to 6.3% in 2023, concerns have emerged regarding the limitations of standard unemployment measures in capturing the full labour market situation. It is argued that broader measures, which include individuals classified as inactive but ready to take a job, may offer a more nuanced perspective on the state of employment. An alternative unemployment rate measure, accounting for part of the inactive population, suggests levels up to 7 percentage points higher than officially recorded rates. In 2023, this adjusted rate reached 7.2%, 0.9 percentage points higher than the recorded rate (ECLAC, 2023[4]). Looking ahead, the regional unemployment rate for 2024 is expected to increase between 6.5% and 6.8% (ILO, 2024[5]).

Informality

In 2019, one out of every two employed people in LAC held informal jobs. At the onset of the COVID-19 crisis, the informality rate initially declined due to significant job losses, but subsequently, most of the recovered jobs returned under informal conditions (ILO, 2021[6]). By the end of 2021, the region counted a 60% informality rate (ILO, 2021[6]). Although the average informal employment rate decreased from the second half of 2021, the trend continued in 2023, with an average informal employment rate of 47.3%.

It is noteworthy that, since the beginning of the COVID-19 pandemic in the region, various direct actions have been implemented to sustain businesses, preserve employment, mitigate household income losses—particularly for vulnerable households primarily in the informal economy—and generate new jobs. Initially, most countries responded promptly to alleviate negative economic and employment effects by implementing programmes aimed at protecting formal employment and compensating for the loss of labour and household income, especially within the informal economy. Concurrently, income support measures have been in place in several countries throughout this period, initially addressing the loss of labour income during the most critical phase of the pandemic, and later dealing with escalating inflation and the resulting decline in the purchasing power of labour and household incomes (ILO, 2022[7]).

SMEs as the engine towards an inclusive, resilient, and sustainable recovery

SMEs play a crucial role in driving economic recovery from crises, including the impact of the COVID-19 pandemic and more recent challenges such as supply chain disruptions and escalating energy costs derived from Russia's war of aggression against Ukraine. Fostering SMEs not only facilitates innovation, necessary for seizing new opportunities and boosting productivity, but also addresses societal challenges. This emphasis on entrepreneurship becomes imperative for governments globally (GEM, 2023[8]).

In LAC, SMEs form a fundamental part of the business landscape, contributing significantly to economic development and growth strategies. Within the formal economy, SMEs represent 99.5% of enterprises in the region, with microenterprises constituting the majority at 88.4% (Dini and Stumpo, 2020[9]). However, the region faces challenges such as low levels of productivity among SMEs, generating only a quarter of the regional GDP (CAF, 2018[10]).Factors like limited productive capacities, informality, and specialisation in raw materials contribute to this productivity gap, with nearly 50% of SMEs operating informally and facing constraints in accessing skilled human resources, infrastructure, managerial, and technological capabilities (ILO, 2022[11]).

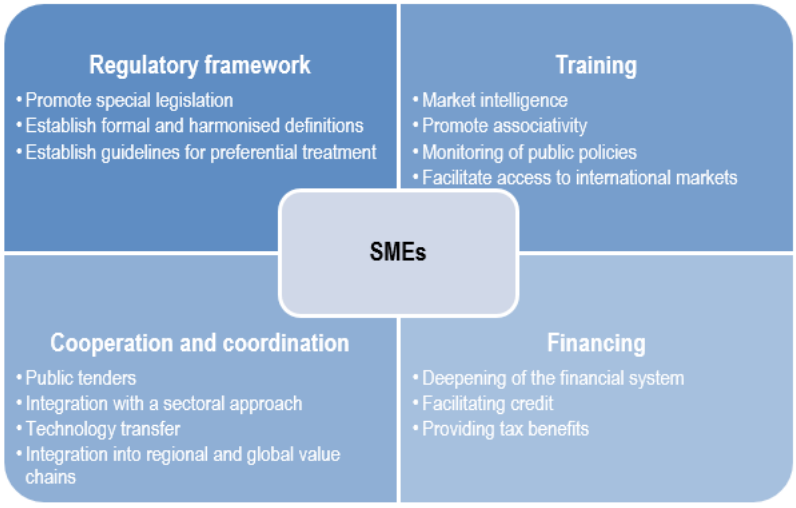
Across LAC, there has been a consistent stagnation in both Labour Productivity (LP) and Total Factor Productivity (TFP) since before the COVID-19 pandemic. From 2013-2018, labour productivity in the region experienced an average annual increase of only 0.4%, significantly below the average rate of 1.7% per year recorded from 2003-2008. This growth rate places the region second lowest among the six regions in emerging and developing economies globally during the considered period (ILO, 2022[11]).

LAC governments have identified the promotion of SMEs as a policy priority. SMEs have remained at the centre of countries' agendas to propel economic growth, reduce poverty and inequality, and integrate SMEs into the fundamental, dynamic component of the productive structure. In LAC, the state has played a fundamental role in the promotion of SMEs, and its policies have a direct impact on their evolution. Well-designed, implemented, monitored, and evaluated public policies can help improve the business environment and create the necessary conditions for SMEs to grow and prosper.

Furthermore, the development of SMEs is a marked priority for policymakers, as SMEs not only drive economic growth but also contribute significantly to job creation, poverty reduction, and addressing inequality. This necessitates a public policy framework that targets various segments of the SME population through a range of initiatives (OECD/CAF, 2019[12]). Additionally, the perception of citizens towards companies plays a crucial role, as these entities are crucial for productive transformation and are key sources of investment. Therefore, governments in the region should actively implement a series of policies aimed at encouraging SMEs to boost investment and hire new employees.

Support for SMEs can be justified by the existence of positive externalities derived from their associative capacity to generate demand for goods and services from other productive sectors. In this case, these positive attributes serve as an argument for supporting the emergence and development of SMEs. A second group of arguments is based on equity issues, given that SMEs represent a high percentage of the labour force, especially those with lower skill levels and more limited job opportunities. Supporting the growth, technification, and productive development of SMEs can be seen as a mechanism for improving the livelihoods of those who derive their income from the business activities of these enterprises. LAC governments have designed policies in this sector with three main objectives: job creation, solving market failures, and increasing competitiveness. Additionally, other goals, such as the development of human and managerial capital and innovation capacities, have been proposed in these policies. These promotion schemes encompass various policy areas, as summarised in Figure 1.1.

Figure 1.1. Area of state involvement



Source: Authors' elaboration based on (UNCTAD, 2021[13]) (GEM, 2023[8]) (ILO, 2021[6])

Women entrepreneurship

Women entrepreneurs in the region are challenging traditional gender barriers and spearheading successful business initiatives across various sectors. In terms of economic autonomy in LAC, one out of every two women is excluded from the labour market, while for men, it is one out of every four. Additionally, one out of every three women has no income of her own, compared to one out of every ten men (ECLAC, 2023[1]). Nevertheless, recent years have witnessed an increase in women's economic participation and a growing awareness of the importance of promoting equal opportunities, reflected in the modification of regional public agendas where reducing the gender gap is a priority (GEM, 2023[8]). This commitment is further underscored by countries' decision to incorporate, for the first time, a gender mainstreaming approach in the second edition of the SME Policy Index.

In this regard, regional governments are encouraged to give attention to the promotion of programmes that support the achievement of the SDGs, particularly focusing on Goal Five. This goal emphasises providing women and girls with equal access to education and healthcare, opportunities for decent work, and representation in political and economic decision-making processes. Gender-sensitive public policy programmes can play a crucial role in creating an enabling environment for women to start and grow their businesses. Key areas that public policy must address to support female entrepreneurship include access to financing, education and training, and the removal of legal and regulatory barriers.

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2 Assessment methodology and policy framework

This chapter provides an overview of the SME Policy Index (SME PI) assessment methodology, detailing its development and application, as well as its advantages and limitations. It also introduces the 2024 assessment framework and outlines the structure of the report.

Assessment methodology

This section provides an overview of the general SME Policy Index (SME PI) assessment methodology.

For the purpose of this publication and due to varied definitions of micro, small and medium-sized enterprises across the region, the authors of this report typically use the term “SME” to refer collectively to micro, small and medium-sized enterprises, unless specified otherwise. One the same note, LA9 refers to the nine Latin American countries included in this assessment (Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru and Uruguay).

Development and application

The SME Policy Index serves as a benchmarking tool to assess and monitor progress in the design and implementation of policies for small and medium-sized enterprises (SMEs). Since its inception in 2006, it has been implemented across a growing geographical area, now covering almost 40 economies in five regions: the Eastern Partnership (EaP), the Western Balkans and Türkiye, the Middle East and North Africa, the Association of Southeast Asian Nations (ASEAN), and Latin America and the Caribbean (LAC) (OECD/EBRD, 2023[1]).

The primary objective of the Index is to collect a substantial body of information and harmonise it, thereby converting predominantly qualitative inputs into numerical information (scores) that can be compared over time, across different economies, and regions. All SME Policy Indexes share a common methodology, although they are tailored for each regional application.

In contrast to other regions, LAC lacks a formal strategic document to guide policies for SME development at the regional level. Consequently, the framework for the first 7 dimensions of the SME Policy Index was developed as a pilot version in consultation with national coordinators from the first participating countries (Argentina, Chile, Colombia, Ecuador, Mexico, Peru, and Uruguay), the Development Bank of Latin America (CAF), and the Latin American and Caribbean Economic System (SELA) in 2019. This collaborative process involved referencing the SME PI methodology and leveraging insights from OECD experts.

Drawing on the strengths of this pilot version, and to enhance its impact, the 2024 edition incorporates certain methodological changes and includes new countries (Brazil, and Paraguay). These additions capture emerging economic and policy trends and priorities while ensuring comparability at the level of dimensions and sub-dimensions with the 2019 pilot edition. Therefore, the SME PI 2024 encompasses:

- a new dimension assessing selected framework conditions for digital transformation;
- a new pilot dimension assessing green transition in the SME sector;
- a cross-cutting gender approach;
- extended and amended sub-dimensions to collect relevant information;
- re-assessment of the scores derived from the Doing Business Report for 2019 and 2024.

Advantages and limitations

The SME Policy Index methodology adds value by transcending statistics, delving into the SME policy environment across diverse areas. It offers an independent and rigorous assessment, acting as a benchmark against international best practices and offering guidance for policy reform and development based on these insights. However, like all methodologies aiming to transform a complex reality into a tangible vision, the SME Policy Index methodology has both advantages and limitations (see Table 2.1).

Table 2.1. SME Policy Index advantages and limitations

Advantages	Limitations
Embrace a multi-stakeholder approach to assessment, considering the perspectives and experiences of governments, the private sector, partner organisations, and academia.	The Index evaluate the levels of policy development across the entire policy cycle (planning and design, implementation, and monitoring and evaluation). Therefore, its design measures and compares levels of policy development rather than assessing policy performance.
Provides guidance on enhancing the SME policy framework in each country through policy recommendations and exemplifying best practices.	The weightings of the indicators are defined based on expert opinions and may therefore be open to subjectivity.
Contextualises the analysis by incorporating the country context and broader factors influencing SME development to complement the emerging scores.	The divergent definitions of SMEs pose a limitation to the comparability of data across economies.
Concentrates on a specific region where shared history, culture, and geography enable more relevant benchmarking between countries.	The full picture of government policy can be hard to capture where SME policies are implemented mainly by local governments. The current SME PI methodology focuses on policy at the national or central level.
Focuses on the LAC region as it embarks upon further economic integration, enabling policymakers to identify challenges that may lie ahead.	

Source: (OECD/EBRD, 2023[1]) (OECD/CAF, 2019[2])

In essence, the SME PI framework operates under the assumption that there exists a positive correlation between effective policy practices and performance. In other words, a well-designed and thoroughly implemented policy throughout all three cycle stages is expected to be both more effective and more readily evaluated for its performance. This, in turn, enables policymakers to make decisions based on performance-oriented insights for future actions.

The 2024 assessment framework and structure of the report

2024 Assessment framework

The 2024 assessment framework for LA9 incorporates SME policy benchmarks from the pilot version's assessment framework in 2019, covering 7 dimensions and 26 sub-dimensions. Additionally, to underscore the importance of the digital economy and align with methodologies in other regions, a new dimension of digitalisation has been added, comprising three sub-dimensions. These sub-dimensions investigate i) the presence of a National Digital Strategy and its provisions for SMEs; ii) incentives and policies for improving broadband connectivity; and iii) the promotion of digital skills across the population (see Table 2.2). Furthermore, a pilot version without scores and sub-dimensions related to the green economy, along with a cross-cutting gender approach, has been incorporated at the request of the participating countries. This emphasises the need to convert these two new approaches into measurable dimensions, with enhanced data collection and analysis for future editions.

Table 2.2. 2024 SME PI assessment framework for Latin America participating countries

Dimensions and sub-dimensions	
1.Institutional Framework	***2. Operational Environment/Simplification of procedures***
1.1 SME definition	2.1 Legislative simplification and regulatory impact analysis
1.2 Strategic planning, policy design and co-ordination	2.2 Company registration
1.3 Public-private consultations	2.3 Ease of filing taxes

1.4 Measures to address the informal economy	2.4 E-government
3. Access to finance	***4. SME development services and public procurement***
3.1 Legal, regulatory, and institutional framework on access to finance	4.1 Business development services
3.2 Diversified sources of enterprise finance	4.2 Entrepreneurial development services
3.3 Financial education	4.3 Public procurement
3.4 Efficient procedures for dealing with bankruptcy	
5. Innovation and technology	***6. Productive transformation***
5.1 Institutional framework	6.1 Productivity-enhancing measures
5.2 Support services	6.2 Productive association-enhancing measures
5.3 Financing for innovation	6.3 Integration into regional and global value chains
7. Access to market and internationalisation	***8. Digitalisation* (new dimension)**
7.1 Support programmes for internationalisation	8.1 National Digital Strategy
7.2 Trade facilitation	8.2 Broadband connectivity
7.3 Use of e-commerce	8.3 Digital Skills
7.4 Quality standards	
7.5 Taking advantage of the benefits of LAC regional integration	

2024 Methodological changes

Building upon its pilot version in 2019, the SME PI has undergone significant methodological adjustments, ensuring a more comprehensive and refined assessment. Firstly, to streamline the data collection process, the questionnaire was delivered through an online platform, enhancing user experience, efficiency, and accessibility. To alleviate the response burden on participants, the OECD conducted a wide-ranging overhaul of the questionnaire, clarifying ambiguous questions, removing redundant or outdated items, and introducing new questions to address emerging priorities and policy trends, particularly in response to the COVID-19 crisis.

Secondly, all indicators from the World Bank's Doing Business report were no longer considered for scoring due to the discontinuation of the exercise. However, its last report was used as a reference in some texts. In Dimension 2, Operational Environment, and Simplification of Procedures, the scores derived from this exercise for sub-dimensions 2.2 Company Registration and 2.3 Ease of Filing Taxes were replaced with new questions in the questionnaire and an analysis of the performance by the experts. In Dimension 3, Access to Finance, sub-sub dimension 3.1.3 Credit Information Bureau and thematic block 1, Creditor Rights from sub-sub dimension 3.1.2 Legal Regulatory Framework for Commercial Lending, were removed, adjusting the value percentages for the thematic blocks or sub-sub dimensions accordingly and generating an adjusted score for the 2019 version to preserve comparability across exercises. Data for sub-dimension 7.1 Trade Facilitation continue to be based on the OECD Trade Facilitation Indicators (see Table 2.3).

Table 2.3. 2024 SME Policy Index methodological changes from supplementary data

Sub-dimension or sub-sub dimension	Indicator(s)	Data source 2019	Data source 2024 or adjustment
2.1 Company registration	All indicators under Thematic Block 2: Performance	World Bank Doing Business 2019	New questions in the SME PI assessment and an analysis of the performance by the experts
2.3 Ease of filing tax	All indicators in the sub-dimension	World Bank Doing Business 2019	New questions in the SME PI assessment and an analysis of the performance by the experts

3.1.2 Legal regulatory framework for commercial lending	All indicators in Thematic Block 1: Creditor Rights	World Bank Doing Business 2019	Elimination of the indicator and readjustment of scoring
3.1.3 Credit information bureau	All indicators in the sub-sub dimension	World Bank Doing Business 2019	Elimination of the indicator and readjustment of scoring
7.2 Trade facilitation	All indicators in Thematic Block 1: OECD Trade Facilitation Indicators	OECD Trade Facilitation Indicators	OECD Trade Facilitation Indicators

Scoring and weighting

As previously indicated, the evaluation framework employed for LA9 countries comprises eight dimensions and 29 sub-dimensions (see Table 2.2) .These sub-dimensions are organised into thematic blocks, each featuring its own array of indicators. Additionally, the thematic blocks are typically segmented into three components, symbolising distinct phases of the policy cycle: planning and design, implementation, and monitoring and evaluation (M&E). In cases where this approach is not applicable to certain sub-dimensions, the thematic blocks may vary.

The evaluation framework encompasses a mix of qualitative and quantitative indicators in the following formats:

- **Core indicators:** These indicators define the evaluation score and can take the form of binary or multiple-choice measures in qualitative assessments.
- **Open-ended questions:** Open-ended questions are integrated following the core indicators for each sub-dimension in the assessment questionnaire. These questions are not scored, but help to assess the overall policy context, thus contributing to the final score.

The weighting methodology was consistent across all LA9 countries, following the approach used in the 2019 pilot version. The predominant thematic blocks - planning and design, implementation, and monitoring and evaluation (M&E) -were assigned respective weights of 35%, 45%, and 20%. This distribution underscores the significance of policy implementation, aligning with the principles of the SME PI developed for other regions.

Structure of the report

This report is divided into two parts. Part I delivers a thorough overview of the regional evaluation, where each chapter is dedicated to a specific dimension. Part II presents individual country chapters, delving deeper into the assessment outcomes for each LA9 country.

It is crucial to acknowledge that these dimensions do not operate independently; instead, they interact and support each other in various ways. The close interlinkage among all dimensions emphasises the importance of policymakers to adopt a holistic perspective. Therefore, endeavours to reform one area must be built upon advancements and a robust groundwork in all other dimensions, collaboratively contributing to the efficacy of SME support initiatives.

Assessment process

The SME PI was conducted between 2022 and 2024, comprising two assessments. Firstly, LA9 countries' governments conducted a self-assessment through an online questionnaire, providing relevant evidence. Secondly, an independent assessment was carried out in collaboration with the *Fundación para el Análisis Estratégico y Desarrollo de la PyME* (Foundation for the Strategic Analysis and Development of SMEs, FAEDPYME), utilising their network of academic researchers in the LA9 countries.

A cut-off date of 31 October 2023 was established for the assessment, considering only policy developments and reforms implemented by that date for the SME PI scores. Any developments after that date are reflected in the text. The final scores result from consolidating these two assessments, enhanced by additional research and consultations. The evaluation process involves these three phases:

- **Review of methodology and framework** (April 2022 – September 2022). The methodology and assessment framework were updated, incorporating the dimension of digitalisation in collaboration with CAF and SELA. Reference was drawn from methodologies used in other OECD regions, particularly the EaP exercise, and insights from OECD experts in relevant areas. Participating countries were consulted and invited to a launch and methodology verification meeting in Montevideo, Uruguay in June 2022 to incorporate feedback and finalise the assessment questionnaire. During this meeting, for the first time in the LAC exercise, it was decided to introduce a pilot dimension (without scoring) related to the green economy and a cross-cutting gender approach. National Coordinators for Brazil, and Paraguay were identified.
- **Data collection, verification, and evaluation** (October 2022 – October 2023) During the data collection phase, the LA9 participating countries carried out a self-assessment of their policy framework through an online questionnaire. This was complemented by an independent assessment. Desk research and engagement with relevant stakeholders were employed to address information gaps and resolve inconsistencies. Online workshops were conducted in all 9 countries to facilitate the data collection exercise, typically involving SME policy stakeholders. Finally, a workshop presenting preliminary results was held with national coordinators in Brasilia, Brazil, in August 2023, accompanied by an update of information provided by the countries. The preliminary results workshops of the digitalisation dimension were conducted online with each of the countries in October 2023.
- **Drafting, review and publication** (November 2023 – April 2024) Additional information was collected following the workshop held in Brasilia and the online workshops. A preliminary draft of the report was prepared which was reviewed by CAF and SELA, along with a group of OECD experts and the LA9 countries and comments were incorporated into the final report. The publication was formally launched at a regional meeting in Valparaíso, Chile, in July 2024, accompanied by a series of national dissemination events.

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Part I. Assessment findings by dimension

3 Dimension 1: Institutional Framework

This chapter presents the finding in the Institutional Framework dimension that assesses the development status of essential components in SME policy and evaluates the adoption of good practices in policy design, implementation, monitoring, and evaluation.

Countries demonstrating advancements attribute their success to adopting public policy recommendations and vigilant monitoring of good practices. The diverse SME institutional framework in LA9 reveals distinct sub-groups among the region based on their implementation of SME policy components and integration of best practices. In contrast, challenges in some countries are tied to persistent political and economic instability, leading to a lack of strategic direction, implementation weaknesses, and insufficient plans to tackle informality.

Assessment Framework

This dimension assesses the level of development of key components regarded as essential building blocks of SME Policy, along with the adoption of good practices in policy design, implementation, monitoring, and evaluation. It comprises four sub-dimensions covering: 1) the country's SME definition; 2) SME policy design, implementation, and policy co-ordination; 3) framework and practices of public-private consultations; and 4) policy actions taken to reduce informality (see Figure 3.1). Additionally, it incorporates a not-scored analysis of the gender approach within this dimension.

- **SME definition:** This sub-dimension focuses on the introduction of a legally based and operationally sound SME definition, including four indicators: 1) the presence of a legal SME definition in the country: 2) the number of parameters used in the SME definition; 3) the use of a single SME definition across the public administration; and 4) the inclusion of an independence clause in the SME definition. Methodological adjustments have been made compared to the 2019 pilot edition, specifically concerning the individual weighting values assigned to the assessed elements.
- **Strategic planning, policy design and co-ordination:** This sub-dimension examines the clarity and comprehensiveness of the SME strategy. It assesses whether the strategy includes a well-defined vision statement outlining the expected performance of the SME sector. Additionally, it evaluates the presence of quantifiable objectives and intermediary targets, along with a detailed presentation of how the government plans to organise public policy to achieve these objectives. The assessment also considers whether the strategy incorporates a section on the planned sequence of policy interventions and how these interventions are supported and implemented.
- **Public-private consultations (PPCs):** This sub-dimension evaluates the presence of open and well-structured consultation mechanisms with organisations representing private enterprises. It also assesses the capacity of the governmental institution to engage in a constructive public-private dialogue. Furthermore, it examines how these mechanisms contribute fundamentally to the elaboration of well-designed policies for the SME sector.
- **Measures to address the informal economy:** This sub-dimension begins by examining the efforts made by countries to analyse and understand the issue of informality. It then evaluates the government's policy response to informality, focusing on enterprise informality and the status of policy implementation. The final set of indicators covers the phase of monitoring and evaluation.

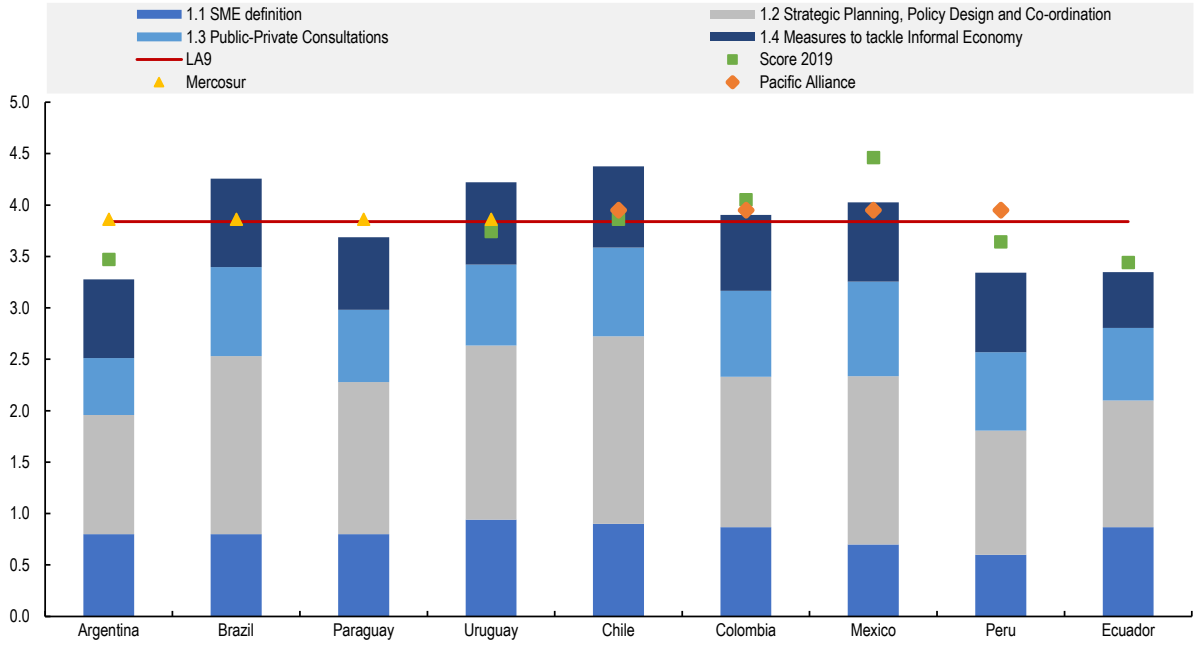
Figure 3.1. Assessment Framework - Institutional Framework

Dimension 1: Institutional Framework	
1.1 SME Definition	• Legal Definition • Consistent use of definition in legislation • Multiple criteria • Independence criterion
1.2 Strategic Planning, Policy Design and Coordination	• SME development strategy • SME Policy Implementation agency or equivalent • Availability of statistical data on SMEs
1.3 Public-Private Consultations	• Frequency and transparency of public-private consultations (PPCs) • Private sector involvement in PPCs • Formal feedback and review mechanisms
1.4 Measures to address the informal economy	• Background analysis on informal sector • Formalisation strategy • Private sector feedback • Monitoring and transparency

Sub-dimension 1.2 Strategic planning, policy design and co-ordination has been assigned the highest weight (40%), while the remaining sub-dimensions each carry a weight of 20%.

Analysis

Figure 3.2. Weighted scores for Dimension 1: Institutional Framework



Note: Scores are on a scale of 1 to 5, with 5 being the highest. The comparison with 2019 is not exact due to changes in the methodology. Please refer to Chapter 2 for further information on the methodology. 2019 data for Brazil and Paraguay are not available as they did not participate in the 2019 assessment.

The dimension scores (see Figure 3.2) reveal a broad categorisation of the LA9 countries into two sub-groups. The first group comprises countries such as Brazil, Chile, Mexico, and Uruguay, which have implemented most of the SME policy building blocks, resulting in dimension scores above 4 out of 5. In contrast, the second group, consisting of Argentina, Colombia, Ecuador, Paraguay, and Peru, encompasses countries at various stages of developing the institutional framework for SME policy. Challenges in this group often revolve around a lack of clear strategic direction, weaknesses in policy implementation, and a dearth of plans to reduce informality.

It is noteworthy that among the countries that underwent evaluation in the LAC SME Policy Index (SME PI) 2019, Chile and Uruguay have demonstrated progress. This advancement can be attributed to their adoption of public policy recommendations and the monitoring of good practices, as evidenced by the improvement in their scores. On the other hand, Argentina, Colombia, Ecuador, and Peru have seen a reduction in their scores for this dimension. This reduction is partly attributed to disruptions in policy-making caused by the COVID-19 pandemic since 2020. However, ongoing political and/or economic instability has contributed to the persisting challenges. Mexico, which previously held the highest score for this dimension, has also experienced a reduction, mainly due to changes in the country's development strategy, assigning a lower priority to SME policy and prompting a restructuring of the institutional framework for SME policy.

Sub-dimension 1.1: SME definition

Table 3.1. Sub-dimension 1.1: SME definition

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	4	4	4	4.7	4.5	4.33	4.33	3	4.33	4.13	4.18	4.04

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

The insights gained from SME policy assessments across more than 40 emerging economies highlight that the effectiveness of SME policy is significantly reliant on the development of specific building blocks and the adoption of best practices.

The initial building blocks and practices include the establishment of a clear and easily applicable SME definition, encompassing micro, small, and medium-sized enterprises. This definition should be based on multiple parameters, such as total employment, annual turnover, and total assets. The SME definition serves a functional role in delineating the scope of SME policy. A best practice involves adopting a unified definition applied consistently across the public sector administration, facilitating uniformity in SME data collection.

> *While all LA9 countries have in place an official SME definition, the way it has been set varies considerably.*

In this sub-dimension, regional performance (see Table 3.1) is relatively high, boasting an average score of 4.13 out of 5. All LAC countries have officially adopted an SME definition, encompassing sub-definitions for micro, small, and medium-sized enterprises. In most cases, this definition hinges on two parameters - typically full-time employment and annual turnover - with Colombia being exception by incorporating three parameters (employment, turnover, and total assets). Peru, facing challenges in collecting reliable data on employment and assets, has a definition based solely on annual turnover. Argentina and Uruguay stand out as the only countries featuring an explicit independence clause in their SME definitions.

The SME definition in all LAC countries is established by law or government decree, often included in legislative acts that set the country's SME institutional framework. This ensures the legal adoption of the SME definition by all public administrative bodies in most countries. However, Peru and Brazil stand as exceptions where multiple definitions exist. In Peru, the definition issued by the *Ministerio de la Producción* (Ministry of Production, PRODUCE) has not been legally adopted by other administrations. In Brazil, various institutions operating in the SME policy domain, such as the Federal Revenue Board, *Instituto Brasileiro de Geografia e Estatística* (Brazilian Institute of Geography and Statistics, IBGE), the *Banco Nacional de Desenvolvimento Econômico e Social* (National Bank for Economic and Social Development, BNDES), and the *Serviço Brasileiro de Apoio às Micro e Pequenas Empresas* (Brazilian Micro and Small Business Support Service, SEBRAE), employ their own definitions based on different parameters.

To confirm their status and access public incentives and support programmes, SMEs in Argentina, Ecuador, Peru, and Uruguay are required to register annually with the SME registry managed by the ministry responsible for SME policy. This registration requirement imposes an additional administrative burden on SMEs, and its efficiency could be enhanced by improving data exchange across different administrations, such as the tax administration, the Ministry of Labour, and the company registry. Despite the clear SME definitions shaping the scope of public policy for small enterprises, the substantial informal sector in many LAC countries means a significant number of enterprises, particularly micro and family-run ones, operate outside the purview of public policy. This situation leads to their exclusion or misrepresentation in SME statistics, undermining the relevance of the legal SME definition.

Sub-dimension 1.2: Strategic planning, policy design, co-ordination and implementation

In addition to the building blocks related to the definition of SMEs, other key elements regarding strategic planning, policy design, co-ordination, and implementation include:

- **Clear assignment of SME policy mandate:** It is crucial to assign the SME policy mandate clearly to a line ministry. However, given that SME policy spans multiple dimensions falling under the jurisdiction of different ministries, it is fundamental to establish a system for policy co-ordination. This helps to avoid the introduction of overlapping measures and prevents the generation of policy inconsistencies.
- **Medium-term time horizon and coordinated policy actions:** SME policy typically has a medium-term time horizon and is more effective when it comprises a series of coordinated policy actions aimed at achieving clearly stated objectives, expressed in both qualitative and quantitative terms. Therefore, a best practice involves governments defining their medium-term SME policy objectives in a strategic document. This document should present, in a consolidated manner, the actions intended for implementation, how they will be monitored and evaluated. The document should result from a process of analysis and policy dialogue with all SME policy stakeholders and should be aligned with the country's general development objectives. It could be either a stand-alone SME development strategy or part of the country's socio-economic development plan.
- **Dedicated institutions for policy implementation:** Effective policy implementation is facilitated when there is one or more dedicated institution responsible for implementing public support programmes and providing assistance to entrepreneurs and SMEs. These institutions, such as SME or Enterprise Development Agencies, should act as a bridge between the central government, the enterprise sector, local administration, and the broader SME community. The institutions in charge of implementation should have a good level of autonomy and a well-designed governance system, including the presence of private sector representatives in the governing body.

The outcomes of the 2024 LAC SME Policy Index reveal notable variations in country performance for this sub-dimension (see Table 3.2).

Table 3.2. Sub-dimension 1.2: Strategic Planning, Policy Design and Co-ordination

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	2.89	4.32	3.70	4.23	4.56	3.66	4.09	3.01	3.09	3.73	3.79	3.83

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

In each of the LA9 countries, the responsibility for SME policy is distinctly assigned.

The region can be broadly divided into two sub-groups. The first group comprises Brazil, Chile, Mexico, and Uruguay. These countries have adopted most of the good practices outlined above, recording a sub-dimension score above 4. The second group includes Argentina, Colombia, Ecuador, Paraguay, and Peru, with scores ranging from 2.89 to a maximum of 3.70. This indicates that there are still gaps in adopting good practices, and policy building blocks are not fully developed. The LA9 regional average score for this sub-dimension is 3.73.

In all LA9 countries, the SME policy mandate is clearly assigned to a line economic ministry, such as the Ministry of Economy, Trade, Industry, or Commerce. Most countries have established a unit responsible for SME policy design and supervision, either a sub-secretariat or a general directorate within the ministry, with the exception of Brazil.

Brazil is the only LAC country that has a ministry dedicated specifically to SMEs. The Ministry for SMEs was established in October 2023, taking over functions previously assigned to the Federal Ministry of Economy, indicating the relevance that the Brazilian government has assigned to SME development. In contrast, Mexico took a different direction. Until 2019, Mexico had a separate public institution, *Instituto Nacional del Emprendedor* (National Institute for Entrepreneurship, INADEM), under the supervision of the Ministry of Economy, responsible for SME policy design and implementation. Since then, INADEM has been disbanded, and its functions reintegrated into the Ministry of Economy. A new *Unidad de Desarrollo Productivo* (Unit for Productive Development), responsible for SME policy design and implementation, has been established, but with reduced financial and human resources.

Inter-ministerial co-ordination in relation to SME policy is still relatively underdeveloped in the LA9 countries.

While Brazil, Colombia, and Paraguay have established policy co-ordination institutions, the rest of the LA9 countries have implemented more informal mechanisms. Brazil's *Fórum Permanente das Microempresas e Empresas de Pequeno Porte* (Permanent Forum of Micro and Small Enterprises) serves as a coordinating body involving relevant ministries and public agencies, along with private sector representatives, performing functions related to policy co-ordination, monitoring, and evaluation.

Colombia and Paraguay have introduced a National SME System, a network of institutions operating in the SME policy domain, coordinated by the responsible ministry. Colombia established a *Sistema Nacional de Apoyo a las Mipymes* (National SME Support System) in 2004, featuring public institutions, a National Council for micro-enterprises, and a National Council for small and medium-sized enterprises. However, the system underwent a review in 2020 with the creation of the National System for Competitiveness and Innovation.

Paraguay operates the *Sistema Nacional de Mipymes* (National SME System, SINAMIPYMES), aiming to support policy development for small-scale enterprises, facilitate co-ordination, and foster public-private dialogue.

Regarding SME development strategies, most LA9 countries integrate SME policy objectives into their medium-term economic and social development plans. Argentina, Chile, and Ecuador follow this approach, aligning SME objectives with broader national strategies. However, Paraguay and Uruguay have distinct multi-year SME development strategies, and Brazil is currently working on a new SME development strategy following the expiration of the previous one in 2023.

In Peru, SME development objectives were previously part of the country's multi-year Strategic National Plan, but the planning process faced disruptions due to the COVID-19 pandemic and political instability. Despite challenges, the government approved a long-term development plan, *El Plan Estratégico de Desarrollo Nacional – Perú 2050* (The Strategic Plan for National Development - Peru 2050), in 2022.

Mexico incorporates broad SME policy objectives into the National Development Plan, valid through the presidential term. Additionally, the Ministry of Economy formulates a more specific *Programa Sectorial de Economía* (Economic Sector Programme, PROSECO), covering the period 2020-2024 and complemented by executive action plans.

Across the region, the mandates for policy design, implementation and monitoring are often not clearly defined.

In Argentina, Ecuador, Peru, Paraguay, and Mexico, the SME policy unit within the line ministry responsible for SME policy handles both policy elaboration and implementation, and in some cases, also monitoring and evaluation. This structure raises the potential for conflicts of interest within the same organisation. SME support programmes in these countries are managed by external organisations, such as chambers of commerce, sectorial associations, and local administrations, usually selected through call for proposals.

In Colombia, the *Ministerio de Comercio, Industria y Turismo* (Ministry of Commerce, Industry, and Tourism, MINCIT) supervise the implementation process, but funds are channelled through two main programmes, *iNNpulsa Colombia* and *Colombia Productiva*, each having its own staff and operational autonomy.

Brazil, Chile, and Uruguay have established autonomous agencies responsible for implementing enterprise support programmes. Brazil has established a well-organised network of public agencies to provide support for SMEs, known as the *Sistema S* (System S). These parastatal organisations operate with operational autonomy and have their funding sources generated through a levy on salaries, while remaining under government supervision. Among these, SEBRAE serves as the country's SME development agency, boasting a total staff of over 6,800 and offices nationwide. Additional agencies within the System S include the *Serviço Nacional de Aprendizagem Industria* (National Industrial Learning Service, SENAI), responsible for providing industrial vocational training, and the *Serviço Nacional de Aprendizagem Comercial* (National Commercial Learning Service, SENAC), the national training service.

Chile has two longstanding and well-staffed public agencies. *Corporación de Fomento de la Producción* (Production Development Corporation, CORFO) oversees the implementation of the country's industrial policy, managing various investment and R&D incentives, along with a credit guarantee fund accessible to enterprises of all sizes. The *Servicio de Cooperación Técnica* (Technical Cooperation Service, SERCOTEC), on the other hand, focuses on providing training and technical assistance programmes tailored for micro and small enterprises and new entrepreneurs.

In Uruguay, SME development is primarily managed by three public agencies. The *Agencia Nacional de Desarrollo* (National Development Agency, ANDE), with a general mandate for economic and enterprise development; the *Agencia Nacional de Investigación e Innovación* (National Agency for Research and Innovation, ANII) that focuses on promoting innovation, and the *Instituto Nacional de Empleo y Formación Profesional* (National Institute for Employment and Vocational Training, INEFOP) that operates as the agency for employment and vocational training.

LA9 countries exhibit varying degrees of monitoring efforts for SME policies, with limited formal evaluations.

In the LAC region, many countries engage in regular monitoring activities to assess the implementation of both the overarching SME policy strategy and specific support programmes for SMEs. However, the practice of conducting formal policy and programme evaluations is relatively underdeveloped. Notably, Mexico and Chile stand out as exceptions, taking a proactive approach by conducting thorough evaluations, setting them apart as leaders in the effective assessment of SME policies in the region. Mexico has gone a step further by establishing an independent agency dedicated to monitoring and evaluating public policies. Meanwhile, in Chile, CORFO and SERCOTEC play key roles in overseeing programme implementation, with policy evaluations falling under the purview of the *Dirección de Presupuestos de Chile* (Chilean Budget Directorate, DIPRES).

Sub-dimension 1.3: Public-private consultations

Public-Private Consultations (PPCs) are a crucial component of SME policy. It is imperative that SME associations and other private sector organisations actively participate in all phases of SME policy, ensuring an inclusive dialogue open to various categories of SMEs. The process of public-private dialogue should be transparent and conducted in a manner that encourages widespread engagement.

Table 3.3. Sub-dimension 1.3: Public-private consultations

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	2.77	4.33	3.51	3.93	4.33	4.18	4.60	3.82	3.52	3.89	3.64	4.23

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

All LA9 countries have developed a consolidated practice of PPCs on SME policy.

While the LA9 countries have established a consolidated practice of PPCs on issues related to SME policy, the channels, modalities, and degree of openness of PPCs vary considerably across the region. Scores for this sub-dimension range from a low of 2.77 to a maximum of 4.60, with the regional average score standing at 3.89.

As a standard practice, organisations representing the private sector, including SMEs, are consulted during the elaboration of new policy measures, particularly main legislative acts. Less frequently, private sector organisations are involved in other policy phases, such as implementation, monitoring, and evaluation. Several countries in the region have formalised PPCs channels by establishing SME Consultative Committees, including Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, and Uruguay. Notably, Mexico, Brazil, and Chile have developed good practices in this area.

Mexico secured the highest score in this sub-dimension due to the diversification and transparency of its consultation practices. The Law on Regulatory Improvement mandates public consultations before issuing any regulation affecting economic or social activities. Citizens can provide comments and observations on the digital platform *"Participa con tu gobierno en línea".* The National Council for the Competitiveness of SMEs serves as a major consultation channel at the sector level, open to all major enterprise associations, chambers of commerce, and sectorial associations. The *Comisión Federal de Competencia Económica* (Federal Economic Competition Commission, COFECE) ensures transparency in convocation procedures and reports on consultation conclusions. Another vital channel is the *Comisión Nacional de Mejora Regulatoria* (National Commission for Regulatory Improvement, CONAMER).

In Brazil, Law 13.655 of 2018 establishes that the approval of normative acts may be preceded by public consultation, with all government agencies having opened consultation channels. Private sector representatives are consulted throughout the policy cycle—design, implementation, and policy co-ordination. Major private sector and SME associations are members of the Permanent Forum of Micro and Small Companies, participate in the *Simples Nacional* (Simples National) contributing to tax regime elaboration for SMEs, and have representation in SEBRAE's National Deliberative Council.

Chile utilises the *Consejo Consultivo de Empresas de Menor Tamaño* (National Consultative Committee for Small Scale Enterprises) as the primary consultation channel for SME policy issues. Chaired by the Minister of Economy, Development, and Tourism, the council meets regularly, and private sector representatives can propose legal acts and policy measures for debate.

Argentina has not established formal PPCs channels. In Argentina, consultations are called by the relevant ministry during the final phases of legislative act elaboration, mainly involving chambers of commerce and sectorial organisations. These consultations are relatively frequent but not regular and are often driven by the most powerful private sector organisations.

Across the region, a significant challenge lies in the representativeness of private sector organisations, particularly Chambers of Commerce and Industry and sectorial organisations. These entities are actively involved in PPCs, typically representing larger and well-established enterprises. SME federations often have limited influence, and the voices of start-ups and small-scale enterprises are seldom heard. Informal enterprises are generally excluded from the consultation process, further distancing them from the realm

of public policy. Efforts from the government are crucial to establishing new channels and fostering consultations that include all segments of the SME population.

Sub-dimension 1.4: Measures to address the informal economy

Informality represents a grey area with significant social and economic implications. Informal entrepreneurs and enterprises typically exhibit lower efficiency compared to their formal counterparts. These entities face constraints in their growth potential, as they are excluded from traditional avenues such as bank financing and public procurement opportunities. Moreover, they operate beyond the reach of public policy and are often unable to benefit from support programmes. Consequently, the reduction of informality should be a prominent SME policy objective in countries characterised by a substantial informal sector.

Informality is defined as "the collection of firms, workers, and activities that operate outside the legal and regulatory framework" (Loayza, Servén and Sugawara, 2009[1]). At the firm level, informality encompasses all enterprises and self-employed individuals engaged in the production of legal goods and services but fail to comply with the country's labour, fiscal, and other administrative regulations (Feige, 2016[2]).

There are varying degrees of informality, ranging from total informality, where enterprises operate entirely outside any public administration control and are absent from company and tax registers to partial informality, where enterprises complete registration procedures but consistently employ non-registered workers and/or under-report revenues and profits to tax authorities.

Informal enterprises typically exhibit lower productivity compared to formal counterparts. They face higher external financing costs as they lack access to bank financing, often relying on informal financing networks. Informal businesses are less inclined to invest in staff training and tend to remain small to avoid detection by public authorities. Additionally, they pose a challenge as a source of unfair competition with formal enterprises that bear higher operational costs. The prevalence of a large number of informal enterprises hampers a country's economic growth potential and introduces significant distortions into its economic structure.

The prevalence of a substantial informal sector characterises most of the LA9 countries. Reliable data on the number of informal enterprises is lacking, but the extent of the informal sector is indirectly reflected in the proportion of informal workers compared to the total number of employed individuals in the country.

According to the 2022 International Labour Organization (ILO) Labour Overview of the LAC region, the share of informal employment in total employment remains markedly high across the LA9 countries, on average, more than half of the jobs in the region are informal (ILO, 2022[3]).

ILO underscores that, while the economic recovery following the end of the COVID-19 pandemic significantly reduced total unemployment, a considerable portion of the jobs created post-pandemic has been informal. This pervasive informality is regarded as a structural issue in the LAC region, persisting not only during economic downturns, but also throughout phases of economic growth.

Table 3.4. Sub-dimension 1.4: Measures to address the informal economy

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	3.82	4.30	3.53	4	3.94	3.69	3.86	3.86	2.71	3.75	3.91	3.84

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

All LA9 countries have been active in introducing measures to reduce informality, but performance has varied significantly across the region.

Efforts to mitigate informality vary across LA9 countries. Chile, Uruguay, and Brazil have demonstrated relatively strong performance, with scores ranging from 3.94 to 4.30, implementing systemic measures to address informality. Argentina, Colombia, Mexico, Paraguay, and Peru exhibit intermediate progress, introducing some measures primarily focused on reducing informal labour but lacking a cohesive approach. Ecuador is in the initial stages of addressing informality. The regional average for this sub-dimension is 3.75.

Brazil has prioritised reducing the informal sector, implementing diverse approaches such as minimising administrative burdens, introducing simplified tax regimes like *Simples Nacional* and *Micro-emprendedor individual* (Individual Micro-entrepreneur, MEI), and streamlining company registration procedures. Over the last four years, the number of new business registrations has increased by six million six hundred thousand units, according to the *Servicio de Rentas Internas* (Internal Revenue Service).

Uruguay has systematically tackled labour and enterprise informality, introducing initiatives like *Monotributo* (single taxation) in 2007 and closely monitoring trends through the *Encuesta Continua de Hogares* (Continuous Household Survey). According to the ILO, the share of informal jobs over total jobs is around 25%, which is among the lowest in the LAC region.

Chile has prioritised the reduction of labour and enterprise informality, implementing measures to streamline company registration procedures through the *Registro de Empresas y Sociedades* platform. Additionally, initiatives like *Pyme Ágil* aim to alleviate administrative burdens on small-scale enterprises. Simultaneously, SERCOTEC conducts workshops to guide entrepreneurs through formalisation procedures.

Mexico has adopted a similar approach with the *Crezcamos Juntos* programme and the introduction of a simplified tax regime for micro-enterprises, although the results have been less favourable. Ecuador has also taken steps to simplify the registration of small-scale enterprises in the company register.

Argentina's focus on reducing informal labour includes establishing the *Registro Público de Empleadores con Sanciones Laborales* (Public Registry of Employers sanctioned for not complying with labour regulations). The country has also implemented a reduction in social contributions for individual entrepreneurs and micro-enterprises.

As of now, no LA9 country has implemented a coordinated strategy for reducing labour and enterprise informality. However, Colombia and Paraguay have initiated efforts in this direction. Colombia has outlined strategic directions for reducing enterprise informality in *Documento CONPES 3956* and established a public-private technical committee, the *Comité Técnico Mixto de Formalización* (Joint Technical Committee on Formalisation), to promote formalisation. In Paraguay, one of the goals of the National Development Plan is to reduce the size of the informal sector by 90% by 2030, with a primary focus on reducing informal labour. Since 2018, the government has been implementing a labour formalisation strategy, showing some limited positive results.

Institutional framework for the development of women-owned or led SMEs

Latin American countries strive to integrate gender perspectives in SME development efforts

In LA9, support for the development of SMEs led or owned by women is channeled through national gender equality plans with strategic axes focused on this issue. Meanwhile, other countries incorporate gender perspectives cross-cuttingly into programmes or sectoral production plans.

Regarding strategies and communication plans to raise awareness and promote women's entrepreneurial spirit, Uruguay stands out. The *Unidad Especializada de Género* (Gender Specialised Unit, UEG) of the MIEM is tasked with making the gender equality policy visible and developing communication strategies for this purpose. Notably, one of its specific programmes is the *Call for Short Films*, aimed at showcasing women in productive activities. This initiative is implemented by the National Directorate of Telecommunications and Audiovisual Communication Services (MIEMDinatel). Furthermore, the Call for Women Entrepreneurs on March 8th launches a communication campaign to disseminate and foster the empowerment of women in the industrial and business sector.

Finally, in analysing the informal economy from a gender perspective, Chile's Ministry of Economy, Development, and Tourism produces an executive summary (last updated December 2020) of the Micro-entrepreneurship Survey. This report sheds light on the results of female micro-entrepreneurship in Chile, including findings on informality with a gender perspective. Additionally, the establishment of the Gender Statistics Sub-department aims to deepen and create a solid foundation for gender mainstreaming in statistical production.

The way forward

Table 3.5. Policy recommendations for institutional framework

Policy area	Challenges and opportunities	Policy recommendations
SME Definition	Some LA9 countries lack a consistently applied SME definition across public administration.	• Refine the SME definition by incorporating multiple parameters, regularly adjusting values for inflation, introducing an independence clause, and ensuring the consistent application of a single SME definition across the public administration.
Strategic planning, policy design and co-ordination	SME policy is not structured around a medium-term strategy with measurable targets, firmly anchored in the country's medium-term economic development plan.	• Reinitiate the process of strategic planning for SME policies, considering the disruptions caused by the COVID-19 pandemic and, in some cases, by political and economic instability. • Establish robust policy co-ordination mechanisms and enhance the operational autonomy of implementation bodies. Allocating additional resources for monitoring programme implementation and conducting evaluations for the most significant programmes for informed decision-making.
Public-private consultations	Good PPCs practices are essential for enhancing SME policy effectiveness. SME policies must be inclusive and responsive to the diverse needs of the SME population.	• Ensure that PPCs are inclusive, welcoming all components of the SME population, and avoid being monopolised by organisations representing larger and well-connected enterprises. Private sector representatives should actively participate in all phases of the policy cycle.
Measures to tackle the informal economy	The existence of a significant informal sector diminishes the country's growth	• Adopt a systemic approach to address the challenge of reducing enterprise and labour informality.

	potential and introduces distortions into its economic structure.	• Establish a medium-term plan, implementing policy co-ordination mechanisms, conducting evaluations of existing measures, drawing valuable lessons, and facilitating the formalisation process would contribute to a more comprehensive and effective strategy.

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4 Dimension 2: Operational environment and simplification of procedures

Regulations play a pivotal role in facilitating the effective functioning of economies and societies, establishing the essential "rules of the game" for citizens, businesses, government, and civil society. Well-crafted regulations contribute significantly to economic growth by promoting healthy competition and market efficiency.

Despite the challenges, there is a positive trend in the operational environment and simplification of procedures for SMEs across most of the LA9 countries, indicating notable improvements compared to the 2019 assessment, particularly driven by advancements in the e-government sub-dimension. However, intricate regulations and substantial administrative barriers persist, presenting challenges that require attention for sustained progress. This upward trajectory suggests the potential for further advancements.

Assessment Framework

Regulations play a crucial role in facilitating the proper functioning of economies and societies, establishing the "rules of the game" for citizens, businesses, government, and civil society. They serve as the foundation for markets, safeguard the rights and safety of citizens, and ensure the provision of public goods and services. Well-crafted regulations contribute significantly to economic growth by fostering healthy competition and market efficiency. However, regulations, both direct and indirect, often impose disproportionate costs on small-scale enterprises. Poorly designed or inadequately enforced regulations can burden enterprises with administrative complexities, high compliance costs, and distort market dynamics. The complexity and expense associated with regulations can drive segments of the SME population toward informality. The regulatory framework of a country significantly shapes the operational environment for SMEs, emphasising the need for regulatory reforms as an integral component of SME policy.

A substantial methodological change has been introduced in this dimension since the previous evaluation. First, the assessment framework for the four sub-dimensions has been enhanced with additional questions, aiming to provide a more detailed assessment. Second, indicators from the World Bank's Doing Business report, previously used to evaluate the effectiveness of company registration procedures and the ease of filing taxes, are no longer considered for scoring due to the discontinuation of that exercise, although some of its findings are utilised for the analysis text. Additionally, it incorporates a not-scored analysis of the gender approach within this dimension.

The assessment framework for this dimension comprises (see Figure 4.1):

- **Legislative simplification and Regulatory Impact Analysis (RIA):** This sub-dimension examines the legislative simplification and regulatory reform processes, incorporating the use of Regulatory Impact Analysis (RIA) as a tool to enhance the quality of new legislative and regulatory acts.
- Sub-dimensions 2.2 (**Company registration**) and 2.3 (**Ease of filing taxes**) delve into regulatory applications. Sub-dimension 2.2 addresses the intricacies of company registration and the initiation of business operations, while sub-dimension 2.3 focuses on the system governing tax filing and payment for SMEs.
- **E-government:** The indicator within this sub-dimension analyses the provisions of digital government services, specifically those pertaining to SME operations. Well-designed digital government platforms have the potential to decrease administrative burdens, enhance government-to-business communications, and reduce operational costs for SMEs.

Figure 4.1. Assessment framework - Operational environment and simplification of procedures

Dimension 2: Operational enviroment/simplification of procedures	
2.1 Legislative Simplification and Regulatory Impact Analysis (RIA)	• Action Plan/Formal Requirement • RIA requirement • Implementation status of RIA • Review bodies • Transparency
2.2 Company Registration	• One-stop company registration • Online registration and availability of information • Administrative identification numbers • Monitoring and transparency
2.3 Ease of Filing Tax	• Time required to comply with three major taxes • Number of tax payments • Postfiling index
2.4 E-Government	• Online filing of tax and social security returns • Use of e-signature • Database linkages among public institutions • Collection and use of user and satisfaction data

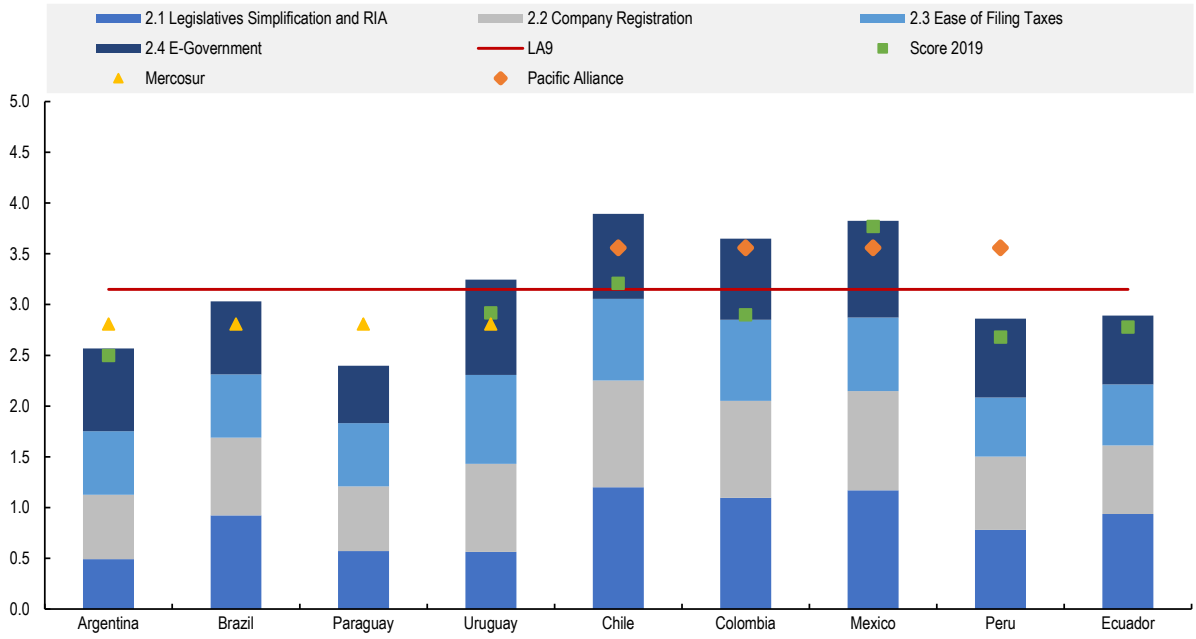
Upon aggregating the assessment scores for this dimension, a weight of 30% has been allocated to sub-dimension 2.1, with sub-dimensions 2.2 and 2.3 each receiving a weight of 25%. The final dimension, focusing on e-government services, carries a weight of 20%.

Analysis

Despite the challenges, there is a positive trend in the operational environment for SMEs in most of the LA9 countries (see Figure 4.2), reflecting notable improvements compared to the 2019 evaluation, primarily driven by advancements in the e-government sub-dimension. However, intricate regulations and substantial administrative barriers continue to pose challenges that need to be addressed for sustained progress. This positive trajectory indicates a potential for further advancements.

Legislative simplification and regulatory reforms are not systematically pursued across most of these countries, with only Chile, Colombia, and Mexico adopting a more organised approach. However, even in these nations, the reform process has encountered obstacles over the last four years. The focus on addressing the challenges posed by the COVID-19 pandemic, coupled with episodes of political and economic instability in certain LA9 countries, has contributed to the current impasse. Prioritising improvements in the regulatory framework and the reduction of administrative burdens is crucial for fostering economic growth and effectively curbing informality in the SME sector.

Figure 4.2. Weighted scores for Dimension 2: Operational Environment and Simplification of Procedures



Note: Scores are on a scale of 1 to 5, with 5 being the highest. The comparison with 2019 is not exact due to changes in the methodology. Please refer to Chapter 2 for further information on the methodology. 2019 data for Brazil and Paraguay are not available as they did not participate in the 2019 assessment.

Sub-dimension 2.1: Legislative simplification and regulatory impact analysis

Table 4.1. Sub-dimension 2.1 scores: Legislative simplification and regulatory impact analysis

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	1.63	3.08	1.90	1.87	4	3.65	3.90	2.60	3.12	2.86	2.12	3.54

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

The findings of the 2024 LAC SME Policy Index (SME PI) reveal that legislative simplification and regulatory reforms in most of the LA9 countries are still in an early phase, with a regional average sub-dimension score of 2.86. Notably, Chile, Mexico, and Colombia stand out as the countries where significant progress has been achieved, supported by a relatively well-developed institutional framework for legislative and regulatory reform. However, over the past four years, the pace of reform has considerably slowed across the region. Emergency measures to address the impact of the COVID-19 pandemic, coupled with political instability disrupting parliamentary activities, have hindered the pursuit of comprehensive reforms.

Most LA9 countries lack a medium-term strategy or plan for legislative simplification and regulatory reforms. There is a notable absence of systematic reviews of legislative and regulatory acts affecting private enterprise operations, eliminating redundant acts, and updating laws and regulations. When actions are taken, they tend to address specific issues and are often responsive to pressure from the business community, lacking integration into a broader and systemic reform process.

Among the LA9 countries, Chile, Mexico, Colombia, and Peru have embraced a more systematic approach to regulatory reforms

Mexico has implemented a comprehensive strategy for regulatory reform since 2019, with the process being co-ordinated and monitored by the *Comisión Nacional de Mejora Regulatoria* (National Commission for Regulatory Improvement, CONAMER). In Colombia, the country's accession to the OECD has provided new momentum for regulatory reform, leading to the approval of a new Law on Legislative and Regulatory Reform in 2020. Peru has a regulatory reform plan in place, but the lack of clearly defined implementation timelines has led to disruptions in its execution.

Uruguay, in the past, had a regulatory reform plan as part of the broader *Trasforma Uruguay* strategy, completed in 2021. However, no new plan has been adopted since then. Argentina, despite having a complex regulatory framework and a challenging operational environment for SMEs, has shown indications of prioritising legislative and regulatory reform under the new government elected in November 2023. The administration is actively working to streamline bureaucracy, announcing plans to submit a bill to Congress to eliminate 160 regulations and establishing a Secretariat for the Simplification of the State.

Brazil has been engaged in regulatory reform for several years, primarily through the establishment of the National Network for the Simplification of Registration and Legalisation of Companies and Businesses (REDESIM) in 2007. However, the reform process faces challenges due to the intricate regulatory environment and overlapping competences between federal and state administrations.

The application of Regulatory Impact Analysis is advancing across the region

The application of RIA varies across the region. Chile, Mexico, Colombia, and Peru have established the legal obligation to systematically apply RIA, with Colombia additionally incorporating an RIA SME test for major legislative or regulatory acts. In Brazil, RIA is applied selectively to significant pieces of legislation, and the guidelines were approved in June 2020. Ecuador, Paraguay, and Uruguay are in the process of adopting RIA methodology, with plans to establish RIA units within the state administration.

Due to the absence of a medium-term plan, monitoring and evaluation mechanisms in this area are relatively limited. Mexico, however, sets an example of good practice, with CONAMER regularly monitoring the implementation of regulatory reform plans.

Sub-dimension 2.2: Company registration

This dimension revolves around the process of registering a new company and, more broadly, initiating a new business. This process includes not only registration in the public company register but also the notification and, if necessary, registration with other branches of public administration such as the tax office, labour office, local administration, and the issuance of business licenses.

As outlined in the Assessment Framework section of this chapter, the indicators for this sub-dimension in the 2019 LAC SME PI were derived from the World Bank Doing Business Report under the "Starting a business" dimension. Since the Doing Business survey was discontinued in September 2022, the methodology for this sub-dimension has been partially modified. Without recent Doing Business reports, the focus has shifted to changes introduced at the country level since the last published report (2020) and the availability of online registration. Consequently, the 2024 scores are not fully comparable with those of the 2019 LAC SME PI.

Table 4.2. Sub-dimension 2.2 scores: Company registration

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	2.54	3.06	2.54	3.48	4.20	3.82	3.90	2.89	2.70	3.24	2.90	3.70

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

Complex, lengthy, and costly procedures for company registration and starting a business are factors that contribute to pushing new enterprises towards informality. The 2024 assessment reveals (see Table 4.2) that procedures for company registration and starting a business in the LA9 region continue to be intricate, time-consuming, and frequently costly. The regional average for this sub-dimension stands at 3.24. Approximately half of the countries included in the report (Argentina, Ecuador, Paraguay, and Peru) have received a score below 3, underscoring the substantial gap from the adoption of good practices.

Despite efforts, the procedures for registering a company in LA9 countries continue to be costly and time-consuming

The complexity of company registration and starting a business procedure is often exacerbated by the sequential nature of the steps required for new entrepreneurs. One-Stop Shops (OSS), which provide a centralised location for entrepreneurs to complete all registration procedures, are only available in Chile, Colombia, and Mexico. Uruguay has implemented a system of multiple windows at a single location for all involved administrations. In contrast, in all other LA9 countries, entrepreneurs must personally contact each administration in sequence.

The necessity to undergo separate registration processes with the company registry and tax administration contributes to the time-consuming nature of the process, a common situation in most LA9 countries. Companies often receive two or more registration numbers, with the tax registry number usually serving as the primary identifier for interactions with public administration. This holds true for Brazil, Chile, Colombia, Mexico, Paraguay, and Uruguay. The duration of the process is frequently extended by requirements to register with local authorities and obtain a local business license.

In Brazil, despite reforms introduced by REDESIM and normative instructions from the *Departamento Nacional de Registro Empresarial e Integração* (National Department of Business Registration and Integration, DREI), company registration procedures remain relatively lengthy and time-consuming. This is partly due to the need for new companies in several states to register with local tax authorities and obtain a local business license, in addition to federal registrations. The costs of company registration are often augmented by mandatory legal and notary services.

The adoption of online registration systems and their monitoring mechanisms are gaining momentum in LA9 countries, aiming to enhance the efficiency and quality of the company registration process

The adoption of online registration is still in its early stages in most LA9 countries. Currently, dedicated electronic platforms for online company registration are available in Chile, Colombia, and Mexico, while certain registration procedures can be performed online in Argentina, Ecuador, Paraguay, and Uruguay. In Brazil, online company registration is limited to single entrepreneurs.

Monitoring of company registration and starting a business procedure is also in its early stages of development, with a few exceptions. Brazil's federal government has introduced the Company Map tool to track company registration and closure processes across the country, providing monthly data on procedure completion, new registrations, and closures by location and type of activity. Mexico's CONAMER regularly monitors the implementation of reforms related to company registration and starting a business procedure.

Sub-dimension 2.3: Ease of filing taxes

Similarly, to the Company Registration sub-dimension, some indicators used in the 2019 LAC SME PI relied on data and information from the World Bank Doing Business. The 2024 edition considers changes introduced at the country level since 2020, incorporating elements such as the presence of simplified tax regimes for SMEs and tax administration procedures for SMEs. Consequently, the scores for this sub-dimension in 2019 and 2024 are not directly comparable.

Table 4.3. Sub-dimension 2.3 scores: Ease of filling taxes

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	2.5	2.5	2.5	3.5	3.22	3.2	2.9	2.33	2.4	2.78	2.75	2.91

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

Efforts to streamline and simplify tax payment processes could lead to a more favourable environment for SMEs in LA9 countries

The tax regime for SMEs in most LAC 9 countries is characterised by substantial administrative burdens and prolonged procedures for filing and payment. The average number of tax payments per year is high, and the time required to fulfil tax administration obligations is often lengthy. In some cases, there is considerable tax pressure.

In the 2024 assessment, scores for this dimension are notably low, with only Chile and Uruguay achieving scores above level 3. Interestingly, these two countries also exhibit the lowest levels of labour informality. The regional LA9 average stands at 2.78.

Since 2019, several LA9 countries have undertaken tax reforms and introduced simplified tax regimes for SMEs

Several countries in the region have undertaken tax reforms and introduced simplified tax regimes for SMEs since 2019. In Argentina, the *monotributo* range has been extended to micro-enterprises and individual entrepreneurs, accompanied by a "bridge regime" facilitating the transition from *monotributo* to a full corporate tax regime.

In Brazil, the government implemented measures to simplify tax filings and payments through *Simples Nacional* and *Microempreendedor Individual* (Individual Microentrepreneurs, MEI) schemes, with ongoing efforts through two permanent committees dedicated to tax reform.

Chile is currently undergoing a comprehensive tax reform, introducing a VAT regime for service sales, particularly impacting small-scale enterprises in the service sector. While maintaining a special tax regime for SMEs, Chile has introduced fiscal incentives for startups and those undergoing formalisation, along with a transition “bridge” for SMEs moving to the standard corporate tax regime. Uruguay has implemented a similar transition measure.

Colombia’s progressive tax reform since 2018 aims to enhance tax compliance for small-scale enterprises, while Ecuador introduced a simplified tax regime for micro-enterprises called *Régimen Simplificado para Emprendedores y Negocios Populares* (Simplified Regime for Entrepreneurs and Popular Businesses, RIMPE). This initiative imposes a turnover tax of 1 to 2% on enterprises with an annual turnover between USD 20,000 and USD 300,000.

In Mexico, the *Servicio de Administración Tributaria* (Tax Administration Service, SAT) introduced the *Régimen Simplificado de Confianza* (Simplified Trust Regime, RESICO) to simplify tax-filing procedures

for individual entrepreneurs and small-scale enterprises. This initiative imposes a turnover tax ranging from 1 to 2.5% for enterprises and individual entrepreneurs below a set annual turnover threshold, contributing to lower tax charges and reducing enterprise informality.

Paraguay has also been actively implementing tax reforms since 2019, involving a reduction in the number of taxes on private enterprises, simplification of tax-filing procedures, and the introduction of a simplified tax regime for SMEs.

Sub-dimension 2.4: E-government

Table 4.4. Sub-dimension 2.4 scores: E-government

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	4.08	3.60	2.83	4.70	4.20	4	4.77	3.88	3.40	3.94	3.80	4.21

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

Over the past four years, significant strides have been made across most of the LA9 countries in enhancing the provision of e-government services, and digitalisation (Dimension 8) benefiting both the public and, in many instances, SMEs. The imperative to restrict physical access to public offices, a measure implemented to curb the spread of the COVID-19, has acted as a catalyst, accelerating the development and implementation of e-government services.

LA9 countries are making progress in delivering e-government services

Argentina, Chile, Colombia, Mexico, and Uruguay have adopted national plans for the digitalisation of public administration, offering a broad range of e-government services. Tax administrations in these countries have established electronic platforms for processing tax declarations. Brazil, Ecuador, and Peru are at an intermediate stage, actively working to expand their e-government service offerings. Paraguay is in the early stages of development, formulating national plans for public administration digitalisation. The regional average for this sub-dimension is 3.94.

Mexico, Chile, and Uruguay are at the forefront in providing e-government services

Mexico, Chile, and Uruguay serve as good case studies in the realm of digital transformation within public administration and the provision of e-government services.

Mexico is leading the region in this area. It launched its first national digitalisation strategy in 2013, focusing on delivering e-services to both citizens and businesses. Presently, the country is executing its third National Digitalisation Strategy (2021-2024), with goals centred on expanding digital government tools, enhancing digital security, and narrowing the digital divide. The *Secretaría de Economía* (Ministry of Economy, SE) manages the MIPYMES.MX platform, dedicated to supporting the digital transformation of SMEs and enhancing their access to e-government services.

Chile has also been proactive in digitalising government services for several years. The nation launched its first national digital transformation plan in 2015, emphasising the promotion of interoperability across data banks managed by various public administrations. The array of e-government services available for SMEs encompasses tax filing, data reporting, and company registration procedures. The *Digitaliza tu PYME* platform plays a pivotal role in assisting SMEs in utilizing e-government services and fostering digital transformation.

Uruguay has been promoting the digital transformation of state administration and developing e-government services for over a decade, making substantial progress in this domain. The specialised agency, la *Agencia de Gobierno Electrónico y Sociedad de la Información y del Conocimiento* (Agency for Electronic Government, Information and Knowledge Society, AGESIC), operating under the Presidency of the Republic of Uruguay, is responsible for co-ordinating the implementation of national Digital Strategy. The most recent strategy spans the period from 2021 to 2025.

The monitoring of e-government service usage by SMEs is still in its early stages in LA9 countries

While progress has been made in this area, monitoring the usage of e-government services by SMEs is still at an early stage. Public digital agencies, SME development agencies, and organisations should conduct regular surveys to monitor the utilisation of digital platforms by SMEs and identify their needs for training and information.

Operational Environment for the development of women-owned or led SMEs

Among LA9, none have a decentralised national information agency or help centres that exclusively or specifically provide advisory services to women for business creation. Instead, they have centres and/or service portals for entrepreneurs regardless of gender. Noteworthy practices include those of Mexico's National Institute for Women (INMUJERES), which promotes the development of strategies for business creation, facilitating women's economic empowerment. For example, they operate the online store "*Hecho en México x Mujeres*" within Mercado Libre's digital sales platform. Additionally, Paraguay's Vice Ministry of SMEs implements the REEMUJERPY project, specifically targeted at women.

Furthermore, only Ecuador, Chile, and Uruguay have mechanisms for monitoring and evaluating the business registration process that record disaggregated information by gender. Additionally, there is a notable presence of several national inter-institutional co-ordination committees or councils, predominantly led by National Gender Equality Mechanisms, which are actively involved in executing actions to support women's entrepreneurial spirit. Examples include Brazil's Committee for Female Entrepreneurship, and Ecuador's National Council for Gender Equality. Particularly noteworthy is Paraguay's Ministry of Women, where an Interinstitutional Commission for the implementation of the programme "*Ciudad Mujer*" exists. This commission comprises various public institutions in the economic empowerment module for women. Their aim is to promote income generation, enhance employability skills, and support the creation of productive entrepreneurship initiatives.

The way forward

Table 4.5. Policy recommendations for dimension 2. Operational environment and Simplification of procedures

Policy area	Challenges and opportunities	Policy recommendations
Legislative simplification and Regulatory Impact Analysis (RIA)	A system approach to regulatory reform is still missing in most of the LA9 countries. RIA is systematically applied in only three of the LA9 countries.	• Elaborate national plans for legislative simplification and regulatory reform, focusing on the areas that generate the highest barriers to enterprise development. • Adopt RIA guidelines and introduce mandatory RIA, if not done yet, in the approval of the new

Policy area	Challenges and opportunities	Policy recommendations
		legislative and regulatory acts having a significant impact on the operations of private enterprise
Company registration	Complex, lengthy, and costly procedures act as a barrier to entry for new entrepreneurs and contribute to drive them towards informality.	• Review the company registration and starting a business process, taking account of the OECD Product Market Regulation measures on starting a business, and set objectives for reducing the administrative burdens associated with the process.
Ease of filing taxes	Tax filing and tax payments procedures in most of the LA9 countries remain complex and time consuming.	• Review tax filing and tax payment procedures to simplify them. • Develop online tax platforms. • Calculate effective tax rates applied on different typologies of SMEs. • Facilitate the transition towards tax compliance and from the simplified regimes to the standard corporate tax regime.
E-government	The development of e-government services could significantly improve communications between enterprises and the public administration and reduce operational costs for SMEs.	• Develop e-government platforms, expand the range of e-government services for SMEs. • Collect data on platform utilisation by SMEs and conduct information and training programmes to assist SMEs in accessing digital platforms.

5 Dimension 3: Access to Finance

Access to Finance for SMEs involves addressing the barriers and challenges that small and medium-sized enterprises face in securing the resources needed for their growth and development. Despite progress, there is still considerable room for improvement in both the regulatory and institutional frameworks, as well as in the existing sources of financing, financial education programmes, and policies supporting SMEs facing bankruptcy in each LA9 country. This chapter presents the results of the Access to Finance dimension and highlights regional policy recommendations.

Assessment Framework

Access to Finance for SMEs encompasses the barriers and challenges confronted by small and medium-sized enterprises in obtaining resources to facilitate their growth and development. These issues may stem from either supply-side factors, such as transaction costs and information asymmetries, or demand-side constraints, including limitations in entrepreneurs' knowledge and competencies to navigate financial institutions effectively.

Within the index, this dimension analyses the institutional framework supporting SMEs' access to essential financial services, vital for amplifying their productive activities and fostering growth. This entails evaluating the efficacy of public policies and programmes in mitigating barriers and challenges, alongside assessing the collaborative institutional efforts among governments, regulatory bodies, and public and private entities to address both supply and demand aspects of accessing finance.

The significance of this dimension lies in recognising that restrictions in accessing specialised financial products and services tailored for SMEs, coupled with inadequate institutional support, impede the growth of this business sector, which significantly contributes to economies worldwide. The development of these dimensions carries profound implications for productivity, economic expansion, and their downstream effects on poverty alleviation and societal well-being.

To confront the hurdles impeding SMEs' access to finance various elements, such as the design and implementation of policies, regulatory frameworks, and the effectiveness of financial intermediaries in catering to the diverse needs of SMEs across different jurisdictions are considered.

A substantial methodological change has been introduced in this dimension since the previous evaluation. First, the assessment framework for the four sub-dimensions has been enhanced with additional questions, aiming to provide a more detailed assessment. Second, indicators from the World Bank's Doing Business report, previously used to evaluate creditor rights and credit information bureau, are no longer considered for scoring due to the discontinuation of that exercise. Hence, the Legal, Regulatory and Institutional Framework on Access to Finance sub-dimension has adjusted the scores from the SME Policy Index (SME PI) 2019 to maintain comparability between assessments.

The assessment framework for this dimension comprises (see Figure 5.1):

- **Legal, Regulatory and Institutional Framework on Access to Finance:** This sub-dimension consists of three equally weighted sub-sub-dimensions, each accounting for 33.3%. The first explores banking regulations aimed at facilitating credit access for SMEs. The second, closely linked, examines other areas of the regulatory framework for commercial loans, including the accessibility of tangible and intangible asset registries usable as collateral. The third focuses on the existence of a formal stock market and mechanisms facilitating SMEs' access to these financing channels.
- **Diversified sources of enterprise finance:** This sub-dimension investigates various sources of business financing. It comprises three sub-sub-dimensions.

  The first refers to bank loans and traditional banking, carrying a weighting of 65%, and verifies (i) whether traditional banking offers schemes for SMEs for export financing (70%). (ii) the existence and features of credit guarantee schemes mitigating market failures affecting SMEs, particularly collateral shortages (30%).

  The second addresses microfinance topics, with a lower weighting of 10% and including, (i) information on the scope of microfinance organisations.

  The third deals with alternative sources of business financing, weighing 25% and including (i) the availability of asset-based financing mechanisms like factoring or purchase of orders for SMEs

(40%), (ii) crowdfunding mechanisms (30%), (iii) other instruments for capital investments via angel investors and venture capital funds (30%).

- **Financial Education:** This sub-dimension underscores the importance of financial education initiatives equipping entrepreneurs with tools and basic knowledge for sound financial decisions.
- **Efficient procedures for dealing with bankruptcy:** This sub-dimension provides insights into the design and implementation of procedures for handling insolvency and bankruptcy.

Figure 5.1. Assessment framework – Access to Finance

Dimension 3: Access to Finance	
3.1 Legal, Regulatory and Institutional Framework on Access to Finance	• Banking regulations • Legal regulatory framework for commercial lending • Credit information bureau(s) • Stock Market
3.2 Diversified sources of enterprise finance	• Bank credit / Traditional debt • Microfinance • Alternative sources of MSME Finance
3.3 Financial Education	• Assessments • Communication plan • Trainings and access to information • Inclusion within secondary school curriculum
3.4 Efficient procedures for dealing with bankruptcy	• Legal Framework, including secured transactions • Registers, early-warning systems, and out-of-court settlements • Discharge from bankruptcy • Tax debts • Starting fresh • Performance – insolvency proceedings

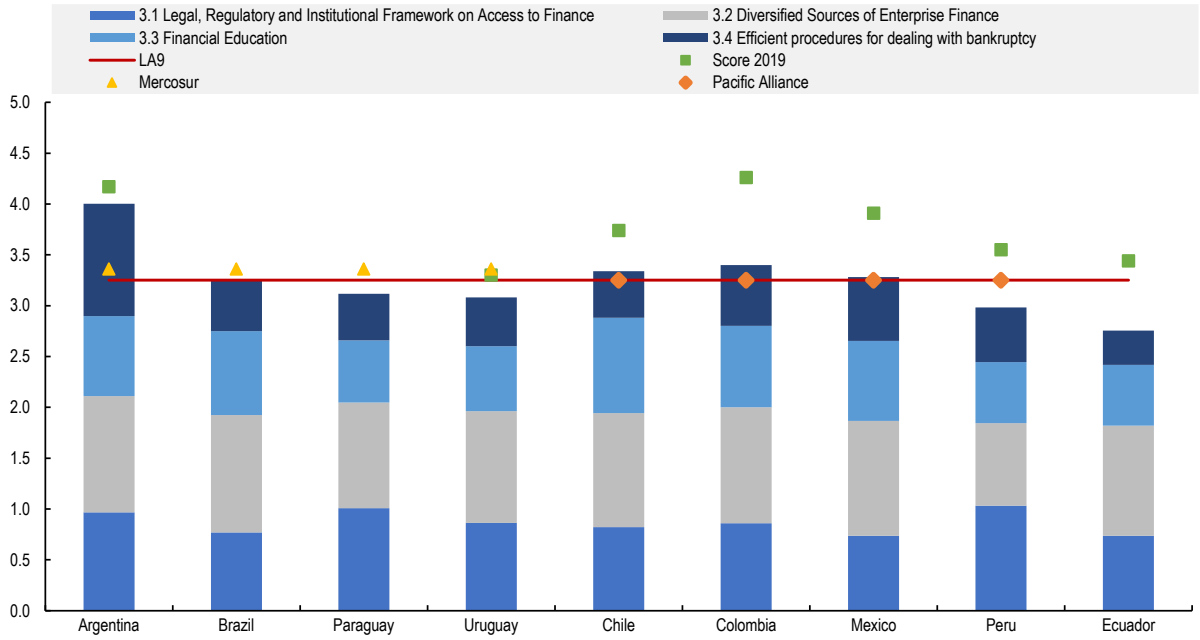
Analysis

In the Access to Finance dimension, the 9 Latin American countries participating in this study (LA9) achieve an overall average score of 3.25 points (see Figure 5.2), indicating that significant room for improvement still exists in both the regulatory and institutional framework, as well as in the existing sources of financing in each country, their financial education programmes, and the programmes and policies addressing SMEs facing bankruptcy. The latter two sub-dimensions score the lowest averages among the LA9 countries at 2.93 and 2.27 points, respectively.

Among LA9 countries, Argentina achieves the highest score of 4.00. Among the other participating countries, Colombia and Chile stand out with the highest scores in this dimension after Argentina (3.40 and 3.34, respectively).

Comparing the averages of the 7 participating countries in 2019 (Argentina, Chile, Colombia, Ecuador, Mexico, Peru, and Uruguay) with the average of these same 7 countries in 2024, there is a general decline in this dimension, dropping from 3.77 in 2019 to an average of 3.26 points in 2024.

Figure 5.2. Weighted scores for Dimension 3: Access to Finance



Note: Scores are on a scale of 1 to 5, with 5 being the highest. The comparison with 2019 is not exact due to changes in the methodology. Please refer to Chapter 2 for further information on the methodology. 2019 data for Brazil and Paraguay are not available as they did not participate in the 2019 assessment.

Sub-dimension 3.1: Legal, regulatory and institutional framework on Access to Finance

The development of the Legal, Regulatory, and Institutional Framework is the sub-dimension achieves the second-highest average score out of the four sub-dimensions evaluated in Access to Finance, with 3.46 points (see Table 5.1).

Table 5.1. Sub-dimension 1: Legal, regulatory and institutional framework on Access to Finance

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score 2024	3.87	3.08	4.03	3.45	3.28	3.44	2.95	4.13	2.94	3.46	3.61	3.45
Adjusted score 2019	4.93	-	-	4.64	4.71	4.90	4.71	3.67	4.27	-	-	4.50

Note: Scores are on a scale of 1 to 5, with 5 being the highest. 2019 data for Brazil and Paraguay are not available as they did not participate in the 2019 assessment.

One of the biggest barriers preventing SMEs from obtaining commercial bank loans is often the stringent collateral requirements imposed by banks on small and medium-sized entrepreneurs (OECD/CAF, 2019[1]). Regarding the three sub-sub-dimensions analysed in this category, in terms of aspects related to the existence of banking regulations to facilitate access to credit for SMEs, LA9 scores 3.56 points, representing the highest average of the three sub-sub-dimensions evaluated.

On the other hand, one of the most significant obstacles to obtaining commercial loans is the insufficient assets available to serve as collateral in the event of non-payment. Borrowers need access to detailed information about the nature and value of their collateral assets. Moreover, an effective regulatory framework is necessary to facilitate dispute resolution and the recovery of collateral in default situations (OECD/CAF, 2019[1]). The Legal Regulatory Framework for Commercial Lending, especially the existence and accessibility of tangible and intangible asset registers that can be used as collateral for these loans, scores 3.50 points, whit big disparities between countries.

Furthermore, the sub-sub-dimension referring to the presence or conditions for the development of a formal stock market, in terms of assisting SMEs in meeting listing requirements or having a separate section or market for low-cap SMEs, scores 3.33 points. In LA9 all countries have a formal stock market, but only some have a specialised platform for SMEs.

Sub-dimension 3.2: Diversified sources of enterprise finance

The sub-dimension of Diversified sources of enterprise finance evaluates the availability of financial products, including credits from traditional banking, microfinance offerings tailored for SMEs, and alternative sources like venture capital funds or equity instruments. This sub-dimension attained the highest average score with 4.32 points among the LA9 countries, out of the four sub-dimensions considered in the Access to Finance dimension. This suggests a robust framework covering most recommended best practices for accessing financing from diverse sources.

Brazil secured the highest score in this sub-dimension with 4.62 points (see Table 5.2). Argentina and Colombia followed with the next highest scores after Brazil, achieving 4.57 and 4.56 points respectively. On the contrary, Peru, and Paraguay faced greater challenges in improving financing source availability for SMEs, scoring below the LA9 average with 3.24, and 4.15 points respectively.

Table 5.2. Sub-dimension 3.2 scores: Diversified sources of enterprise finance

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	4.57	4.62	4.15	4.40	4.49	4.56	4.51	3.24	4.33	4.32	4.44	4.20

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

All countries in the region offer banking credits or financial products specifically tailored to support SMEs

The LA9 countries provide a range of banking credits and financial products tailored specifically to support SMEs, featuring various characteristics such as access to subsidised rates, technical assistance, and training programmes. Notable examples include Brazil's *Banco Nacional de Desenvolvimento Econômico e Social* (National Bank for Economic and Social Development, BNDES), Argentina's *Banco de la Nación* (National Bank, BNA), Colombia's Bancóldex, and Chile's *Banco de Chile* and *Corporación de Fomento de la Producción* (Production Promotion Corporation, CORFO), all of which offer multiple financing options for SMEs and specific credit lines for micro-enterprises.

In addition to regulatory measures and specialised banking products aimed at empowering SMEs, particularly those engaged in exports, credit guarantee systems play a vital role in addressing one of the main hurdles to SMEs' access to credit: the inability to provide collateral in case of default. In this regard, all countries have established guarantee schemes, with Mexico notably implementing a programme of guarantees to Financial Intermediaries Abroad (IFE) through the *Banco Nacional de Comercio Exterior* (Bancomext). Chile's Export Loan Coverage Programme (COBEX) by CORFO is a noteworthy example, providing guarantees against potential non-payment by SMEs seeking financing specifically for exports.

Similarly, Argentina's guarantee fund (FOGAR) offers guarantees to promote and enhance access to financing for entrepreneurs and SMEs.

The implementation mechanisms, private sector involvement, national and sectoral scope, and provision of complementary training and support services vary across LA9 countries

In Brazil and Colombia, members of the private sector have decision-making power as part of the Board of Directors; in Argentina, they do so through an advisory council. Additionally, in Argentina, Brazil, Colombia, Paraguay, and Uruguay, there are no geographical or sectoral restrictions on which companies can benefit from these schemes. Lastly, in countries like Argentina, Brazil, Chile, Colombia, Paraguay, and Peru, public guarantee schemes coexist with other private initiatives that serve similar roles.

The region has a solid framework for the development of microfinance institutions

Ecuador and Colombia have established regulatory and institutional frameworks to foster microfinance activities. Various financial entities operate in this sector, including traditional commercial banks offering products tailored to SMEs, specialised microfinance institutions providing financial services to underserved segments, and local savings and credit cooperatives. However, countries like Paraguay and Uruguay have scored lower, primarily due to deficiencies in their regulatory frameworks for microfinance operations and limitations in deposit mobilisation capabilities.

Alternative financing mechanisms for SMEs have gained increasing relevance alongside the products offered by traditional banking and the microfinance segment in LA9 countries

Among the various sources of financing, notable options include:

- ABL, or Asset-Based Lending, referring to any form of loan or liquidity solution secured by a company's assets. This category encompasses solutions such as factoring, a common arrangement where a company sells its invoices or accounts receivable to a third party. Other notable solutions include warehouse receipt financing, which allows the use of goods as collateral; purchase order financing, used to enable companies to process orders they could not fulfill without financing; and leasing, also known as financial leasing, which involves a lease contract allowing the use of assets acquired by a third party for a specified period. In the LA9 countries, a similar level of development is evident for five out of the ten countries with the highest scores. While Chile, Colombia, and Ecuador have utilised and regulated these types of products, further development and depth are needed.
- Crowdfunding, standing as an online financing tool enabling diverse users to contribute funds to support specific business ventures or projects. Presently, four primary categories of crowdfunding exist globally: donation-based, reward-based, loan-based, and equity-based crowdfunding. While these financing avenues are accessible across all LA9 countries in the region, their regulatory frameworks differ, influencing the extent to which various crowdfunding categories can develop.
- Instruments for equity financing, including i) angel investors - individuals who invest directly in new ventures in exchange for equity ownership; ii) venture capital, that typically acquire minority stakes in high-growth potential companies; and iii) private equity, focused on more established companies and characterised by acquiring majority or even total ownership of these enterprises. According to the findings in this thematic area, these types of financial activities are fully developed and regulated in 6 out of the 9 countries. However, countries like Peru, Paraguay, and Ecuador lack regulation for all these equity instruments.

Sub-dimension 3.3: Financial Education

This sub-dimension addresses the policies designed to equip entrepreneurs with the necessary financial and economic planning tools to make informed business and financial decisions conducive to the development and growth of their ventures. Despite its relevance, the average score achieved by the LA9 is 2.93, indicating that there is still much ground to cover for the countries in the region in terms of their financial education policies, particularly those targeting SMEs.

Table 5.3. Sub-dimension 3.3 scores: Financial Education

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	3.15	3.3	2.45	2.55	3.75	3.2	3.15	2.4	2.4	2.93	2.86	3.13

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

While all LA9 countries have gathered data on the financial literacy of their populations, the majority of these assessments have not specifically targeted the knowledge levels of micro-entrepreneurs.

Between 2012 and 2023, all LA9 countries benefited from CAF's support in conducting financial capability surveys for individuals using the OECD-established methodology. Local supervisory institutions, such as central banks and regulatory agencies, collaborated in this effort, with one exception: Mexico. In Mexico, the *Comisión Nacional Bancaria y de Valores* (National Banking and Securities Commission, CNBV) conducts the National Financial Inclusion Survey every three years, incorporating financial education questions in collaboration with the National Institute of Statistics and Geography (INEGI). Additionally, within the framework of OECD's Programme for International Student Assessment (PISA), measurements of financial literacy among school-aged youth (15 years old) have been carried out in Brazil, Chile, and Peru. However, while financial capability surveys primarily target individual financial literacy, they do not specifically address SMEs.

All LA9 countries incorporate financial education and entrepreneurship programmes into their school curricula, while only Mexico, Argentina, Brazil, and Peru have clearly defined monitoring and evaluation indicators for financial education programmes

In Argentina and Peru, financial education and entrepreneurship programmes are integrated into the school curriculum as compulsory subjects, whereas in other LA9 countries, they are included as part of competency-based training. Additionally, government entities across all LA9 countries offer various training programmes on financial decision-making for SMEs. Nevertheless, there are variations in the availability and accessibility of these resources. As well as monitoring and evaluation practices.

Sub-dimension 3.4: Efficient procedures for dealing with bankruptcy

Starting a business is a multifaceted process influenced by numerous variables, many of which are beyond the control of entrepreneurs. Consequently, numerous entrepreneurial ventures fail to establish long-term sustainability. Despite these setbacks, innovative and responsible entrepreneurs should not be deterred from seizing new opportunities to introduce their products and services to the market (OECD/CAF, 2019[1]).

This sub-dimension addresses the regulatory and institutional framework governing insolvency and bankruptcy proceedings, as well as the provision of support for entrepreneurs navigating such situations, enabling them to develop strategies and skills for recovery or initiating new ventures. As of 2019, this remains the most challenging aspect within the Access to Finance dimension across all LA9 countries,

with an average score of 2.27 points. Argentina stands out with the highest score of 4.42, while Mexico (2.52) and Colombia (2.40) slightly exceed the average (see Table 5.4).

Table 5.4. Sub-dimension 3.4 scores: Efficient procedures for dealing with bankruptcy

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	4.42	2.02	1.83	1.92	1.83	2.40	2.52	2.15	1.35	2.27	2.55	2.23

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

LA9 countries need to further develop universally applicable laws based on internationally accepted principles that are applicable to state-owned enterprises

While all LA9 countries have a regulatory framework or other procedures for companies in insolvency. Countries need to enhance universally applicable laws based on internationally accepted principles, particularly for state-owned enterprises. This includes establishing early warning systems for insolvency situations and providing alternatives to bankruptcy, such as out-of-court settlements. Additionally, implementing conciliation and conflict resolution mechanisms and establishing special registries accessible to the public are crucial steps.

Regarding support for entrepreneurs facing business failures, this aspect remains underdeveloped within the sub-dimension. Moreover, the absence of regulations for secured transactions, which could allow for asset recovery after business reorganisation or prioritise payment in case of liquidation, is another critical issue. Lastly, the differential regulatory framework between micro and small enterprises concerning insolvency processes, often favouring smaller enterprises with longer payment terms, remains a pending task across most LA9 countries.

Access to finance for the development of women-owned or led SMEs

Significant gender disparities persist in accessing the financial market in LA9

The latest Global Findex data from the World Bank in 2022 reveals that 77% of men have bank accounts compared to only 69% of women. This means that approximately 102 million women in the region lack access to financial services (World Bank, 2022[2]).

Additionally, the financing gap for SMEs owned by women in Latin America and the Caribbean exceeds USD 92 billion (International Finance Corporation, n.d.[3]), making it the region with the widest gender disparity in financing between businesses led by men and women globally.

Beyond the challenges women encounter in accessing financial services, CAF's financial capability surveys (Auricchio et al., 2022[4]) across various regional countries highlight economic accessibility barriers. These include women's limited autonomy in household financial decisions and reduced job opportunities, largely due to their higher participation in the informal sector and unpaid work. Moreover, women also face physical accessibility challenges such as insecurity and mobility restrictions, along with significant gender disparities in digitalisation. Women exhibit lower ownership rates of mobile phones and internet access, coupled with lower levels of digital literacy.

Furthermore, studies supported by CAF in Chile and Colombia underscore the presence of direct or indirect discrimination within financial institutions, resulting in women's limited access to credit markets. Even when women do access credit, they often do so under less favourable conditions than men, receiving smaller loan amounts and facing higher interest rates, despite exhibiting lower delinquency rates on average (Banca de las Oportunidades, & CAF -development bank of Latin America and the Caribbean, 2024[5]).

Given these challenges, it is crucial to integrate a gender perspective into the formulation of public policies, regulatory frameworks, and financial products. This approach is important to adequately address the needs of women entrepreneurs leading SMEs in the region.

The analysis of the financing access dimension results reveals that, except for Colombia and Ecuador, all LA9 countries have implemented public financial education policies specifically targeting women leading SMEs. Notably, Chile stands out in this aspect by offering an extensive array of financial education programmes through various public institutions. Similarly, all LA9 countries express providing specialised business support services or programmes for women, including avenues for accessing financing and opportunities for internationalisation.

The way forward

Table 5.5. Policy recommendations for Access to Finance

Policy area	Challenges and opportunities	Policy recommendations
Legal, Regulatory and Institutional Framework on Access to Finance	The regulatory framework for secured transactions needs to be brought in line with international standards. The modernisation and updating of property registries, together with movable and immovable property registries, remains a considerable obstacle.	• Define collateral standards and review the required percentage for SME medium-term loans. • Implement a long-term strategy for a comprehensive, publicly accessible online cadastre, covering movable and immovable assets and collateral rights. • Develop a strategy to help SMEs meet listing requirements and establish a dedicated market for small-cap SMEs. • Promote regulations and institutions to ensure all financial systems accept movable assets as collateral.
Diversified sources of enterprise finance	LA9 countries need to improve the offer of financial products and services adapted to SMEs	• Establish rules to boost confidence and adoption of crowdfunding mechanisms in the region. • Develop regulations for asset-based lending (ABL) systems beyond leasing and factoring, including crowdfunding for investment or debt. • Enhance regulations and access to equity financing sources, such as venture capital and angel investors.
Financial Education	Elevate SMEs to a central focus within National Financial Education Strategies (NFES). Enhance the accuracy of indicators to better capture the realities of SMEs in financial education programmes. Address the co-ordination gaps between public and private actors engaged in financial education initiatives.	• Integrate SMEs into national financial education strategies through tailored advisory and support programmes. • Conduct surveys to assess SMEs' financial capabilities, guiding the design of context-specific financial education programmes. • Establish performance indicators for financial education initiatives to track progress towards goals.

		• Enhance data collection mechanisms for transparent monitoring and adjustment of programmes based on beneficiary financial literacy and impact. • Improve co-ordination between public and private institutions to streamline financial education efforts and prevent overlap.
Efficient procedures for dealing with bankruptcy	Limited progress in establishing universally applicable bankruptcy laws aligned with international standards. Disparities in the regulatory framework concerning bankruptcy proceedings for SMEs, along with the need for enhanced secured transactions procedures. Lack of a freely accessible public register detailing bankrupt companies, including data on costs and duration of resolved proceedings.	• Strengthen the legal framework for secured transactions, addressing issues such as creditor consent for reorganisation processes and priority of secured creditors in debt recovery. • Establish a unified and freely accessible registry of insolvent companies, with automatic removal upon resolution of insolvency. • Promote alternative extrajudicial mechanisms for conciliation and conflict resolution, offering cost-effective and timely solutions compared to bankruptcy proceedings.

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6 Dimension 4: Business development services and public procurement

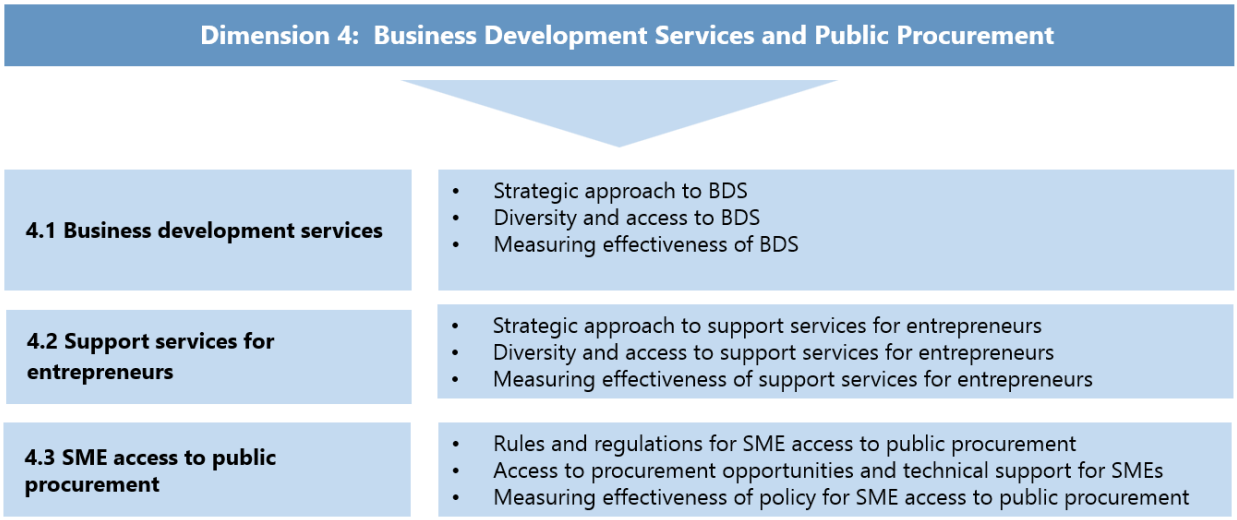
Business development services for SMEs and for entrepreneurs, as well as measures to facilitate access to public procurement opportunities are important policy areas to foster enterprise creation, growth, and productivity. They facilitate SMEs and start-ups access to resources, advice, and markets. This chapter focuses on the diversity and availability of support services for SMEs, start-ups, and entrepreneurs, whether those services are articulated in national SME development strategies or plans where they exist, and the existence of measures to facilitate SME access to public procurement and provisions to ensure timely payments for SME suppliers to the state.

Assessment framework

Given their small resource base, SMEs and entrepreneurs rely significantly more on services provided by external sources compared to large firms. These services include supporting day-to-day business functions such as accounting services, legal services, human resource management, and information systems. They also include longer-term and strategic advice such as management counsel, development of human resources, access to technology, and access to markets. The diversity and accessibility of these business development services (BDS) help SME managers and entrepreneurs to achieve various goals, from focusing their attention and resources on their core businesses and strategies to attaining growth and greater productivity through training and advisory programmes (OECD/CAF, 2019[1]).

The first two sections of this chapter focus on policies to promote BDS for SMEs and entrepreneurs. In this context, BDS comprise temporary support provided by private firms, non-government agencies, public agencies or donor agencies to SMEs and entrepreneurs. Given that BDS for SMEs and for entrepreneurs are closely linked and are often provided by the same actors, the analysis of sub-dimensions 4.1 and 4.2 is interlinked. The last section of the chapter analyses measures to facilitate SME participation in public procurement, which refers to the purchase by governments and state-owned enterprises of goods, services and works (see Figure 6.1).

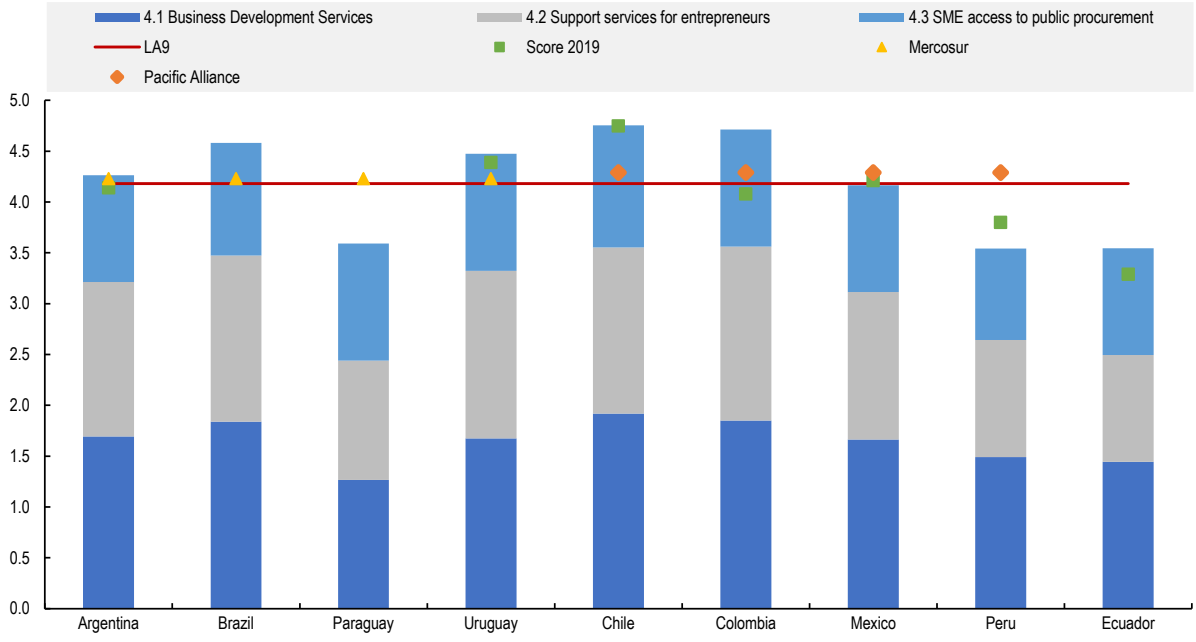
Figure 6.1. Assessment framework – Business development services for SMEs and entrepreneurs and public procurement



Analysis

The regional average score for this dimension is 4.18 for all nine countries covered. Six countries perform above the average: Chile, Colombia, Brazil, Uruguay, Argentina, and Mexico (see Figure 6.2). Of the seven countries covered in the 2019 edition, four registered an improvement in policy performance for the overall dimension: Argentina, Colombia, Ecuador, and Uruguay. Chile registered the same performance while Mexico and Peru witnessed lower scores than in 2019.

Figure 6.2. Weighted scores for Dimension 4: SMEs development services and public procurement



Scores are on a scale of 1 to 5, with 5 being the highest. The comparison with 2019 is not exact due to changes in the methodology. Please refer to Chapter 2 for further information on the methodology. 2019 data for Brazil and Paraguay is not available as they did not participate in the 2019 assessment.

Sub-dimensions 1 and 2 Business development services for SMEs and entrepreneurs

As noted in the 2019 edition of this report, business development services help SMEs and entrepreneurs to develop new competencies and achieve long term objectives such as accessing new markets, increasing sales, improving productivity, acquiring, and developing technology and innovations, etc. BDS are one of the main tools for providing targeted support to specific SMEs and entrepreneurs. BDS can include business counselling and consulting, trainings, and access to information and specialised advice. Furthermore, BDS can be delivered through government agencies, NGOs, private sector providers, business associations, etc. They can be fully or partially subsidised by the state.

Support services for entrepreneurs are a category of BDS that aims to foster an entrepreneurial culture while helping businesspeople to launch and grow new ventures. BDS and support services for entrepreneurs are closely related. They are often, but not always, supported by the same agencies or actors and can also be categorised into training, advice and access to information. Specific services include business incubators, accelerators and collaborative workspaces providing access to specialised facilities (e.g. high-speed internet, video conferencing, meeting space, etc.) as well as specialised business advice and mentoring, networking, financial support, etc.

Table 6.1 and Table 6.2 provide an overview of the performance of the assessed countries in these sub-dimensions.

Table 6.1. Sub-dimension 4.1: Business development services

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	4.23	4.60	3.17	4.19	4.80	4.63	4.16	3.73	3.61	4.12	4.05	4.33

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

Table 6.2. Sub-dimension 4.2: Support services for entrepreneurs

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	4.34	4.67	3.35	4.71	4.67	4.89	4.14	3.29	3	4.12	4.27	4.25

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

Despite being a key element of enterprise development policy and economic policy, BDS and services for entrepreneurs are not well articulated in national strategies

Promoting SME productivity and growth, as well as supporting entrepreneurs and start-ups are often identified as key tools to advance national strategic priorities such as increasing economic growth, reducing inequalities, advancing innovation, and improving competitiveness. A successful integration of BDS and entrepreneurial support into national development strategies broadly requires:

- Sound assessments of the needs and challenges of businesses and entrepreneurs.
- Co-ordination mechanisms involving beneficiaries and providers of support, as well as other interested parties.
- Monitoring and evaluation mechanisms to assess whether BDS and entrepreneurship policies and programmes reach their objectives.

Several countries declare to adopt a strategic approach to BDS and entrepreneurship in the form of medium-term SME policy objectives reflected in a strategic document, such as a national SME development strategy. However, in most cases the details of the actions to advance BDS and entrepreneurship and how they link to national development plans are very scarce. Table 6.3 gives an overview of how BDS and entrepreneurship support are reflected in national plans.

In line with the analysis in the section devoted to SME development strategies in Chapter 1, only Paraguay and Uruguay have distinct multi-year SME development strategies where BDS are reflected, and Brazil declares to be working on a new SME development strategy following the expiration of the previous one in 2023. Chile and Colombia declare that BDS and entrepreneurial services are reflected in and aligned to advance their national development plans, however, there is a lack of specific details on how programmes and support advances those plans.

In Ecuador the strategic guidance for SME policy and therefore for the provision of BDS and services for entrepreneurs is somehow fragmented, with strategic guidelines in the National Development Plan 2030, and the Industrial Policy 2016-2025, as well as the new orientations yet to be provided by the new administration.

In Argentina, the BDS and entrepreneurship support guidelines are contained in technical support programmes financed with international funding, but they are not explicitly linked to a national development strategy or national SME plan. In the case of Mexico and Peru, the guidelines are contained in institutional strategic documents but do not appear to be explicitly linked to wider economic and SME plans.

Hence, across the region there is a lack of articulation between the supply of BDS and entrepreneurship support and the overall national development, economic or enterprise development policy. To fill this gap, LAC countries could develop national SME and entrepreneurship strategies (as recommended in Chapter 1), building on sound needs analyses, comprehensive consultation, co-ordination mechanisms between public, private and other institutions engaged in BDS and entrepreneurship support (including sub-national governments, universities, NGOs, private sector providers, etc.), and detailed and robust monitoring and evaluation mechanisms to measure effectiveness.

LAC countries have in general a varied set of institutions and mechanisms to deliver BDS for SMEs and entrepreneurs.

All countries have one or several flagship agencies in charge of providing or subsidising BDS for SMEs and entrepreneurs. For example, Brazil implements its national SME policy and programmes through SEBRAE, the federal agency in charge of this. Chile and Uruguay rely on a diversified portfolio of institutions catering to different types of businesses and entrepreneurs, including innovative businesses, industrial activities, internationally oriented businesses, etc. The rest of the countries implement their policies through national ministries of economy, industry or similar, and in some cases through specific units or agencies dependent on those ministries. Table 6.3 shows examples of the BDS and support for entrepreneurship flagship initiatives carried out across the region.

This also algins with the messages from chapter 1, which posit that SME policy responsibilities are clearly assigned across the region, but that inter-ministerial coordination is still underdeveloped and that the mandates for policy design, implementation and monitoring are often not clearly defined.

In general, the analysis of these two sub-dimensions shows that there is plenty to do to reflect the provision of BDS for SMEs and entrepreneurs into national development agendas and SME development agendas. A few countries with new administrations declare to be working on that, while other countries expecting a change in administration in the coming months should introduce a strategic articulation of BDS with national objectives. Adopting such approaches could help to provide better coherence to the many existing initiatives across the region, address duplications of efforts and fill out voids. Such approaches would also help to introduce more solid monitoring and evaluation mechanisms, largely absent across the region.

Table 6.3. Overview of business development services and services for entrepreneurs

Country	BDS and entrepreneurship reflected in national strategic plans?	Key institution(s) in charge of BDS	Flagship initiatives	Key messages
Argentina	BDS encompassed in Programme to Support Competitiveness (PAC).	Ministry of Economy, Secretariat of Industry and Productive Development and Sub-Secretariat for Entrepreneurs' Development.	Grants for digitalisation, certifications, access to markets, business incubators, accelerators, and networks of entrepreneurs.	Adopt a national strategy for SME and entrepreneurship, based on public-private consultations.
Brazil	National development policy and policies related to industry, trade and technology.	SME agency (SEBRAE)	SME management improvement, digitalisation, innovation, support to the development of private BDS markets.	Define how BDS align and advance national priorities (e.g., through public disclosure of M&E results), expand services for entrepreneurs.
Chile	National Government Programme 2022-26.	CORFO, SERCOTEC, Indao, Pro-Chile, Start-Up Chile.	Innovation, high growth, training, financing, agribusiness, incubators, accelerators, etc.	Explicitly identify how BDS and services for entrepreneurs link to the National Government Programme.
Colombia	National SME Support System and National System for Competitiveness and Innovation.	National SME Directorate of the Ministry of Commerce, Industry and Tourism.	Innovation and entrepreneurship, productivity and competitiveness, tourism, foreign investment and exports.	Strengthen BDS for entrepreneurs and continue the strategic approach to SME support.
Ecuador	National Development Plan 2030 and Industrial Policy 2016-2025	Sub-Secretariat of SMEs and Crafts of the Ministry of Production, External Trade, Investment and	Technical assistance, counselling, entrepreneurship development for SMEs	Expand BDS and entrepreneurship support to high growth and innovative ventures and

Country	BDS and entrepreneurship reflected in national strategic plans?	Key institution(s) in charge of BDS	Flagship initiatives	Key messages
		Fishery.	and artisanal production.	link them to national development plans.
Mexico	Internal regulations of the Secretariat of Economy.	Unit of Productive Development of the Secretariat of Economy.	Virtual self-training platform and live streaming of digital workshops, in-person services for specific entrepreneurs and on topic areas.	Link BDS with national development plan and SME strategy and include emphasis on high potential and innovative SMEs.
Paraguay	Strategic SME Plan 2018-2023, SME Law, and SME System.	Ministry of Industry and Trade.	Distance learning platform on management, marketing, technology, innovation and technology centres, and business support centres.	Strengthen strategy for BDS, including by assessing SME needs; develop programmes for high potential SMEs.
Peru	Strategic Institutional Plan of the Ministry of Production.	Ministry of Production.	Co-financing for innovation and entrepreneurship, access to markets, digitalisation, technology transfers, entrepreneurship.	Adopting a strategic approach to BDS and SME policy in general, expand services for entrepreneurs.
Uruguay	SME Development Strategy 2020-25.	Ministry of Industry, Energy and Mining (MIEM), National Development Agency (ANDE), National Institute of Employment and Professional Training (INEFOP), export and investment agency (Uruguay XXI).	Advice, trainings, subsidies, quality certificates, internationalisation, etc.	Develop comprehensive diagnostics on the demand and offer of BDS to better inform SME strategies.

Sub-dimension 4.3: Measures to facilitate the access of SMEs to public procurement opportunities

The state is a major player in the economy and public markets represent a vast opportunity for the development of SMEs and potentially, for entrepreneurs. However, small businesses face many barriers to participate in public procurement, for example the inability to supply large orders, difficulties in navigating administrative steps and accessing information, the need to provide guarantees to participate in some tenders, lack of technical and quality certifications, and late payments in the public sector that create financial stress.

Table 6.4. Sub-dimension 4.3: SME access to public procurement

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	4.20	4.40	4.60	4.60	4.80	4.60	4.20	3.60	4.20	4.36	4.45	4.30

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

Almost all countries put in place measures in their legal and regulatory framework to facilitate access to public procurement for SMEs

All countries, assert to have in place several measures to facilitate SME access to public procurement. For example, Chile, Colombia, Uruguay and Brazil, have a full set of measures including:

- Allowing for tenders to be split into smaller lots so that SMEs can bid to parts of a larger order.
- The possibility for SMEs to form consortia or groups of firms which, under certain conditions, can jointly bid and supply an order.
- Administrative simplification and other mechanisms that facilitate SME participation, such as easier procurement procedures or the use of framework agreements with pre-established terms and conditions for future purchases of goods and services.
- Set asides or quotas for SME participation in a given tender, and margins giving some preference for SMEs over larger firms (for example, the possibility to offer slightly more expensive goods or services compared to other firms given a level of quality and characteristics).
- Mandating timely payments for contracts (e.g., 15, 20, 30, 45 days). This is important to avoid creating financial stress in small firms, which are naturally more cash constrained than larger firms.

Table 6.5 provides an overview of these measures across the region and shows that a few countries can expand the set of such measures. It is important to note, however, that there may be arguments against some of these measures on competition grounds, particularly in areas related to set asides or quotas and margins, which favour some types of firms over others, and the formation of consortia of firms for joint bidding, which may contravene competition law.

The use of e-procurement is widespread but there is less evidence on specific support programmes to facilitate SME access to this market

Electronic procurement (e-procurement) consists of the use of digital networks and automated systems to manage the process of purchasing goods, services and public works. It can involve all or specific steps in the public procurement process, including issuing procurement notices, request for quotations or bids, bid evaluation, awarding and publication of results, contract management, and payment and closure. It can also include registries of suppliers which are databases about vendors, contractors or service providers including company profiles, contact information, characteristics of their offerings, qualifications, certifications and past performance records. Registries of suppliers are useful for firms participating or wishing to participate in various bids in time.

The assessment shows that e-procurement is widespread across the region; however, there is less evidence on other support programmes such as trainings for SMEs to use e- procurement platforms and programmes to access public procurement in general, support for the formation of consortia, programmes to comply with quality standards, etc. There is a vast opportunity for BDS and other support services to integrate such programmes and increase the participation of SMEs in the vast public procurement market.

Table 6.5. Overview of public procurement initiatives for SMEs

Country	Legal and regulatory framework for public procurement	Measures for SMEs in legal and regulatory framework	Programmes to enhance SME participation in public procurement	Key messages
Argentina	Laws 25.300, 27.437 and 13.064	Allow SMEs to bid for parts of contracts;	e-procurement portals for goods and services	Good performance in this sub-dimension, with

Country	Legal and regulatory framework for public procurement	Measures for SMEs in legal and regulatory framework	Programmes to enhance SME participation in public procurement	Key messages
		breaking contracts into smaller lots; framework agreements; timely payments (30 days max.)	(compr.ar) and for public works (contrat.ar); registry of suppliers (SIPRO)	measures in all areas covered in the assessment.
Brazil	Law 8,666/93	Breaking contracts into lots, possibility to form SME consortia, quotas and timely payments.	e-procurement system Comprasnet, simplified registration, special regimes, registry of suppliers.	Introduce BDS for SMEs to participate in public procurement.
Chile	Law 19.886.	Breaking tenders into lots, consortia, administrative simplification, payments in time (no more than 30 days).	e-procurement system Chilecompra.cl, registry of suppliers	Good performance in this sub-dimension, with measures in all areas covered in the assessment.
Colombia	Law 80 of 1993, Law 1150 of 2007 and Decree 4170 of 2011.	SME set asides, technical assistance, breaking tenders into lots, SME consortia and timely payments (45 days).	e-procurement (SECOP)	Good performance in this sub-dimension, with measures in all areas covered in the assessment.
Ecuador	Organic Law of the National System of Public Procurement (LOSNCP).	Possibility to break tenders into lots, SME consortia, set asides and preference margins for SMEs.	e-procurement portal managed by the National Service for Public Contracting (SERCOP) and registry of suppliers.	Specify payment deadlines and address SME associations concerns about technical difficulties to access public procurement.
Mexico	Law on Public Procurement (LAASSP) for federal entities.	Timely payments (20 days).	e-procurement system for federal entities (CompraNet) and registry of suppliers.	Introduce measures to facilitate SME participation in public procurement, including through regulations, precepts and access to information on opportunities.
Paraguay	Law 7021/2022	SME set asides, SME preference for small contracts, exclusive bids for SMEs, etc.	Courses on the new procurement law,	Include timely payments for public procurement.
Peru	Law 30225	Forming consortia of SMEs, payment deadlines (15 days).	e-procurement system Peru Compras.	Introduce more explicit support measures for SMEs in public procurement.
Uruguay	Ordained Text of Accounting and Financial Administration (TOCAF).	Breaking contracts into lots, SME consortia, set-asides, framework agreements.	e-procurement through Contracting and Purchasing Agency of the State (ACCE).	Introduce measures for payments in time.

BDS and Public Procurement for the development of women-owned or led SMEs

Chile and Uruguay demonstrate effective approaches to promoting gender-inclusive procurement and BDS

The Chilean government, through *ChileCompra*, has been actively promoting the inclusion of women and women-led SMEs in state procurement processes since 2016. This effort is notably facilitated through the implementation of Directive No. 20, the issuance of the Women-Owned Business Seal, and various training initiatives aimed at providing buyers with the necessary tools to incorporate gender-related criteria into

their purchasing decisions. In November 2022, Directive No. 20 underwent an update, streamlining its content to further emphasize the importance of gender perspectives in the procurement processes conducted by various governmental entities. This revised directive seeks to facilitate the selection of women-owned enterprises in public procurement activities and enables comprehensive monitoring of their participation.

Meanwhile, in Uruguay, efforts have been made to integrate gender considerations into the Public Procurement Subprogramme aimed at fostering the development of SMEs. This initiative arose from the need to draft the regulatory decree for Law No. 19,685, which was subsequently integrated into the revised wording of Article 44 of Law No. 18,362. Various options for incorporating gender-related variables into the criteria for awarding the *Mipyme +G* certificate were explored and presented. This certificate, building upon the SME Certificate, serves as a recognition of businesses that actively promote gender equality and women's participation in the entrepreneurial landscape.

The way forward

Table 6.6. Policy recommendations for Business development services and public procurement

Policy area	Challenges and opportunities	Policy recommendations
BDS and entrepreneurship support	Rich supply of programmes across the region and diversity of actors. However, there is a lack of strategic articulation of support in these sub-dimensions and the wider economic and development policy and plans.	• Link BDS and entrepreneurship support to national development strategies and economic and development policy in a way that they build on solid diagnostics, co-ordination among actors, and monitoring and evaluation of support.
Public procurement	Widespread use of measures to facilitate access to public procurement, including regulations and legal measures, as well as e-procurement systems.	• Build on the existing good performance in this area and introduce targeted support for SMEs to participate in public procurement such as trainings, dissemination of information, and other targeted support. Such programmes could also be linked to SME strategies.

References

OECD/CAF (2019), *Latin America and the Caribbean 2019: Policies for Competitive SMEs in the Pacific Alliance and Participating South American countries*, SME Policy Index, OECD Publishing, Paris, https://doi.org/10.1787/d9e1e5f0-en. [1]

7 Dimension 5: Innovation and technology

Innovation plays a crucial role in driving productivity and competitiveness, yet numerous businesses, especially small and young enterprises, encounter barriers hindering the adoption and development of new technologies (OECD, 2023[1]). This challenge contributes significantly to the pronounced productivity gap between SMEs and large companies, a disparity particularly noteworthy in Latin American and Caribbean (LAC) countries (OECD/CAF, 2019[2]). Promoting the innovative activity of SMEs and entrepreneurs is, therefore, a policy priority across the LAC region.

In the last four years, several LAC countries have intensified their efforts in providing support services for innovation. However, the trajectory of financial support for SME innovation exhibits a more varied pattern, with several areas identified for improvement in this critical policy area. This chapter presents national policies, programmes, and institutions aimed at aiding SMEs and entrepreneurs in conceiving and implementing innovative business ideas.

Assessment Framework

Innovation refers to the generation or introduction of ideas to address different types of challenges (OECD/CAF, 2019[2]). Businesses can innovate by adopting existing innovations that are new to the firm but have already been implemented by others (technology diffusion) or by introducing new innovations to the market (technology development). Innovation is a core driver of productivity and competitiveness, but many businesses – particularly small and young companies – face obstacles to the adoption and development of new technologies (OECD, 2023[1]). This is one of the drivers of the wide productivity gap that exists between SMEs and large companies, which is particularly large in Latin American and Caribbean (LAC) countries (OECD/CAF, 2019[2]). Promoting the innovative activity of SMEs and entrepreneurs is therefore a policy priority across the LAC region.

This dimension focuses on the presence of national policies, programmes, and institutions aimed at aiding SMEs and entrepreneurs in conceiving and implementing innovative business ideas. The assessment framework for this dimension is detailed here (see Figure 7.1):

- **Institutional Framework for innovation policy:** This sub-dimension focuses on the presence of innovation strategies specifically tailored for SMEs, evaluating both the precision and implementation levels of these strategies. It examines the identification of tangible actions and measurable targets/impact for SME innovation. Additionally, it investigates the coordination levels of innovation policies for SMEs, considering consultation mechanisms with the private sector and other stakeholders. Furthermore, the assessment includes the existence of indicators measuring the performance of SME innovation policies and how regularly these indicators are measured.
- **Support-services:** This sub-dimension specifically examines two key indicators: (a) the presence of market research to identify necessary innovation support measures in each country, and (b) whether the private sector is consulted during the design of support services. Additionally, it evaluates the diversity of innovation support services for SMEs, including institutional support services like incubators, technology transfer offices, innovation centres, science and technology parks, and accelerators. The assessment also considers the existence of innovation awareness events and the availability of online information on these schemes. It further explores the government's evaluation of the effectiveness of policies and programmes supporting innovation for SMEs and entrepreneurs.
- **Financing for Innovation:** This sub-dimension evaluates how well LA9 countries incorporate elements in their national innovation strategies to promote financing for SME innovation, including considerations for co-financing requirements and the presence of tax incentives for R&D. It examines the adequacy of budgets allocated to implement financing programmes for innovation and their operational status, as well as the uptake of R&D support by SMEs. Additionally, it investigates the extent to which these countries monitor the effectiveness of innovation financing programmes and whether the private sector is regularly consulted in this process.

Figure 7.1. Assessment framework - Innovation and technology

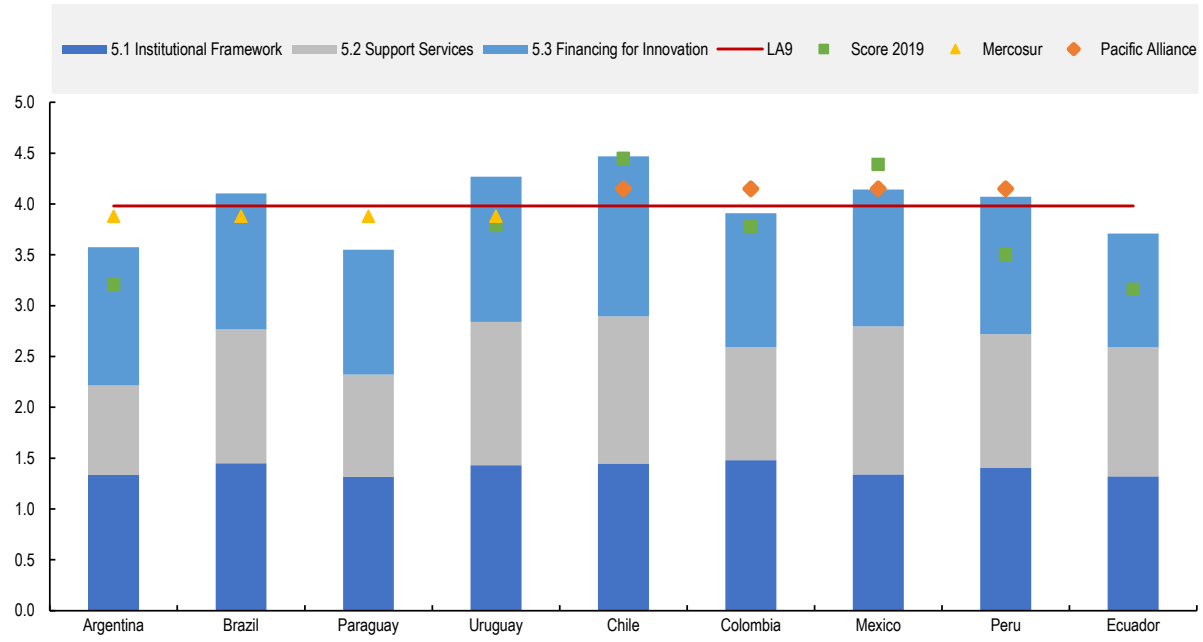
Dimension 5: Innovation and Technology	
5.1 Institutional Framework	• Innovation strategy • Inter-governmental body for innovation policy • Consultation with the private sector and research centres / organisations
5.2 Support-services	• Articulation with innovation strategy • Business-Research Centre/Organisation collaboration programmes • Financial support scheme for innovation support organisations • Information availability
5.3 Financing for Innovation	• Financial support services for innovative and high growth MSMEs • R&D tax credits • Publicly supported innovation voucher schemes

Analysis

In the Innovation and Technology policy dimension, the average score among the 9 Latin American and the Caribbean (LAC) countries is 3.98 (see Figure 7.2). Innovation strategies are common in the region, although the level of focus on SMEs varies between countries. The set of policy initiatives in place to promote SME innovation generally includes a combination of financial supports, such as tax incentives or innovation vouchers, and non-financial supports, such as training or measures to foster linkages with potential research partners.

Only seven out of the 9 LAC countries covered in the 2024 iteration of the SME Policy Index (SME PI) were also covered in the 2019 iteration. This means that a one-for-one comparison in the average country scores is not representative (OECD/CAF, 2019[2]). Focusing on the seven countries covered in both 2019 and 2024 (Argentina, Chile, Colombia, Ecuador, Mexico, Peru, and Uruguay) reveals an improvement in the Innovation and Technology dimension, with the average score increasing from 3.75 in 2019 to 4.02 in 2024. However, this overall increase belies a large degree of variation in the trends within countries.

Figure 7.2. Weighted scores for Dimension 5: Innovation and Technology



Note: Scores are on a scale of 1 to 5, with 5 being the highest. The comparison with 2019 is not exact due to changes in the methodology. Please refer to Chapter 2 for further information on the methodology. 2019 data for Brazil and Paraguay is not available as they did not participate in the 2019 assessment.

Sub-dimension 1: Institutional Framework for Innovation Policy

Many different entities from the public, private, education, and research sectors are involved in innovation policy. Institutional frameworks are therefore needed to co-ordinate the activities of these different entities, creating synergies and avoiding the duplication of efforts. This is key to the delivery of an effective package of supports for SME innovation.

In most countries in the LAC region, innovation policy is framed by an overall innovation strategy or national plan, which bring together the activities of relevant entities under a unified framework. Countries are also forming inter-ministerial councils and committees that oversee the development and implementation of the innovation strategy, facilitate the co-ordination of innovation policies, and consult with various public and non-public stakeholders to inform the design of future policies.

Table 7.1. Sub-dimension 1: Institutional Framework for Innovation Policy

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	4.01	4.35	3.95	4.29	4.34	4.44	4.02	4.21	3.96	4.17	4.15	4.25

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

Innovation strategies are widespread in the region, but in some countries the focus on SMEs could be increased

All LA9 countries have a national innovation strategy in place, which is a key ingredient of an effective institutional framework. This marks an improvement on 4 years ago, when three out of the seven countries

(Argentina, Ecuador, and Peru) were still working on the development and approval of their innovation strategies (OECD/CAF, 2019[2]). However, innovation strategies in some countries still omit important details that should be specified to facilitate an effective implementation, such as measurable targets, action plans, responsible entities, budgets, and timelines. Strategies also vary in terms of the level of emphasis that is placed on supporting SME innovation. While the national innovation strategies of Chile and Ecuador explicitly address the need to support SMEs in overcoming barriers to innovation, this is not the case in many LAC countries.

A positive finding is that all countries appear to consult the private sector to inform the design of innovation policies and strategies. Chile has a particularly strong practice in this area, with Law No. 20 500 stipulating that formal records of private sector consultations must be created. Consultation can also be facilitated through inter-sectoral councils or committees, such as the *Consejo Nacional de Innovación, Ciencia y Tecnología* (National Council of Innovation, Science and Technology, CONICYT) in Uruguay.

Most countries have innovation agencies, but limited resources constrain effective implementation

In many countries, support services for innovation are delivered to businesses through dedicated innovation agencies. These agencies often have a relatively high degree of autonomy, facilitating greater flexibility in the design and delivery of innovation supports and engagement with a broader range of stakeholders (Nesta, 2016[3]). All LAC countries covered in the study have dedicated innovation agencies, with most having representation of the private sector on the governance board. However, the level of resources available to innovation agencies varies widely across the region. Indeed, in Brazil, Chile, Mexico and Paraguay, the implementation of innovation policies is constrained by limited staff or funding within the innovation agencies.

There are gaps in the monitoring and evaluation of innovation policy at the strategic level

Most LAC countries monitor the progress of their innovation strategies against their targets. Beyond this, however, there are considerable gaps in the monitoring and evaluation of innovation policies at the strategic level. For example, most countries do not have national indicators to monitor the overall performance of SME innovation policies. As a result of these gaps, monitoring and evaluation is scored as the weakest of the three components of the Institutional Framework sub-dimension in Argentina, Brazil, Colombia, Ecuador, and Peru.

Sub-dimension 2: Support Services for SME Innovation

Innovation support services encompass a broad range of measures including training, information and advice on innovation, consulting services, initiatives to strengthen linkages between businesses and research institutions, and support in managing intellectual property. Business incubators and accelerators are often an important channel through which these services can be delivered.

Support services for SME innovation have improved since 2019. Indeed, all of the seven countries covered in the 2019 iteration of this study received a higher score in this sub-dimension in 2024. Despite this progress, the provision of innovation support services still varies relatively widely between countries in the LAC region. For example, while business incubators are present in most countries, the quality and quantity of incubation support provided to innovative SMEs is far from uniform. The effectiveness of innovation support services is also limited by weaknesses in monitoring and evaluation practices in many countries.

Table 7.2. Sub-dimension 5.2 scores: Support services for SME innovation

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	2.64	3.95	3.02	4.23	4.35	3.34	4.37	3.94	3.81	3.74	3.46	4

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

Latin American countries are taking active steps to identify and take into account the needs of SMEs in the area of innovation

Eight out of the 9 LAC countries have carried out research and analysis into the needs of SMEs to determine which instruments are most appropriate, with this analysis having been informed by formal consultations and/or business surveys in Chile, Colombia, Ecuador, Paraguay, Peru, and Uruguay. Innovation strategies (and/or relevant laws) in all countries reflect the importance of organisations such as science and technology parks, innovation centres and technology transfer offices, which serve as a bridge between the research and business communities. Business incubators also form part of the innovation strategy in seven out of the 9 countries. However, there appears to be less of a focus on business accelerators, which are emphasised in only half of the LAC countries. This could result in support gaps for high potential scale-ups.

The provision of innovation support services lags behind strategic goals

There is often a mismatch between strategic or policy priorities and the support available to SMEs on the ground. For example, the national innovation strategies, policies, or laws of all 9 countries, make reference to the provision of innovation centres, but these facilities are available in just six of the countries at present. There are also cases where this can work the other way, with innovation support surpassing that envisioned in the strategy. For example, business accelerators are not emphasised in Chile's national innovation strategy, but Chile is nonetheless home to a successful public business accelerator (Start-Up Chile), the graduates from which have generated global sales of more than USD 1 billion.

The level of public involvement in the innovation support system differs across the LAC region. In some countries, such Peru, innovation support infrastructures such as science parks, incubators, and innovation centres, are funded principally by the government. By contrast, in Paraguay, innovation infrastructure is mainly funded by the private sector, with some lines of funding for innovation projects from the government through the *Consejo Nacional de Ciencia y Tecnología* (National Council for Science and Technology, CONACYT).

Many innovation support services are not monitored or evaluated

Five LAC countries (Chile, Colombia, Ecuador, Mexico, and Peru) regularly monitor and evaluate support services for co-operation between innovative SMEs and universities or research centres. However, of these five countries, only Chile, Mexico and Peru assess the impacts of the support on SMEs' innovation performance. This suggests that current monitoring and evaluation practices do not make sufficient use of output-based performance metrics, focusing instead on input-based measures. Monitoring and evaluation practices for public (or publicly-funded) incubators and accelerators appear slightly stronger, with five countries (Chile, Mexico, Paraguay, Peru, and Uruguay) both regularly monitoring and evaluating these activities and assessing their impacts on SMEs' innovation performance.

Sub-dimension 5.3: Financing for Innovation

SMEs often require financing supports to enable them to invest in the development or adoption of innovative technologies. These can take the form of direct financial supports, such as innovation vouchers

or grants, and indirect financial supports, such as tax credits for research and development (R&D) activities.

While there were widespread improvements in the Support Services for Innovation sub-dimension 5.2 between 2019 and 2024, the trends are more mixed for the Financing for Innovation sub-dimension (see Table 7.3). Argentina, Ecuador, and Uruguay each saw increases in their score between 2019 and 2024, while Mexico and Peru registered declines. Chile's and Colombia's scores for innovation finance remained broadly stable at 4.72 and 3.95 respectively in 2024, compared to their performance of 4.70 and 3.94 in 2019.

Table 7.3. Sub-dimension 5.3 scores: Financing for innovation

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	4.08	4.02	3.69	4.29	4.72	3.95	4.04	4.06	3.36	4.02	4.02	4.44

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

Most countries have direct financial support instruments for SME innovation, but targeting of specific groups or businesses is less common

Almost all LA9 countries have direct financial support programmes for SMEs engaging in innovation. This support often takes the form of innovation vouchers or subsidies, which help to cover the costs of eligible expenditure. For example, in Brazil, subsidies for accessing R&D infrastructure or procuring technological services are available to SMEs. Innovation funding programmes often target high-growth enterprises, such as the *Semilla Expande* programme in Chile, which provides co-financing to businesses with high growth potential and innovative products or solutions with annual sales of at least USD 100 000. Indirect financial support for SME innovation are also prevalent in the LAC region. Most commonly, these take the form of R&D tax credits, which allow companies to deduct eligible expenditure from their taxable income. For example, Law 11 196 of 2005 in Brazil entitles companies to deduct 20-34% of eligible investments on R&D or innovation from the corporate income tax and social contributions payable on their net profits.

While tax incentives for R&D are widespread, SME take-up is low in many countries

Direct financial supports are generally provided to SMEs on a selective basis. For example, the Argentine Technology Fund evaluates and awards funding to selected innovation projects, while the National Agency for Research and Innovation in Uruguay awards funding to qualifying companies to increase their internal innovation capabilities. Selection criteria that are often used include the quality of the innovation project, its potential commercial impact, and the capacity of the team to implement the project.

An issue that exists in some countries is that, while R&D tax credits are available, few SMEs engage with these incentives. For example, in Peru, it is reported that only a low number of SMEs have applied for the R&D tax incentives that are available under Law No. 30 309. This could be due in part to the eligibility criteria for the incentives, which include a number of administrative and accounting requirements that likely place a larger burden on SMEs than on larger companies.

There is wide variation in the quality of monitoring and evaluation of financing for innovation programmes

LAC countries generally have stronger monitoring and evaluation practices for their financial support programmes than they do for non-financial support. This is consistent with the findings from the OECD's 2023 Framework for the Evaluation of SME and Entrepreneurship Policies and Programmes that "hard"

programmes are more likely to be subject to high-quality impact evaluations than “soft” programmes (OECD, 2023[4]). While most countries regularly monitor financial support measures for innovation and many conduct independent impact evaluations, Chile, Paraguay, and Uruguay are the only countries where policy adjustments have been made on the basis of these evaluations.

Innovation and Technology for the development of women-owned or led SMEs

Most LA9 countries integrate a gender perspective into their innovation strategies

Argentina's Department of Gender Equality in Science, Technology, and Innovation aims to ensure genuine gender equality in women's participation in the scientific-technological system, while Chile's Ministry of Science has a gender and STI policy with associated guidelines and work plans. Although gender mainstreaming may not be explicitly outlined in innovation policies or strategies in some cases, it is reflected in specific programmes and projects. For instance, Brazil's “Women Innovators” programme, encourages startups led by women to enhance female representation in the national business landscape through training and recognition.

Furthermore, Argentina, Ecuador, and Mexico lack specific fund allocations for fostering innovation in women-led SMEs, contrasting with other analysed countries that have focused instruments with a gender perspective, specific contests, or funds aimed at reducing gender gaps in this topic.

In Peru, resource allocation is carried out through the "Woman, Entrepreneur, and Innovator" contest, while Uruguay provides funds or support for innovation linked to SMEs in the energy, industrial, and cooperative sectors.

The way forward

Over the past four years, many countries in the LAC region have ramped up their provision of support services for innovation. However, the trend in financial supports for SME innovation is more mixed, and there remain a number of areas for improvement in this important policy area, as outlined in Table 5.5 below.

Table 7.4. Policy recommendations for innovation and technology dimension

Policy area	Challenges and opportunities	Policy recommendations
Institutional framework for innovation policy	Many countries have adopted dedicated innovation strategies. However, these strategies often do not include adequate information to ensure an effective implementation of specific policy measures.	• Ensure that innovation strategies include specific and measurable objectives, with key performance indicators and targets for each objective, along with specific policy actions, budgets, responsible entities, and implementation timelines. Strategies should also define the governance arrangements for their implementation. • Ensure that strategic documents and policies include a sufficient focus on SMEs and identify and address the specific obstacles they face in engaging in innovative activities.

Support services and financing for innovation	LAC countries deploy a range of support services and financing tools for innovative SMEs. However, financing support is not always readily accessible for SMEs. There is also considerable scope to improve the monitoring and evaluation of innovation supports, in order to identify and channel resources towards the most effective policy interventions.	• Monitor the uptake of innovation support (financial and non-financial) by SMEs and explore ways of increasing the accessibility of support to SMEs. • Make greater use of public procurement for innovation as a tool for supporting innovative start-ups and SMEs and generating technological solutions in priority areas. • Increase focus on support for high potential scale-ups, including through accelerator initiatives. • Ensure that innovation agencies are staffed and funded sufficiently to fulfill their mandate. • Conduct high-quality impact evaluations on major innovation programmes every three years. Further guidance on impact evaluation can be found in the OECD's 2023 Framework for the Evaluation of SME and Entrepreneurship Policies and programmes.

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8 Dimension 6: Productive transformation

In the Productive Transformation dimension, Latin American countries have made significant strides since their 2019 performance. The region demonstrates stronger strategic-level objectives and targets, yet challenges persist in translating these into effective action plans.

The most pronounced heterogeneity within the region is observed in the integration into global value chains (GVCs). While some countries have successfully implemented advanced, longstanding programmes in this area, others, hindered by decades of inward-oriented policies, have remained on the sidelines of GVCs. Bridging this gap presents an opportunity for collective learning and strategic improvement across the region. This chapter evaluates the development level of policies for leveraging SMEs as agents of productive transformation assesses policy frameworks aimed at enhancing productivity.

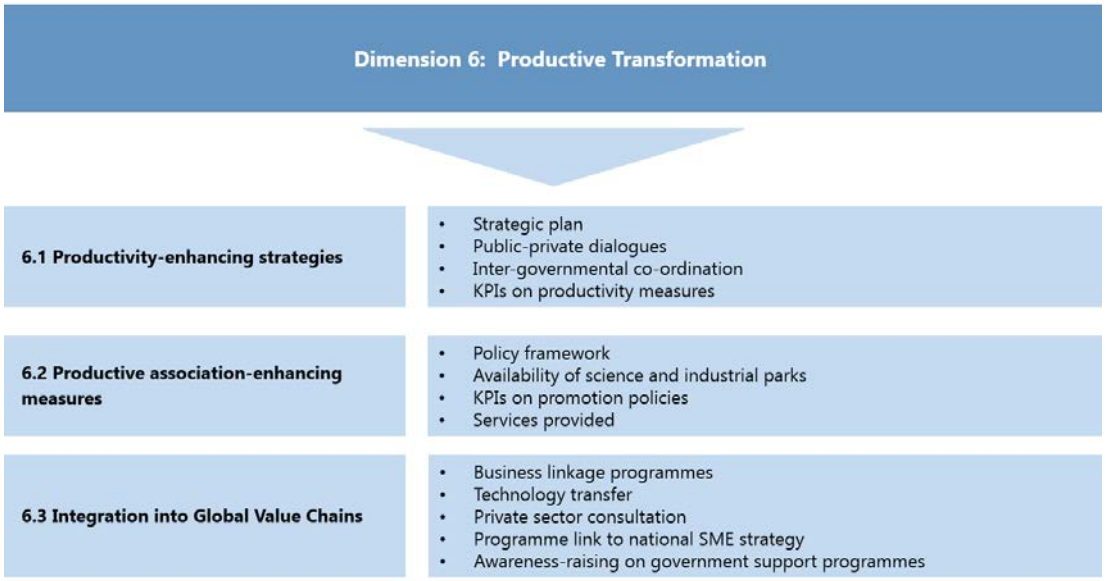
Assessment Framework

The framework employed to evaluate the development level of policies for leveraging SMEs as agents of productive transformation assesses policy frameworks aimed at enhancing productivity. This includes an examination of whether these frameworks effectively harness the role of SMEs. Additionally, at the programmatic level, the assessment involves examining specific programmes that encourage SMEs to collaborate through productive agglomerations, such as clusters, and integrate into regional and global value chains (OECD/CAF, 2019[1]).

A significant methodological change has been introduced in this dimension since the previous evaluation. While the sub-dimensions 6.1 Productivity-enhancing strategies and 6.2 Productive association-enhancing measures retain the same questions as in their pilot version in 2019, sub-dimension 6.3 Integration into global and regional value chains underwent a comprehensive revision. The analytical framework has been improved with additional questions emphasising policy implementation, monitoring, and evaluation, aimed at increasing the granularity of this assessment. As a result, the assessment framework for this dimension is composed of the following (see Figure 8.2):

- **Productivity-enhancing strategies:** The indicators in this sub-dimension assess at a strategic level the capacity of the frameworks for productivity enhancement to take advantage of the role of SMEs, including the design of the strategy and the elements that include measurable targets, action plan, an adequate budget, mechanisms of monitoring and evaluation, the involvement of other actors in its realisation including the private sector, civil society and academia, as well as the inter-ministerial co-ordination efforts for the implementation of the strategy.
- **Productive associations-enhancing measures:** The indicators within this sub-dimension assess at the programmatic level, measures targeted at enhancing associativity through the formation and strengthening of conglomerates, along with the establishment of industrial and scientific parks, considering the extent to which these programmes contribute to the development of SMEs.
- **Integration into global and regional value chains:** The indicators within this sub-dimension investigate support programmes designed to facilitate the inclusion of SMEs in global and regional value chains. The assessment encompasses the components of these programmes, including the identification of niche markets, technology transfer, and the establishment of linkages between small and large firms. Additionally, it evaluates monitoring and evaluation efforts.

Figure 8.1. Assessment framework - Productive transformation

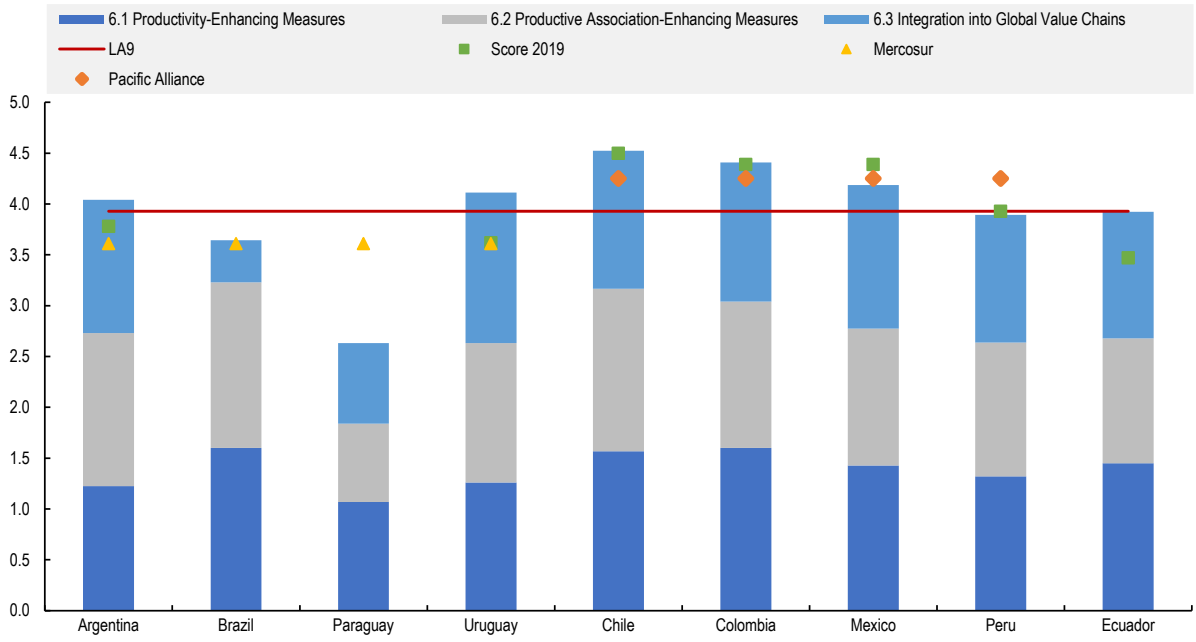


The weighting of the three sub-dimensions, determined through expert opinions and discussions with national coordinators, assigns an equal weight of 33.33% to each sub-dimension. Given that sub-dimension 6.1 focuses on the strategic level while the subsequent sub-dimensions are oriented toward the programmatic level, this weighting implies that overall dimension scores are inclined toward active programmes supporting associativity and integration, even in the absence of strategic frameworks.

Analysis

Latin American and the Caribbean (LAC) participating countries generally exhibit a relatively high performance in the dimension of productive transformation (see Figure 8.2), with most of them scoring above level 3, Paraguay stand out as exception. Despite having operational strategies in place, there is significant heterogeneity in the region when it comes to implementation, monitoring, and evaluation mechanisms. The average score among the LA9 countries is 3.93. Although the highest scores are generally observed at the strategic level within the sub-dimension of Productivity Enhancing Measures, the majority of the LA9 countries exhibit lower scores at the programmatic level in the sub-dimension of Integration into regional and Global Value Chains (GVCs). Notable exceptions to this trend are Uruguay and Argentina, which demonstrate higher scores in this aspect.

Figure 8.2. Weighted scores for Dimension 6: Productive Transformation



Note: Scores are on a scale of 1 to 5, with 5 being the highest. The comparison with 2019 is not exact due to changes in the methodology. Please refer to Chapter 2 for further information on the methodology. 2019 data for Brazil, and Paraguay are not available as they did not participate in the 2019 assessment.

Sub-dimension 6.1: Productivity-Enhancing Measures

The scores (see Table 8.1) indicate that the assessed LAC countries have moderately advanced strategic plans to enhance productivity. These plans exhibit diversity in form and content, with most showcasing progress in specificity of measurable targets, action plans, and objectives with more precise timelines compared to the 2019 evaluation. While Paraguay, absent in the 2019 edition, still have considerable room for improvement, Brazil stands out for robust strategies, featuring strong elements of implementation, monitoring, and evaluation.

Table 8.1. Sub-dimension 6.1 scores: Productivity-Enhancing Measures

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	3.71	4.85	3.24	3.82	4.75	4.85	4.33	4	4.39	4.21	3.90	4.48

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

Latin American countries are making progress by including measurable targets in their enhancing measures to improve productivity

While there is still a notable absence of strategic vision regarding the role of SMEs in the productive transformation process (Dini and Stumpo, 2020[2]) Latin American countries are actively working on strategies to improve productivity measures. Eight out of nine countries have a strategic plan to enhance SME productivity.

In the 2019 assessment, only Colombia and Peru connected their existing strategic frameworks to quantifiable, time-bound action plans and targets. By 2024, all countries are advancing in including measurable targets in their strategy. In particular, Brazil's *Brazil Mais Productivo* (BMP, Brazil More Productive) initiative which was recently updated stands out for its well-designed approach, specifically targeting the manufacturing industry and prioritising firms located in business clusters (OECD, 2020[3]). Chile as part of the Productive Agenda 2023, has introduced a dedicated axis for SMEs, accompanied by proposed strategic objectives. Paraguay has implemented the Strategic Plan for SMEs 2018-2023, featuring a comprehensive diagnosis and specific actions that identify actors, coordinators, and objectives. Meanwhile, in Ecuador, alongside the existing Industrial Policy 2016-2025, the country has established the Competitiveness Strategy, allocating one of its action lines to *Ecuador Productivo*.

Table 8.2. LAC countries' Productive Transformation Strategies

Country	Productive Transformation Strategy	Strategy characteristics
Argentina	Productive Argentina 2030 Productive, industrial and technological development plan	The plan includes several references to SMEs throughout the plan with different lines of action at the programmatic level. This plan champions the integration of SMEs in supply chains.
Brazil	Brazil More Productive (federal policy)	Programme focused on improving the productivity of SMEs, with clear implementation mechanisms and robust monitoring and evaluation systems.
Chile	Productivity Agenda 2023	The Productivity Agenda 2023, contains axis 7 specifically dedicated to more productive SMEs, with diagnosis and proposed lines of action.
Colombia	CONPES 3866 National Policy for Productive Development 2016-2025	The policy seeks to promote the development of production and increase the productivity of existing companies in all regions, it contains a diagnosis and lines of action.
Ecuador	Ecuador Competitiveness Strategy: Ecuador Productivo, Ecuador Global, and Ecuador Innova	The strategy includes a diagnosis and outlines actions for SMEs throughout, aiming for process simplification, cost reduction, market expansion, integration into new markets, and value addition. It also emphasises the importance of fostering innovation and entrepreneurship.
Mexico	Sectoral Programme of Economy (PROSECO) Special Programme for Productivity and Competitiveness (PEPC) 2020-2024	The programme includes, among its four priority objectives, the promotion of the creation and consolidation of productive SMEs for greater productive inclusion. The programme functions as a tool to enhance the medium- and long-term capabilities of individuals and businesses in Mexico.
Paraguay	Strategic Plan for SMEs 2018-2023	The strategic plan features a diagnosis and outlines specific actions that identify actors, coordinators, and objectives dedicated to SMEs.
Peru	Strategic Plan for National Development - Peru 2050 National Competitiveness and Productivity Plan 2019-2030	The Strategic Plan includes the specific objective 3.4: Increase the levels of productive and sustainable development for SMEs with indicators and goals to measure progress. Plan with specific action lines for SMEs, featuring clear objectives linked to timelines.
Uruguay	Different actions delineated by the National Development Strategy Uruguay 2050	Several actions at the programmatic level carried out by DINAPYME.

Public-private dialogues on productivity and inter-ministerial coordination are longstanding practices in LA9

Currently, all countries with a strategic plan to enhance productivity have it in operation. However, only Argentina, Brazil, Chile, Colombia, and Mexico mention that it is well-funded with financing to cover all its actions, while Peru asserts that it is adequately funded to cover the implementation of its core goals.

While these strategic plans are co-ordinated inter-ministerially, with the exception of Paraguay, their implementation has also been accompanied by public-private dialogues on productivity. Argentina's efforts stood out during the 2019 evaluation with an ongoing Executive Roundtables programme for Productive Transformation, while the rest of the LA9 countries typically engage in dialogue through Advisory Councils. These councils are tasked with reporting, monitoring, or defining a collective work plan.

LAC countries are making significant efforts to strengthen their monitoring and evaluation systems on their productive transformation measures

Latin American countries are making efforts in monitoring and evaluation, resulting in more detailed action plans and strategies with measurable, time-linked targets. This is in addition to framework-level KPIs and regular reporting of statistics. Uruguay has established an Industrial Productivity Monitoring Indicators System (SIMPI), manifested in a web platform that offers measures of total factor productivity (TFP) by sector of activity to guide public policy decisions. In contrast, Brazil has indicators to monitor the performance of their productivity improvement policies, in addition to tracking the beneficiaries of their programmes. Colombia has demonstrated strong efforts by incorporating a detailed Action and Monitoring Plan (PAS) with quantifiable objectives of defined duration.

Sub-dimension 6.2: Productive Association-Enhancing Measures

Strengthening SMEs' networks and linkages with key partners is an important element of the OECD Recommendation on SME and Entrepreneurship Policy. In general, most countries in the region have policies that promote or encourage the formation of clusters. These programmes, which for some countries were in the pilot stage during the 2019 evaluation, have gained greater relevance and maturity, evident in their enhanced monitoring and evaluation efforts. However, there are diverse scenarios in terms of implementation, with some countries reporting sufficient budgets for implementation, while others face resource constraints, as reflected in the overall scores for this sub-dimension (see Table 8.3).

Table 8.3. Sub-dimension 6.2 scores: Productive Association- Enhancing Measures

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	4.57	4.93	2.33	4.16	4.84	4.36	4.08	3.99	3.72	4.11	4	4.32

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

Public policies in Latin America actively support the creation of productive clusters, promoting their formation through various incentives

Seven out of the nine evaluated countries have public policies providing incentives for the formation of productive agglomerations, as part of the implementation strategies assessed in sub-dimension 6.1. The most significant changes in this sub-dimension are observed in Mexico. In 2019, INADEM managed various calls for SME associativity, but with its dissolution, the priority shifted to strategic public enterprise. This transferred the responsibility for measures to improve productive associations to the *Secretaría de Economía* (Ministry of Economy, SE), along with state laws promoting these efforts. In Ecuador, there was

a positive turn with Executive Decree No.68, assigning the *Ministerio de Producción, Comercio Exterior, Inversiones y Pesca* (Ministry of Production, Foreign Trade, Investments and Fisheries, MPCEIP) the responsibility to provide technical and financial assistance to SMEs wishing to form or join a cluster, implementing various actions. However, there are no records of progress of its recent establishment.

On the other hand, regarding industrial parks in Uruguay, the new regime, based on Law No. 19,784 and regulated by Decree No. 79/2020, introduced, the concept of Scientific-Technological Parks, while maintaining the concept of Industrial Parks and defining the Specialised Park modality.

Budget constraints pose one of the most significant challenges for implementing policies aimed at promoting industrial clusters and business agglomeration

High scores in the planning and design thematic block are somewhat tempered by the performance in the implementation thematic block. While the majority of evaluated countries have policies geared toward promoting industrial clusters and business agglomeration, and there has been a mobilisation of funds primarily through government channels for implementation, only half of them indicate possessing a sufficient budget to finance their initiatives.

Most programmes are structured as calls for proposals, with Chile, Peru, and Uruguay—whose programmes were in the pilot implementation phase during the 2019 evaluation—now showcasing enhanced maturity.

Primarily, Latin America boasts robust monitoring and evaluation systems for their policies aimed at enhancing productive associations

The monitoring and evaluation systems for cluster support programmes are predominantly robust, with their outcomes guiding adjustments and changes. Simultaneously, all countries indicate that they collect data on the geographic location and concentration of SMEs benefiting from support services. An example of this is Argentina's Competitiveness Support Programme, which includes biannual public monitoring reports with key performance indicators focusing on both results and impact.

Sub-dimension 6.3: Integration into regional and global value chains

Efforts to integrate SMEs into GVCs vary widely among the LA9 countries, as indicated by the scores obtained for this sub-dimension (see Table 8.4). While some countries have well-established practices, others, due to decades of inward-oriented policies, have remained on the sidelines of GVCs.

Table 8.4. Sub-dimension 6.3 scores: Integration into regional and global value chains

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	3.96	1.26	2.40	4.49	4.12	4.14	4.28	3.80	3.77	3.58	3.03	4.08

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

Support programmes aimed at facilitating the inclusion of SMEs in Global Value Chains in LA9 exhibit a broad range of heterogeneity

The OECD Recommendation on SME and Entrepreneurship Policy highlights the importance of policy measures to enhance SMEs and entrepreneurs' participation in GVCs. Countries that did not participate in the 2019 evaluation, namely Brazil, and Paraguay, lack government programmes supporting SME integration into GVCs. In contrast, the other seven countries exhibit relatively advanced systems in this

area, reflected in scores above level 4. This disparity, with Brazil, and Paraguay at level 1, underscores the significant heterogeneity in the region. For these seven countries, their programmes align with strategies outlined in sub-dimension 6.1 and follow good practices in public-private consultations. The variation in scores primarily stems from the range of activities that these programmes target or prioritise to facilitate SME integration into GVCs, along with whether they aim to raise awareness of the benefits of integrating into GVCs.

Notably, Mexico stands out with the *MIPYMES.MX* platform, a post-COVID-19 initiative featuring dedicated sections for capacity building and exporting. This platform guides Mexican SMEs in their endeavours to integrate into GVCs. Argentina, through its plan *Argentina Productiva 2030*, has allocated a specific section to integrate SMEs into supply chains. Uruguay's Supplier Development Programme, which was in its initial stages in 2019, has since matured significantly. Meanwhile, Peru's current initiatives are directed by the National Export Plan - PENX 2025, which includes a specific pillar dedicated to the integration into GVCs.

Co-financing through Supplier Support Programmes is a common practice in Latin American countries

The efforts of the LA9 countries to integrate SMEs into GVCs primarily involve supplier development programmes. Since the last evaluation, there have been no significant changes in these programmes. In the case of Chile, Colombia, Peru, and Uruguay, open calls target large companies requiring them to submit proposals for the development of their suppliers. In contrast, Argentina and Mexico directly target the suppliers themselves.

While there have been positive changes in monitoring and evaluation, there is still a significant need for improvement

All LA9 countries with programmes aimed at facilitating SME inclusion in GVCs have active monitoring and evaluation mechanisms. However, their development varies significantly, not only in the way they are executed but also in the elements they incorporate. Chile's supplier programme boasts a long and well-established history as a robust mechanism.

In contrast, countries like Uruguay, in addition to their ongoing efforts, are in the process of adapting the MIEM, a computer programme designed to centralise information on the support provided to enterprises. This includes identifying each programme, support or amount granted, the sector of the enterprise, and the area where the support is focused. This initiative aims to enhance efficiency in accessing information, enabling better follow-up and monitoring of beneficiaries, as well as a more thorough analysis of the instruments in place.

Productive Transformation for the development of women-owned or led SMEs

Mexico and Chile have implemented dedicated government programs aimed at fostering the integration of SMEs led by women into GVCs

The Mexican government participates in the ITC “SheTrades” initiative of the International Trade Centre (ITC), benefiting SMEs led by women. It serves as a platform for exchanging experiences among businesswomen, strategic partners, and governments, promoting productive development and integration into GVCs. *Activa Empresarias* is a joint initiative of the United Nations System in Chile, providing a collaborative and inclusive platform to connect women entrepreneurs' offerings with the product/service requirements of purchasing companies. It aims to enhance the participation of women-led enterprises in supply chains, both domestically and internationally, showcasing women's work and promoting opportunities to improve productivity and competitiveness across various economic sectors.

Regarding the establishment of gender-specific national performance indicators to monitor the outcomes of policies aimed at enhancing SME productivity, only Uruguay's MIEM has improved its portfolio information systems, including data collection on its policies and records. In this regard, the Transparency and Accountability Programme for benefits granted to the productive and business sector is being implemented under the 5th National Open Government Action Plan 2021-2024, coordinated by the AGESIC. Gender indicators have been included in this programme to measure the outcomes of policies aimed at enhancing SME productivity, among others.

The way forward

Based on ongoing initiatives, policymakers in the LA9 region could give priority to the recommendations outlined in Table 8.5.

Table 8.5. Policy recommendations for dimension 6. Productive Transformation

Policy area	Challenges and opportunities	Policy recommendations
Productivity-enhancing measures	Existing strategies can enhance their effectiveness by integrating specific timelines and clearly defining the responsible actors for each action line.	• Enhance strategies by developing action plans with specific timelines and clearly identified responsible actors to ensure effective implementation.
Productive association-enhancing measures and integration into regional and global value chains	Public policies in LAC that actively support the creation of productive clusters, promoting their formation through various incentives, can raise awareness of the benefits associated with joining these clusters. There is considerable heterogeneity among LA9 countries in their strategies for integrating SMEs into global value chains. While some countries may strengthen existing initiatives, other countries could benefit from learning from the experiences of their counterparts to leverage the advantages of integration.	• Conduct a comprehensive mapping of existing clusters and establish a consolidated database of available support mechanisms for SMEs. This initiative aims to raise awareness of the advantages associated with cluster membership and integration into global value chains. • Brazil, and Paraguay, drawing from the good practices of their LA9 counterparts, could implement supplier development programmes to foster business linkages between local SMEs with the aim to boost the participation of SMEs in global value chains. • Introduce matchmaking initiatives to foster stronger linkages between SMEs and large firms, tapping into the potential of large firms to act as customers, innovation partners and advisors to SMEs. • Build linkages between national cluster organisations and regional actors, reflecting the importance of spatial proximity in much of cluster activity. • Enhance performance-based monitoring and data collection for policies promoting SME integration into global value chains.

		• Implementing a framework to measure the performance of SMEs after adopting provided initiatives with the aim to provide valuable insights into both the positive and negative effects of selected policies. This assessment will later demonstrate the viability of these policies for both the beneficiaries and the efficient allocation of government resources. • LA9 countries could consider carrying out regular assessments of GVCs to identify sectors with high potential and uncover new market opportunities, allowing for informed decisions on direct support to SMEs.

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9 Dimension 7: Access to market and internationalisation

Despite the advantages, SMEs are less inclined to internationalise compared to larger counterparts. The pathways to internationalisation for SMEs depend on their skills, resources, and ability to collaborate with domestic and international partners, facilitating direct or indirect involvement in imports and exports.

This chapter evaluates policies and programmes supporting SMEs in internationalising their operations, trade facilitation efforts, engagement in e-commerce, attainment of quality standards, and benefiting from Latin American and Caribbean (LAC) integration efforts.

Assessment Framework

Internationalisation is often perceived solely as a process linked to exports; however, from a broader standpoint, it encompasses a company's decision to target one or more markets beyond its original location. It is a dynamic process that adjusts to changes in various factors (Peralta-Jiménez and Tonon-Ordóñez, 2022[1]). While approximately 10 percent of Latin American SMEs export some of their production, in Europe, this figure rises to at least 40 percent. Latin American SMEs represent a diverse spectrum, ranging from microenterprises engaged in informal self-employment to innovative firms with robust export capabilities. With consistent and co-ordinated policies, SMEs could serve as agents of structural transformation by enhancing productivity (ECLAC, s.f.[2]).

Despite the advantages, SMEs are less inclined to internationalise compared to larger counterparts. The pathways to internationalisation for SMEs depend on their skills, resources, and ability to collaborate with domestic and international partners, facilitating direct or indirect involvement in imports and exports. SME internationalisation yields several benefits, including access to new markets and optimised resource utilisation. By tapping into a global market of over 8 billion people, SMEs can boost sales and diversify revenue streams. Furthermore, internationalisation fosters efficiency in resource management, such as labour, capital, and technology, as SMEs adapt to become more competitive and enhance production processes. Additionally, SMEs can glean valuable insights from the best practices of companies worldwide, leading to improved management, heightened productivity, and innovation in products and services (OECD/CAF, 2019[3]).

Regarding the evaluation framework for policy development to promote SME internationalisation, it is structured around policies and programmes supporting SMEs in internationalising their operations, trade facilitation efforts, engagement in e-commerce, attainment of quality standards, and benefiting from Latin American and Caribbean (LAC) integration efforts. A solid and stable institutional framework is crucial for designing and implementing programmes that address SME needs to overcome internationalisation obstacles. Additionally, programmes facilitating and streamlining export processes and improving products and processes under international quality schemes must be established. Furthermore, following the COVID-19 pandemic, there has been a clear need to implement policies to enhance e-commerce usage to increase regional competitiveness. Finally, one of the objectives of regional groupings or integration mechanisms, whether politically or economically motivated, is to facilitate commercial interaction between companies. In other words, integration processes establish normative and institutional frameworks that promote competition and enhance SME competitiveness.

The assessment framework for this dimension comprises (see Figure 9.1):

- **Support programmes for internationalisation:** This sub-dimension encompasses a wide possible range of support provided by export promotion agencies (EPAs) to SMEs.
- **Trade facilitation:** This sub-dimension assesses public initiatives aimed at aiding SMEs in complying with customs procedures. Specifically, they evaluate the availability of resources to address informational gaps, such as manuals, guidelines, support centres, or online trade portals. Additionally, they gauge advancements in streamlining customs processes, such as the implementation of e-customs platforms, Authorised Economic Operator (AEO) programmes, or National Single Windows for trade procedures. Furthermore, these indicators consider whether these initiatives cater to SME-specific needs and if support programmes are effectively implemented. Lastly, this sub-dimension incorporates the 2022 OECD Trade Facilitation Indicators (TFIs).
- **Use of E-commerce:** This sub-dimension examines initiatives aimed at promoting broader adoption of e-commerce among SMEs, encompassing regulatory considerations and government policies aimed at facilitating SMEs' access to digital platforms. Additionally, it assesses the

provision of support services to address barriers hindering SMEs from leveraging the opportunities presented by increasing digital trade.

- **Quality standards:** The indicators within this sub-dimension assess public support programmes aimed at obtaining quality certification. These indicators consider factors such as private sector consultation, availability of sufficient funding, extent of service quality certification coverage, and the presence of comprehensive monitoring mechanisms.
- **Taking advantage of the benefits of LAC integration:** The indicators in this sub-dimension assess whether the LA9 countries are utilising their regional integration agendas to enhance SME development. This includes activities such as fostering regional value chains, implementing joint trade facilitation measures, establishing collaborative business development programmes, and implementing joint export promotion mechanisms.

Figure 9.1. Assessment framework – Access to market and internationalisation

Dimension 7: Access to Market and Internationalisation	
7.1 Support Programmes for Internationalisation	• Functioning of export promotion agency • Programmes targeted to SMEs • Services provided
7.2 Trade facilitation	• OECD trade facilitation indicators • Programmes targeted to SMEs • Guidance and Transparency • Simplification of procedures – e-customs, Authorised Operator programmes, single window
7.3 Use of E-Commerce	• Promotion programmes • Legal framework • Consumer protection • KPIs on E-commerce
7.4 Quality Standards	• Programmes targeted to SMEs • Quality standard certification body • Service quality certification
7.5 Taking advantage of the benefits of LAC integration	• National strategy • Trade bloc/alliance programmes targeted to SMEs • Support for the formation of regional production chains • Joint trade facilitation measures and trade missions • Dissemination of information on opportunities related to integration

The weighting of the five sub-dimensions was determined through a combination of expert input and discussions with national coordinators during the 2019 assessment. Sub-dimension 7.1 was allocated a weight of 40%, while the remaining four sub-dimensions were assigned equal weights of 15% each. Within four of these sub-dimensions (7.1, 7.3, 7.4, 7.5), thematic blocks were further divided into planning and design (35%), implementation (45%), and monitoring and evaluation (M&E) (20%). Sub-dimension 7.2, focusing on trade facilitation, differs slightly as it comprises four thematic blocks, each carrying a weight of 25%.

The weights assigned to each sub-dimension do not suggest that policymakers should prioritise export promotion over other measures concerning "access to market". Instead, priorities should be determined

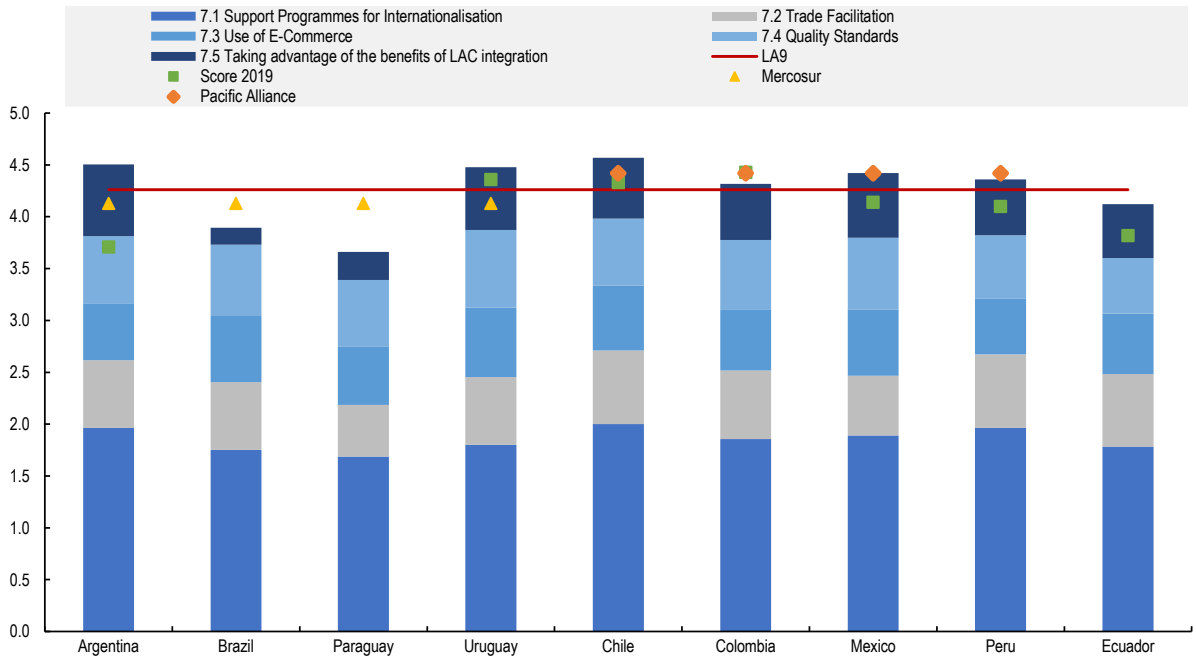
on a case-by-case basis, considering a clear articulation of policy objectives and an analysis of firm-level dynamics in each country.

Analysis

Internationalisation remains a challenge for SMEs. Establishing policies and agreements aimed at streamlining international trade for SMEs is needed, entailing the elimination of bureaucratic hurdles and the provision of robust support mechanisms for exporting their goods.

In the dimension of Access to markets and Internationalisation, the average score among the 9 LAC countries is 4.26 (see Figure 9.2). Overall, countries have robust strategies to support SME internationalisation, incorporating standardised facilitation schemes addressing various business needs such as training, market intelligence, trade facilitation platforms, and opportunities for interaction with potential international partners. The analytical framework used to support SME internationalisation considers both improving conditions for export promotion and implementing precise policy instruments to aid SME internationalisation.

Figure 9.2. Weighted scores for Dimension 7: Access to market and internationalisation



Note: Scores are on a scale of 1 to 5, with 5 being the highest. The comparison with 2019 is not exact due to changes in the methodology. Please refer to Chapter 2 for further information on the methodology. 2019 data for Brazil and Paraguay are not available as they did not participate in the 2019 assessment.

Sub-dimension 7.1: Support programmes for internationalisation

Most of the countries examined have established internationalisation policies guided by a strategic framework, either in the form of a plan or a national policy. These strategies serve as institutional frameworks for the development of programmes tailored to meet both the needs of businesses and the country's developmental objectives. Consequently, countries establish agencies for co-ordinating the implementation of public policies, tasked with promoting exports and facilitating the internationalisation

process for SMEs. Consultation processes are carried out through various means, including focus groups comprising relevant stakeholders or consultations with business chambers, with feedback from programme beneficiaries also being considered. It is noteworthy that these programmes typically target SMEs.

Table 9.1. Sub-dimension 7.1 scores: Support programmes for internationalisation

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	4.91	4.38	4.22	4.50	5.00	4.64	4.73	4.91	4.46	4.64	4.50	4.82

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

LA9 countries acknowledge the importance of fostering exports and enhancing the international competitiveness of SMEs

Countries like Chile (5.0), Argentina (4.91), Peru (4.91), and Mexico (4.73) top the rankings in this sub-dimension (see Table 9.1). However, all countries score above 4 points, indicating a strong performance in generating programmes to support internationalisation. Overall, LA9 countries recognise the importance of promoting exports and enhancing international competitiveness as part of their medium-term development strategies. Despite these achievements, there is a need for greater emphasis on monitoring and evaluating implemented programmes and initiatives. This entails going beyond merely quantifying user numbers and measuring impacts to identify areas for policy design or implementation improvements. Collaboration among government entities is crucial for programme efficiency, requiring the development of accessible tools or platforms for entrepreneurs. Distance training platforms, for example, have gained prominence amid the COVID-19 pandemic, highlighting the importance of adaptation to current challenges.

Sub-dimension 7.2: Trade facilitation

The region is committed to establishing mechanisms aimed at enhancing trade through improved documentation, procedures, information, and tariff systems. This underscores the importance placed on the planning and design of trade facilitation programmes, which align closely with the objectives outlined in strategic plans. To achieve this, countries provide guidelines to direct companies through the export process and offer training that integrates these aspects comprehensively.

Table 9.2. Sub-dimension 7.2: Trade facilitation

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	4.36	4.36	3.32	4.35	4.73	4.41	3.83	4.72	4.65	4.30	4.10	4.42

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

LA9 countries have established Foreign Trade Single Windows as part of their endeavours to streamline trade processes for SMEs

These windows centralise and simplify procedures related to international trade, streamlining processes, and reducing bureaucratic burdens on companies. Furthermore, certifications are offered for Authorised Economic Operators (AEO), recognising companies that adhere to security and customs compliance standards. However, the development of AEO remains limited, with only a few companies currently holding this accreditation. Additionally, consideration should be given to implementing special fees for certified AEO companies to provide them with additional incentives to engage in international trade.

In this sub-dimension, the countries with the highest scores are Chile (4.73), Peru (4.72), Ecuador (4.65), Argentina, and Brazil, each scoring 4.36 (see Table 9.2). While the regional for LA9 countries is 4.30, indicating overall strong performance.

Sub-dimension 7.3: Use of E-Commerce

The adoption of e-commerce in LAC has seen remarkable expansion, bolstered by supportive policies and regulations aimed at fostering its advancement. Leading nations in the region have executed comprehensive strategies to stimulate financial inclusion, digital empowerment, and confidence in online transactions. This concerted effort has positioned e-commerce as a pivotal catalyst for economic growth and societal inclusion across the region.

Table 9.3. Sub-dimension 7.3: Use of E-Commerce

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	3.66	4.30	3.72	4.46	4.17	3.90	4.26	3.57	3.90	3.99	4.04	3.97

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

There is a varying landscape regarding e-commerce regulation in LA9

Regulations governing E-commerce emphasise aspects like data usage and digital payment systems. Implementation strategies are typically guided by digital transformation plans aligned with broader national development agendas, ensuring policy coherence and synergy.

Among LA9 countries, Uruguay (4.46), Brazil (4.30), Mexico (4.26), and Chile (4.17) emerge as top performers in this sub-dimension (see Table 9.3). They are working to successfully cultivate an enabling environment for the growth and development of e-commerce, encouraging the adoption of digital technologies among citizens and businesses alike. Their strategic initiatives have propelled the digital economy forward and promoted financial inclusion, opening up opportunities for e-commerce across various economic sectors.

Additionally, countries in the region have implemented programmes to foster e-commerce, often focusing on training to integrate digital tools into marketing and sales processes. Initiatives to enhance technological infrastructure, provide digital training, and instil trust in online transactions have also been promoted. Some countries offer public e-commerce platforms for businesses. Despite the surge in e-commerce adoption following the COVID-19 pandemic, comprehensive monitoring and evaluation mechanisms have not been widely implemented across the region.

Sub-dimension 7.4 Quality Standards

Promoting the effective implementation of quality standards within the context of internationalisation policies can yield numerous benefits for SMEs in the region. Quality standards serve as a crucial tool for enhancing competitiveness, enabling SMEs to meet requirements and access demanding markets. They also facilitate the identification and resolution of potential production issues, thereby increasing efficiency and profitability. Additionally, adherence to quality standards fosters international trade relations and encourages alignment with regulations and standards in international markets, averting potential sanctions and trade barriers.

Table 9.4. Sub-dimension 7.4 Quality Standards

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	4.32	4.53	4.31	5.00	4.31	4.49	4.61	4.10	3.57	4.36	4.54	4.38

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

LA9 countries recognise the importance of complying with international quality standards as a fundamental part of their export processes.

Countries in the region have established policies aimed at supporting companies in enhancing their quality standards according to international techniques and regulations. Typically, this objective is incorporated into National Development Plans. To achieve this, LA9 countries establish agencies responsible for developing the national quality infrastructure and conformity assessment systems. These agencies play a dual role: granting certifications directly to companies and to public and private laboratories that contribute to compliance with international quality standards and providing updated training on quality processes.

Overall, the countries perform well in this sub-dimension, although many lack robust systems for monitoring and evaluating the programmes and strategies implemented. Leading countries such as Uruguay (5.0), Mexico (4.61), Brazil (4.53), and Colombia (4.49) are particularly noteworthy. The average score for LA9 is 4.36 (see Table 9.4). Besides the training offered by standardisation and metrology agencies, other programmes integrate the enhancement of quality standards across all their training initiatives, especially for exporting companies.

Sub-dimension 7.5 Taking advantage of the benefits of LAC integration

Table 9.5. Sub-dimension 7.5 Taking advantage of the benefits of LAC integration

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	4.60	1.09	1.81	4.05	3.91	3.60	4.17	3.58	3.47	3.36	2.89	3.81

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

There are varying perceptions regarding the benefits of regional alliances, even among countries within the same integration mechanism.

This sub-dimension exhibits significant heterogeneity, despite all analysed countries belonging to at least one subregional integration mechanism, with some, like Peru and Colombia, participating in two, namely the Pacific Alliance (PA) and the Andean Community (CAN). Interestingly, countries hold differing perceptions regarding the benefits of these alliances, even within the same integration mechanism. For instance, within Mercosur, Brazil and Paraguay report limited benefits, while Uruguay and Argentina perceive greater advantages. This complexity underscores the group-oriented nature of such dynamics, prioritising collective benefits over individual gains. Similarly, in the case of Colombia and Peru, these countries place greater emphasis on the benefits derived from the PA compared to the Andean Community. Despite both integration mechanisms boasting active institutional frameworks for SMEs, such as CAMIPYME in the CAN and the Technical Group on SMEs and Entrepreneurship in the PA, variations in perceived benefits persist.

Overall, the integration mechanisms within the countries lack comprehensive strategic plans with clearly defined and measurable objectives aimed at enhancing sub-regional exports and the internationalisation of SMEs. This absence hampers the implementation and sustainability of standardised programmes that

could yield equivalent benefits for all participating countries over the long term. Furthermore, the limited availability of initiatives tailored to SMEs is compounded by insufficient monitoring and evaluation mechanisms, as well as inadequate financing. Among the countries, Argentina (4.60), Mexico (4.17), Uruguay (4.05), and Chile (3.91) reported the greatest benefits from integration, with the LA9 average standing at 3.36 (see Table 9.5).

Access to market and internationalisation for the development of women-owned or led SMEs

LA9 countries largely incorporate a gender perspective into their export promotion programmes

The "Argentina to the World" programme aims to promote women's leadership and equitable participation in international business. It targets companies, SMEs, female entrepreneurs, and cooperatives led by women who are either looking to start exporting or are already engaged in international trade and seek to enhance their performance.

The *"Mujer Exporta MX"* initiative hosts a series of specialised training sessions, workshops, and seminars aimed at providing resources and tools to women exporters in Mexico. The programme focuses on helping them identify opportunities and compete effectively in the export market.

In Peru, the *"Ella Exporta"* programme, targets businesswomen and decision-makers with internationalisation strategies. Through various training sessions, participants learn about export coaching, logistics, financial management, corporate social responsibility, digital marketing, business model development, and negotiation techniques.

Meanwhile, the Government of Uruguay offers a six-week course designed for women owners or executives of formally established companies operating in the domestic or foreign markets. This course strengthens their knowledge and skills related to international trade to better position themselves in the regional market.

Lastly, in Chile, the *Mujer Exporta* programme aims to raise awareness of gender issues and empower women-led exporting companies across different sectors. While not a government initiative per se, the programme facilitates access to strategic information, provides training, and offers support to companies in their internationalisation efforts.

The way forward

Table 9.6. Policy recommendations for dimension 7: Access to Market and Internacionalization

Policy area	Challenges and opportunities	Policy recommendations
Support programmes for internationalisation	SMEs have difficulties in accessing existing support programmes, either due to lack of information, complex requirements or cumbersome bureaucratic processes. The different SME support programmes are not well articulated with each other, which makes it	• Improve communication channels between trade promotion agencies and SMEs, particularly in the provinces, through strategic partners. • Consolidate the interoperability of export promotion agencies and broaden the participation of public and private actors in the design and implementation of policies and programmes. • Establish monitoring and evaluation systems of internationalisation support programmes, in order

	difficult for companies to take advantage of them.	to have tools for their continuous improvement. Implementing impact assessment analysis methodologies.
Trade facilitation	SMEs continue to face high trade barriers. SMEs have difficulties in obtaining financing for their internationalisation activities.	• Strengthen the training of SMEs to obtain certification as AEO, in an integrated manner in the programmes of trade promotion agencies; as well as facilitate their accreditation. • Improve SMEs' access to financing, through credit lines for internationalisation, which allow companies to grow and export.
Use of E-Commerce	Generate a robust regulatory framework that allows regular bodies to properly supervise the sector and generate targeted public policies for the growth of e-commerce. The technological infrastructure in some countries is still at an early stage of development for e-commerce, which limits the opportunities for SMEs.	• Implement programmes for technical assistance, training, financing and access to digital platforms for e-commerce. • Encourage the creation of national marketplaces and e-commerce platforms. • Improve technological infrastructure and internet connectivity in rural areas, supported by operating companies. • Adapt and strengthen the existing regulatory framework to facilitate regulation and competition and create incentives for the growth of e-commerce.
Quality Standards	SMEs do not have sufficient knowledge about international quality standards, which makes it difficult for them to access new markets.	• Provide incentives and technical assistance to SMEs to adopt international quality standards. • Disseminate the benefits of adopting quality standards, in a cross-cutting manner in the internationalisation programmes implemented.
Taking advantage of the benefits of LAC integration	There is lack of coordination LA9 to support SMEs in their internationalisation.	• Implement standardised and collaborative trade promotion and internationalisation programmes for SMEs. This in the context of sub-regional integration mechanisms. • Strengthen the institutional framework for the design, implementation and monitoring of SME programmes in the framework of sub-regional agreements such as Mercosur, the Pacific Alliance and CAN. This can be done by strengthening the SME working groups of each integration mechanism.

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10 Dimension 8: Digitalisation

The digital transformation of SMEs presents substantial opportunities for growth and efficiency. By embracing digitalisation, SMEs can elevate their operations, automate processes, and enhance customer engagement, leading to heightened productivity and competitiveness (OECD, 2021[1]).

While digital strategies are commonplace in the region, the focus on SMEs varies. LAC countries demonstrate substantial policies dedicated to enhancing broadband connectivity for SMEs, showcasing a strong commitment to digital development. Several countries have made noteworthy progress in developing policies targeting broadband connectivity, underscoring their dedication to digital advancement. Furthermore, there is a region-wide commitment to fostering digital skills for SMEs, emphasising inclusivity, collaboration, continuous learning, and the integration of digital skills into broader national strategies for digital transformation.
This chapter assesses the state of selected framework conditions for the digital transformation in LAC countries.

Assessment Framework

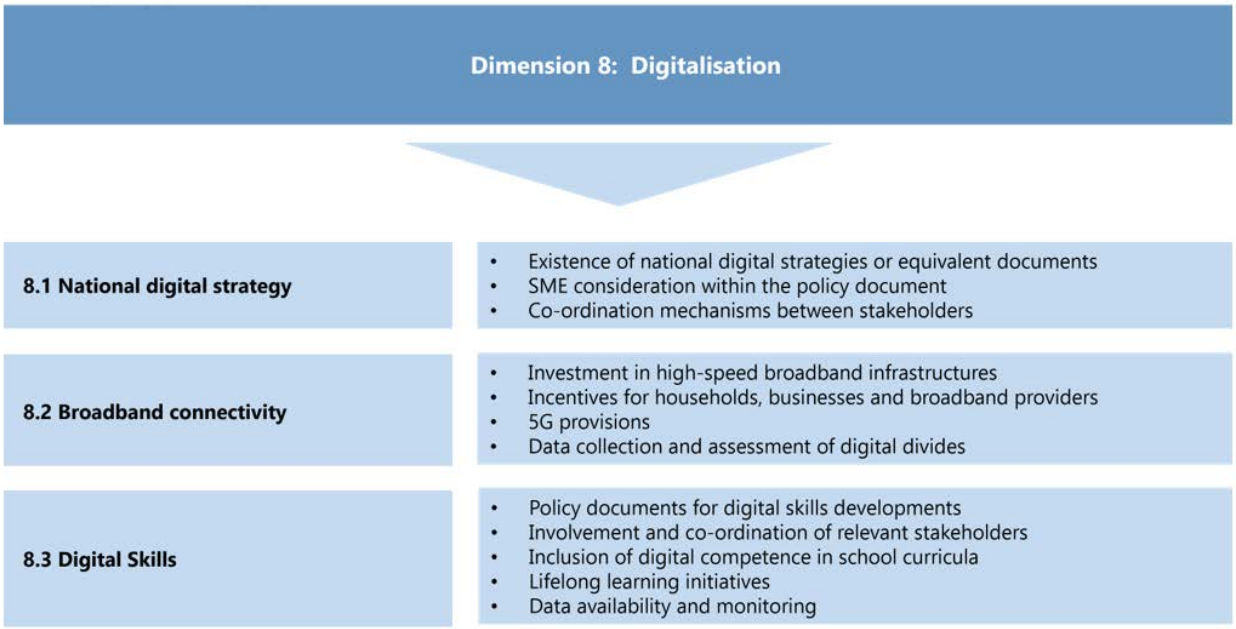
The digital transformation of SMEs offers substantial opportunities for growth and efficiency. Through digitalisation, SMEs can enhance operations, automate processes, and improve customer engagement, resulting in heightened productivity and competitiveness. Leveraging technologies like cloud computing, data analytics, and IoT devices allows SMEs to optimise supply chains, reduce costs, and compete effectively with larger enterprises, fostering innovation and improved performance (OECD, 2021[1]). The digitalisation gap between large and small firms contributes significantly to the substantial productivity disparity observed between SMEs and large corporations, a discrepancy that is notably pronounced in Latin American and Caribbean (LAC) countries (OECD/CAF, 2019[2]). The importance of SME digitalisation has become more prominent among policymakers, particularly in the aftermath of the COVID-19 pandemic. This is evident in the decision to include Digitalisation as a dimension in the SME Policy Index (SME PI), showcasing its influence.

This new dimension assesses the state of selected framework conditions for the digital transformation in LAC countries based on the SME PI methodology of the Eastern Partner countries (OECD/EBRD, 2023[3]), looking at i) the overall policy framework (the national digital strategy or equivalent), ii) broadband connectivity and iii) digital skills.

As a result, the assessment framework is composed of the following elements (see Figure 10.1):

- **National digital strategy** focuses on the existence of a dedicated policy document aimed at expediting digital transformation. This assessment encompasses planned measures, including those tailored for SMEs, as well as considerations for budgeting, defined targets, and monitoring practices. Additionally, it explores the co-ordination mechanisms established among public and private entities/actors for both the design and implementation of the digital transformation policy.
- **Broadband connectivity** assesses endeavours aimed at expanding access to high-speed Internet for individuals and firms, incorporating dedicated policies. The analysis includes an examination of government investments in infrastructure, incentives targeting households, businesses, and broadband providers, and provisions related to 5G technology. Additionally, emphasis is placed on the effectiveness of data collection and an assessment of digital divides to gauge the overall success of broadband connectivity initiatives.
- **Digital skills** evaluate policies aimed at fostering digital literacy for citizens of all ages. This examination encompasses the analysis of policy documents, the engagement and co-ordination of relevant stakeholders, and initiatives to integrate digital competence into school curricula. It further investigates the provision of lifelong learning opportunities for the development of digital skills. Special attention is given to the effectiveness of data collection on digital skills levels, monitoring and evaluation practices.

Figure 10.1. Assessment framework - Digitalisation

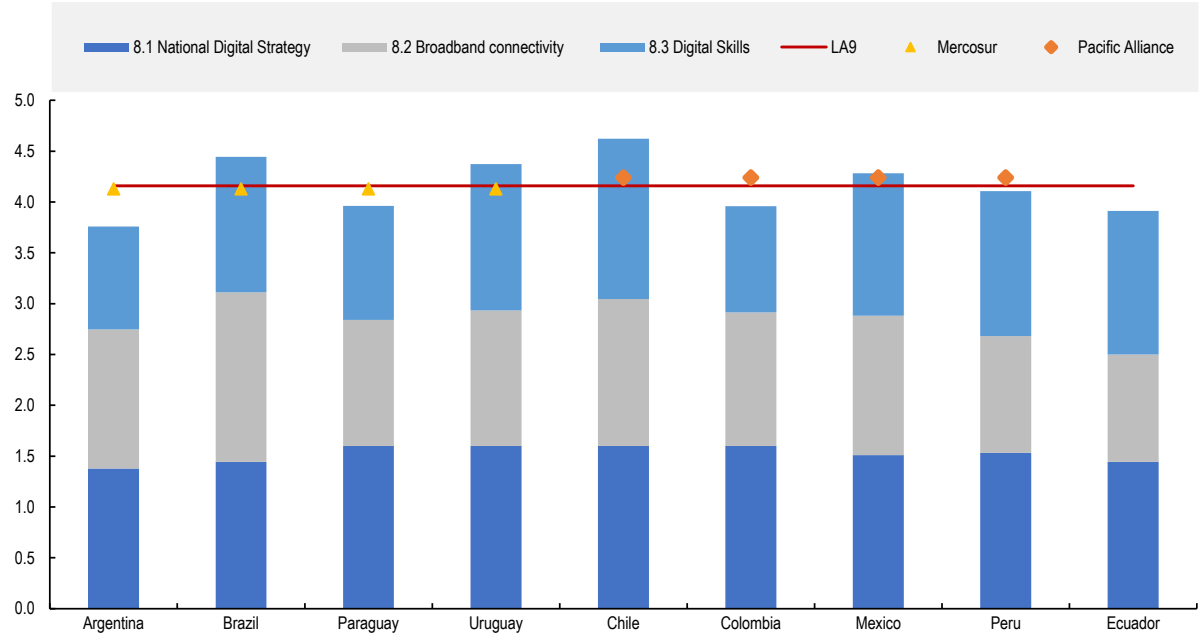


Analysis

In the Digitalisation policy dimension, the average score among the nine Latin American countries (LA9) is 4.16. Digital strategies are common in the region, although the level of focus on SMEs varies between countries. The analytical framework used to support the digital transformation of SMEs takes into consideration both the enhancing conditions for a digital economy and implementing precise policy instruments to aid SME digitalisation.

Regarding framework conditions, these entail the prerequisites for a successful digital transformation, including broadband connectivity, physical infrastructure, and digital literacy among citizens. Ensuring accessible, affordable, and reliable internet connection is crucial for fostering broader participation in the digital economy and preventing disparities between urban and rural areas, as well as between SMEs and larger enterprises. Digital literacy is equally vital, necessitating the acquisition of digital skills at all life stages through well-designed school curricula and continuous learning opportunities for adult skills development. In addition to these fundamental enablers, SMEs require targeted policy measures to incentivise their digitalisation journey, such as specific business support services, digital financial services, and assistance in harnessing the potential of e-commerce.

Figure 10.2. Weighted scores for Dimension 8: Digitalisation



Note: Scores are on a scale of 1 to 5, with 5 being the highest.

Sub-dimension 1: National Digital Strategy

In numerous countries across the LAC region, the shaping of digital policy is guided by an overarching national digital strategy or digitalisation plan. These plans serve as comprehensive frameworks that integrate the efforts of pertinent entities. Additionally, countries are establishing inter-ministerial councils and committees tasked with overseeing the creation and execution of digitalisation strategies. These bodies play a pivotal role in co-ordinating policies aimed at fostering digitalisation for SMEs. Furthermore, they engage in consultations with diverse stakeholders, both public and private, to gather insights that shape the development of future policies. Occasionally, this overarching strategy incorporates a specific focus on SMEs through an SME Digitalisation Strategy.

Table 10.1. Sub-dimension 8.1 scores: National Digital Strategy

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	4.13	4.33	4.80	4.80	4.80	4.80	4.53	4.60	4.33	4.57	4.52	4.68

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

Digitalisation strategies are widespread in the region, but the targeted focus on SMEs is limited

All LA9 countries have implemented a national digitalisation strategy, a crucial element within an effective institutional framework. Across the region, there is a divergence in prioritised areas, such as the Fourth Industrial Revolution in Colombia or digital inclusion in Uruguay. Nevertheless, certain countries' digitalisation strategies lack crucial details essential for effective implementation, including measurable targets, action plans, responsible entities, budgets, and timelines. Strategies also differ in their emphasis

on supporting SME digitalisation, highlighting the necessity for a dedicated strategy to enhance competitiveness. Notably, the National Digitalisation Strategies in Chile, Colombia, Paraguay, and Uruguay stand out with scores of 4.80, surpassing the regional average. These comprehensive strategies place significant emphasis on supporting small businesses, streamlining government services, and promoting digital literacy.

Most countries have digitalisation actions, but effective co-ordination mechanisms are crucial for successful implementation

All countries in the region received high implementation scores. This is attributed to many countries providing support services for digitalisation to businesses through dedicated agencies, although there is still a requirement for effective co-ordination mechanisms. Collaboration across ministries is crucial for the successful digital transformation. For instance, Mexico's NDS, led by the Co-ordination of the National Digital Strategy, or Paraguay's NDS, guided by the Co-ordination and Interoperability Committee.

There are gaps in the monitoring and evaluation of digitalisation policy at the strategic level for SMEs

Many LA9 countries track the advancement of their digitalisation strategies in relation to their objectives. Nevertheless, notable deficiencies exist in overseeing and assessing digitalisation policies at the strategic level, particularly for SMEs. For instance, a majority of countries lack national indicators to assess the comprehensive effectiveness of SME digitalisation policies. This deficiency renders monitoring and evaluation the least robust among the three elements comprising the sub-dimension of the National Digitalisation Strategy in all LAC countries. Reinforcing processes for monitoring and evaluation is imperative for the triumph of these strategies.

Sub-dimension 2: Broadband connectivity

Access to high-speed broadband and dependable internet connectivity is essential for successful digitalisation. The speed of the connection influences the range of digital technologies that SMEs can employ, requiring faster connections for more advanced technologies. Disparities in internet usage will consequently affect SMEs connecting online and utilising digital tools, thereby influencing the appeal of regional areas.

LAC countries have significant policies to improve broadband connectivity for SMEs. Several countries have made significant strides in developing policies targeting broadband connectivity, showcasing commitment to digital development. Ambitious national plans, such as Argentina's Connectivity Plan and Brazil's National Broadband Plan, demonstrate a collective effort towards universal internet access.

Table 10.2. Sub-dimension 8.2 scores: Broadband connectivity

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	4.11	5.00	3.72	4.00	4.33	3.94	4.11	3.44	3.17	3.98	4.21	3.96

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

Across the LAC region, there is a notable progress in broadband connectivity which reflects a positive trajectory towards digital inclusion

Countries such as Argentina, Brazil, Chile, and Mexico all achieved impressive scores in the broadband connection sub-dimension. Broadband initiatives are not solely about technological advancement; they are

deeply rooted in fostering social inclusion and economic development. Governments are recognising the importance of ensuring connectivity reaches even the most remote and underserved areas. Initiatives, such as those in Colombia, and Paraguay, demonstrate a commitment to bridging the digital divide by targeting remote and socially disadvantaged areas for improved connectivity. Despite this, in many countries there is a need for SME-centric broadband policies to address the unique needs and challenges of SMEs in the digitalisation process.

Collaboration with stakeholders, including network operators and consumers, underscores a cooperative effort to assess and meet the connectivity requirements of diverse populations within the region

Regular consultations with stakeholders, including network operators, consumers, and regulatory authorities, underline a collaborative approach to understanding and meeting connectivity requirements. Public-private partnerships play a crucial role in establishing and enhancing digital infrastructure, ensuring that both sectors collaborate for the benefit of citizens and businesses. Collaborating with international organisations such as in Brazil, facilitates the exchange of knowledge and adoption of best practices. This international perspective contributes to the adoption of efficient models for digital connectivity.

Sub-dimension 8.3: Digital Skills

Digital skills are critical for SMEs to effectively adopt and utilise digital technologies. However, many SMEs may lack the necessary digital skills among their workforce, which can hinder their ability to fully embrace digitalisation. Implementing targeted policy measures, such as subsidised training programmes, workshops, and online resources, can play a pivotal role in digitally upskilling SMEs and ensuring they have the expertise needed for successful integration of digital tools into their operations.

There is a region-wide commitment to fostering digital skills for SMEs, with an emphasis on inclusivity, collaboration, continuous learning, and the integration of digital skills into broader national strategies for digital transformation.

Table 10.3. Sub-dimension 8.3 scores : Digital Skills

	Argentina	Brazil	Paraguay	Uruguay	Chile	Colombia	Mexico	Peru	Ecuador	LA9	Mercosur	PA
Total score	3.03	4.00	3.36	4.32	4.73	3.13	4.21	4.27	4.23	3.92	3.68	4.09

Note: Scores are on a scale of 1 to 5, with 5 being the highest.

Across the LAC region, countries are adopting diverse educational initiatives to enhance digital skills for SMEs.

Across the LAC region, countries are adopting diverse educational initiatives to enhance digital skills for SMEs. These initiatives range from integrating technology into school curricula to adult education programmes and community workshops. A noticeable trend is the emphasis on inclusivity, with a focus on reaching diverse demographic groups. Efforts are made to ensure that digital skills training programmes are accessible to individuals of all ages and backgrounds. A shift towards a continuous learning culture is evident, with initiatives like virtual open courses, MOOCs, and lifelong learning programmes. These efforts promote a culture of continuous upskilling, particularly among civil servants and the general populace.

Across LAC countries, there is a substantial variation in the implementation of digital skills initiatives, ranging from early integration in education to a notable emphasis on specialised programmes designed for girls and women.

While countries like Chile, Brazil, Uruguay, and Mexico excelled in implementing digital skills for SMEs, there is room for improvement in others. Several countries, including Chile and Ecuador, are prioritising the early integration of digital skills into formal education. This trend aims to equip students with essential digital competencies from primary education through higher education. The region is witnessing a growing trend in implementing specialised programmes to encourage the involvement of girls and women in digital skills development. Initiatives often focus on STEM fields to address gender disparities.

Despite progress, there are considerable gaps in monitoring and evaluating digital skills policies

Despite progress, there are considerable gaps in monitoring and evaluating digitalisation policies, especially at the strategic level for SMEs. All LAC countries underperformed in this area. For example, governments, such as Brazil, are implementing comprehensive digital skills programmes but there is a need for improvement in monitoring and assessing the impact of these policies. A common challenge is the lack of national indicators to monitor the overall performance of SME digital skills policies, indicating a potential area for improvement in assessing the impact of digital initiatives on businesses.

Digitalisation for the development of women-owned or led SMEs

Policies promoting digital skills for women entrepreneurs are a common practice in LA9

Argentina offers free "WhatsApp Fridays" workshops aimed at enhancing the proficiency of women entrepreneurs in utilising WhatsApp Business, a messaging platform tailored for small businesses. Paraguay's REEMUJERPY project mandates participation in digital tools training and the submission of related deliverables for access to seed capital. Moreover, Telecentres established in Paraguay's 4 Women's Regional Centres provide digital literacy training.

Initiatives to encourage women's pursuit of STEM education are widespread in the region.

As mentioned in Sub-dimension 8.3: Digital Skills, the region is witnessing a growing trend in implementing specialised programmes to encourage the involvement of girls and women in digital skills development. Argentina serves as a pilot country in UNESCO's SAGA project aimed at narrowing the gender gap in science, technology, engineering, and mathematics fields. Brazil's "*Mulher e Ciência*" programme, launched in 2005, is aimed at the same goal. Additionally, the Mexican Government's "*Ponte en Modo STEM*" initiative offers a free national awareness strategy to co-ordinate actions among various institutional and social actors, fostering the participation of more adolescent and young women in STEM-related careers.

The way forward

As outlined in Table 5.5 below, in the LAC region, policy recommendations for the digitalisation of SMEs include enhancing national digital strategies with specific details for effective implementation, fostering SME-centric broadband policies to address unique challenges, and advocating for comprehensive monitoring and evaluation processes for digital skills policies. The region shows progress in broadband connectivity, with countries like Argentina, Brazil, Chile, and Mexico leading the way. Emphasis on inclusive educational initiatives and a continuous learning culture for digital skills development highlights

the commitment to bridging the digital divide and ensuring widespread participation in the digital economy. For example, digital hubs have proved successful in other regions such as Europe at providing access to digital infrastructure for SMEs. These hubs offer SMEs access to essential digital infrastructure, including fast broadband, advanced technologies, and software, enabling them to enhance their operations and competitiveness. Moreover, digital innovation hubs play a pivotal role in skills development by offering training programmes, workshops, and resources to empower SMEs with the necessary digital capabilities.

Table 10.4. Policy recommendations for digitalisation dimension

Policy area	Challenges and opportunities	Policy recommendations
National Digital Strategy	Limited targeted focus on SMEs in digitalisation strategies, lacking essential details for effective implementation.	• Encourage countries to enrich their digitalisation strategies with measurable targets, action plans, responsible entities, budgets, and timelines, ensuring comprehensive and effective implementation. • Advocate for the development of dedicated SME Digitalisation Strategies within overarching national digital plans to specifically address the unique needs of small businesses.
Broadband Connectivity	Disparities in internet usage affecting SMEs, need for SME-centric broadband policies. Impressive broadband connectivity progress in countries like Argentina, Brazil, Chile, and Mexico illustrate potential for social and economic inclusion through digital inclusion in rural areas.	• Encourage countries to develop policies specifically tailored to address the unique needs and challenges of SMEs in the digitalisation process, ensuring inclusive broadband access, e.g. digital innovation hub. • Promote public-private partnerships to establish and enhance digital infrastructure, fostering collaboration for the benefit of citizens and businesses. • Enhance data transparency and standardisation of indicators to facilitate more accurate and comparable assessments of digitalisation progress across the region.
Digital Skills	Gaps in monitoring and evaluation digital skills policies.	• Increase the provision of digital training for SMEs workforces, ensuring inclusivity and accessibility of digital skills training programmes for individuals of all ages and backgrounds. • Promote a continuous learning culture with initiatives like virtual open courses and lifelong learning programmes, fostering a culture of continuous upskilling among the general populace. • Support countries in enhancing their monitoring and evaluation processes for digital skills policies, with a focus on measuring the impact at the strategic level for SMEs.

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11 SMEs in a green economy

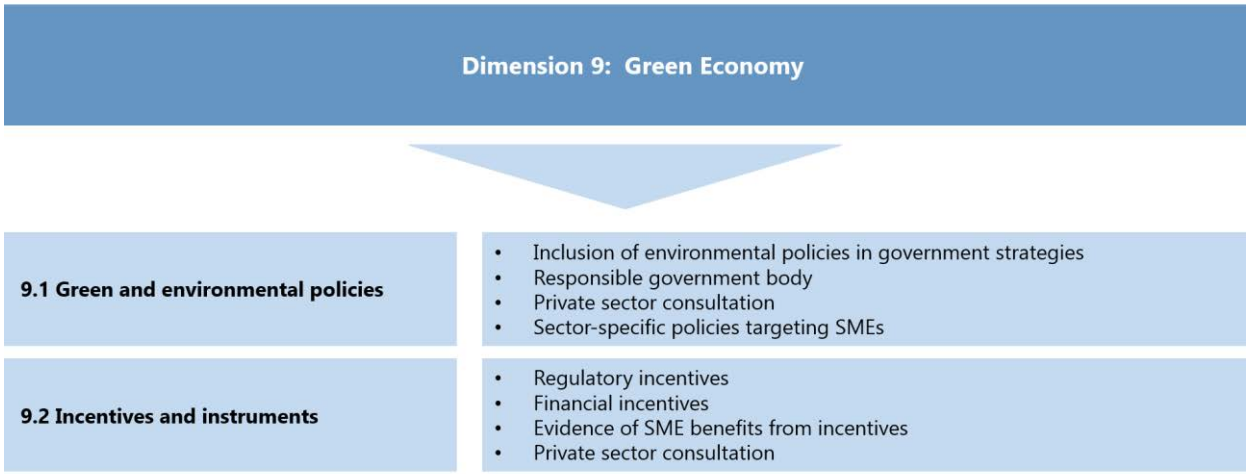
This chapter assesses the provision of policies that promote green behaviour among Latin American countries, both via the general policy framework for green and environmental policies, as well as through dedicated regulatory and financial incentives.

Assessment Framework

This pilot dimension analyses governments' approaches to help SMEs improve their environmental performance, both via the general policy framework for green and environmental policies, as well as through dedicated regulatory and financial incentives. As a result, the assessment framework for this dimension is composed of the following (see Figure 11.1):

- **Framework for green and environmental policies targeting SMEs:** This sub-dimension examines the overall set of environmental policies targeting SMEs, as well as the greening aspects in national SME, sectoral and innovation policy frameworks. It also considers the presence of operational government agencies assisting SMEs with the adoption of greener practices.
- **Incentives and instruments:** The second sub-dimension explores the existence and implementation of different instruments and measures of whether the government provides regulatory and financial incentives to SMEs, whether there is any evidence that SMEs benefit from those incentives, and how such support schemes are structured and delivered.

Figure 11.1. Assessment framework - Green Economy



Analysis

Sub-dimension 9.1 Green and environmental policies

The first sub-dimension assesses the integration of greening initiatives into SME policy frameworks. It examines whether strategic documents on enterprise and innovation policy encompass eco-efficiency and eco-innovation, and to what degree SMEs are explicitly recognised as a target group.

Across the region, environmental policies rarely consider the specific needs of SMEs, and financial incentives for environmental initiatives are scarce. While all countries have some level of environmental regulations or strategies in place, only Colombia and Uruguay have made some efforts to address SME-specific environmental concerns. However, in general these strategies often lack clear targets, time-bound objectives, and expected impacts.

Moreover, ministries responsible for environmental issues often have limited engagement with SMEs. As a result, SMEs receive minimal guidance and support regarding environmental policies, hindering their ability to adopt greener practices. Furthermore, private sector involvement in the design and implementation of environmental policies remains limited.

Lastly, monitoring and evaluation of environmental policies for SMEs are generally weak in the region. The absence of SME-specific activities and targets in environmental policy documents indicates a lack of commitment by governments to assess the impact of their policies on SMEs.

Sub-dimension 9.2 Incentives and instruments

In the second sub-dimension, attention is given to the array of mechanisms available to assist SMEs in their greening efforts. It delves into whether governments offer regulatory and financial encouragements to SMEs, whether there are tangible outcomes indicating SMEs' utilisation of these encouragements, and the framework and implementation of such supportive measures.

Dedicated financial incentives for greening SMEs are uncommon across the LAC region. OECD countries have implemented information-based tools and regulatory and economic incentives to encourage SMEs to improve their environmental performance, to comply with regulatory requirements and to adopt broader green practices that go beyond what is required by law. Nevertheless, efforts in this area lag behind in most LA9 countries, though some incentive schemes exist for companies to adopt greener practices, albeit not specifically for SMEs. In many cases, donor-funded initiatives play a crucial role in bridging the financing gap for green-oriented investments. An example of good practice is the Philippines Environment Partnership Programme that encourages self-monitoring and self-regulation (see Box 11.1).

Public procurement also offers opportunities and incentives for companies to adopt greener practices. "Green" public procurement is either planned or already operational in some countries. For example, Paraguay's National Public Procurement Directorate (DNCP) has been working on implementing the Sustainable Public Procurement Policy, approved by Resolution N°922/2020, which commits the Public Procurement System to sustainable development across environmental, social, and economic dimensions.

Box 11.1. Philippines Environment Partnership Programme

The Philippines Environment Partnership Programme (PEPP) was created in 2003 by the Environmental Management Bureau of the Department of Environment and Natural Resources (DENR-EMB) to support industry self-regulation and reporting while improving environmental performance. It includes incentives and assistance for SMEs to achieve cleaner production standards. The PEPP has two tracks:

- **Track 1** gives recognition and incentives to enterprises that go beyond compliance in their environmental performance.
- **Track 2** is an assistance programme aimed at industry associations and individual companies, particularly SMEs that are not yet compliant with environmental regulations but that are committed to improving their performance. Successful applicants sign an environment consent agreement, a legally binding accord between the company/industry association and the DENR-EMB that commits the company to:
  - implement environmental management plans within the framework of an environmental management system
  - attain waste reduction targets within an agreed timeframe and agree to means of verification
  - adopt pollution prevention and/or cleaner production
  - provide an environmental performance report

Source: (DENR-EMB, 2017[1]), Philippines Environmental Partnership Program (PEPP): Catalyst for Holistic Environment Partnership, http://pepp.emb.gov.ph/.

The way forward

Table 11.1. Policy recommendations for dimension 9. Green Economy

Policy area	Challenges and opportunities	Policy recommendations
Green and environmental policies	Environmental policies rarely consider the specific needs of SMEs.	• Governments should align SME support policies with national decarbonisation and green economy targets. Greening initiatives should be integrated into broader SME policy documents, such as national strategies for SME development or innovation (OECD/EBRD, 2023[2]).
Incentives and instruments	Dedicated financial incentives for greening SMEs are uncommon across the LAC region.	• Increase availability of financing instruments for investing in greener equipment and processes. • Improve the statistical production of environmental indicators, which are a prerequisite for strengthening tools to evaluate the impact of SME greening policies (OECD/EBRD, 2023[2]).

References

DENR-EMB (2017), *Philippines Environmental Partnership Program (PEPP): Catalyst for Holistic*, https://pepp.emb.gov.ph/. [1]

OECD/EBRD (2023), *SME Policy Index: Eastern Partner Countries 2024: Building Resilience in Challenging Times*, OECD Publishing, https://doi.org/10.1787/3197420e-en. [2]

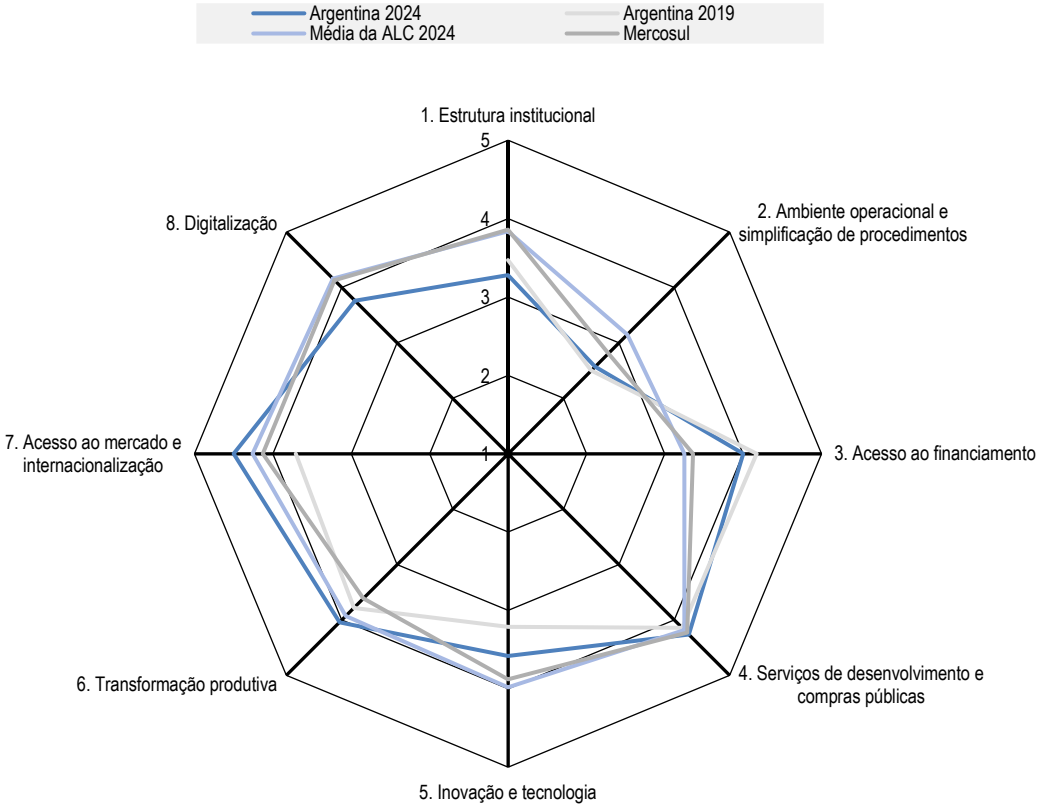
Part II. Country profiles

12 Argentina

This chapter provides an assessment of Argentina. It begins with an overview of Argentina's context and subsequently analyses Argentina's progress across eight measurable dimensions. The chapter concludes with targeted policy recommendations.

Overview

Figure 12.1. 2024 SME PI Argentina's score



Note: LAC average 2024 refers to the simple average of the 9 countries studied in this 2024 report. There is no data for the Digitalisation dimension in 2019 as the 2019 report did not include this dimension.

The second OECD SME Policy Index assessment of Argentina highlights the country's extensive array of programmes and initiatives aimed at fostering SME development. These efforts encompass various support schemes for SMEs and entrepreneurs, offering a wide range of business development services and measures to enhance access to public procurement opportunities. Additionally, Argentina provides a robust suite of financing supports designed to enable and encourage SME innovation. As a well as a plan that promotes the integration of SMEs into supply chains, aiming to transform the country's productive and technological structure.

Since the 2019 assessment, Argentina has intensified its efforts to facilitate international business through the establishment of the *Consejo Público Privado para la Promoción de Exportaciones* (Public-Private Council for the Promotion of Exports, CPPPE) in 2020. This council has been instrumental in promoting business rounds, trade missions, and technology offer workshops. Specific programmes such as Export Challenge, Argentina to the World, Argentina Projects, SMEs to the World, and Training to Invest and Export have been implemented to support SMEs in their internationalisation efforts.

As noted in the 2019 edition, Argentina continues to perform strongly in the area of access to finance (Figure 12.1). The country has made notable strides in developing processes to handle SME bankruptcy and insolvency. It has also expanded alternative financing options for SMEs, including asset-based lending (ABL) schemes and capital investment instruments, supported by a specific regulatory framework.

Despite these advancements, Argentina faces ongoing challenges in its SME institutional framework, primarily due to unclear strategic directions and a lack of policy continuity. These issues have been exacerbated by the COVID-19 pandemic and the progressive deterioration of the macroeconomic environment. To address these challenges, Argentina could structure and review current and new efforts in light of cross-cutting strategic objectives. This approach will help optimise synergies among existing actions and integrate them into a cohesive strategic plan for SMEs.

Argentina continues to grapple with a complex regulatory system and high administrative burdens. However, the new administration is actively engaged in efforts to streamline regulatory processes. These initiatives aim to simplify the regulatory environment, thereby reducing administrative burdens and fostering a more conducive environment for SME growth and development, the creation of quality jobs, and increased investment and exports.

Context

After experiencing a negative growth rate of 9.9% in 2020 due to the COVID-19 crisis, Argentina rebounded strongly with a growth of 10.7% in 2021, attributed to the rapid progress in the implementation of booster doses of COVID-19 vaccines (BCRA, 2022[1]). In 2022, the economy expanded by 5%, returning to the levels of output of 2017 (OECD, 2024[2]). However, starting from September of that year, many productive sectors lost momentum, influenced by a reduced wheat harvest compared to the exceptional results of the previous season and contractions in sectors such as construction, trade, and some industrial branches (BCRA, 2023[3]). This occurred within the backdrop of high inflation and increased financial uncertainty, both locally and internationally. By the fourth quarter of 2023, activity contracted by 1.4%, for 2024, GDP is expected to contract by 3.3%, before growing by 2.7% in 2025 (OECD, 2024[4]). One of Argentina's main macroeconomic imbalances is inflation. Annual inflation reached 288% in March, but monthly changes in prices have started to moderate (OECD, 2024[4]).

In the fourth quarter of 2022, the employment rate reached 44.6%, marking a 1 percentage point increase in year-on-year terms, resulting in a decline in the open unemployment rate to 6.3% by the end of that year. The growth in the employment rate was primarily driven by an uptick in the number of informal wage earners. However, real wages remained below 2019 levels (OECD, 2022[5]). By 2023, the unemployment rate further decreased to 5.7%, and formal employment continued to experience steady growth in non-agricultural sectors (BCRA, 2023[6]).

Furthermore, Argentina has been integrated into international trade mainly in the Latin American region, the process of registering new businesses and tax filing is average compared to countries in the region, and the country offers a good market access to financing for SMEs. Beyond Latin American, Argentina has established trade agreements with the Southern African Customs Union, Israel, India, and Egypt (Government of Argentina, n.d.[7]) The Secretariat of Industry and Productive Development within the National Ministry of Economy underscores the significance of SMEs in the Argentinean economy, constituting 99.4% of the total companies and employing 64% of registered workers. Additionally, data from the Undersecretariat for Small and Medium-Sized Enterprises reveals that SMEs generated 140,000 jobs in the first quarter of 2023 (Ministry of Economy Argentina, 2023[8]).

Dimension 1. Institutional Framework

Argentina has an overall score of 3.28 in the SME Policy Institutional Framework dimension, slightly lower than the 2019 assessment (3.47). This decline is attributed to persistent inconsistencies in the policy framework, unclear strategic directions, and a lack of policy continuity, influenced by the COVID-19

pandemic and the progressive deterioration of the macro-economic framework, along with methodological changes in the evaluation.

The reduction in the overall score compared to the 2019 assessment is also influenced by a decrease in the score within the SME definition sub-dimension. Argentina adopts an SME definition primarily based on total annual turnover, with thresholds updated once a year. The SME population is segmented in four categories: micro, small, and two sub-categories of medium-sized enterprises (*medianas tramo 1* and *medianas tramo 2*), varying turnover and employment thresholds by sectors. SMEs must register with the SME Register managed by the Ministry of Economy to benefit from incentives. The registration process is a one-time requirement, with subsequent renewals occurring automatically. This marks a notable shift from the 2019 evaluation when re-registrations were handled manually. Argentina obtained a score of 4.00 in this sub-dimension, primarily attributed to methodological adjustments in the individual weighting values assigned to the assessed elements.

In 2022, the Ministry of Economy absorbed the Ministry of Productive Development, transforming it into the Secretariat of Industry and Productive Development within the Ministry. Additionally, the Ministry of Agriculture, Livestock, and Fisheries was also incorporated as a Secretariat under the Ministry of Economy.

Argentina has yet to formulate a specific strategy for the development of the SME sector. However, in 2023, the government approved a medium-term plan named *Argentina Productiva 2030 Plan de Desarrollo productivo, industrial y tecnológico* (Argentina 2030 Plan for Industrial and Technological Productive Development). This plan outlines strategic directions and objectives across eleven policy areas, encompassing export development, the green economy, digital transformation, industrial modernisation, the tourist sector, and supply chain development. Notably, the plan prioritises the development of sectors predominantly led by large enterprises, such as the oil and mining sectors. Despite this overarching focus, a section of the plan is dedicated to the integration of SMEs into supply chains, fostering linkages with large enterprises, and introducing the *Factura de Crédito Electrónica MiPyME* (SMEs Electronic Credit Invoice, RFCEM) as a tool akin to factoring. This tool aims to provide financial support to SMEs seeking integration into value chains. The plan's execution is overseen by the Ministry of Productive Development, with monitoring conducted by the Council of Monitoring and Competitiveness.

SME policy measures are introduced in response to sector requests or economic emergencies. The election of a new President in November 2023 supporting an economic *laissez-faire* approach may lead to a significant revision of the interventionist approach, impacting the country's SME policy. The sub-dimension score for the Strategic Planning, Policy Design and Coordination is 2.89.

Furthermore, in 2021, a total of one hundred and forty-five local chambers and federations joined forces to create the National SME Confederation, aiming to enhance SME involvement in Public-Private Partnerships (PPPs). This collaborative initiative is mirrored in Argentina's score of 2.77 for the public-private consultation (PPCs) sub-dimension. Nonetheless, PPCs occur relatively frequently, although they are not consistently regular. The government engages in consultations with the private sector when new legislation affecting private companies is introduced, or in response to lobbying efforts by private sector organisations, particularly industry bodies. On the other hand, in the sub-dimension of measures to address informality, Argentina demonstrates a marginal increase in the score, reaching 3.82 compared to 3.76 in 2019. The government has concentrated its efforts on reducing informal labour, mainly through the establishment of the Public Registry of Employers sanctioned for non-respecting labour regulations. Additionally, there has been a reduction in social contributions for individual entrepreneurs and micro-enterprises.

The way forward

- Revise and simplify the current SME definition by incorporating additional parameters, such as employment and total assets, alongside the existing criterion of total annual turnover. Ensure

uniform application of the definition across all public administration levels, including local authorities and the national statistical office. Include an independence clause to ensure that SMEs are not controlled by large enterprises. Eliminate the annual SME registration requirement with the Ministry of Economy. Grant the Ministry the authority to confirm SME status by accessing data from the public company registry, tax administration, and manpower registry.

- Define medium-term objectives for the SME sector within the context of the country's recent economic recovery measures. Formulate an executive group tasked with developing a medium-term SME/enterprise development strategy to achieve the defined objectives. Include key public institutions, private sector representatives, local authorities, international institutions, and SME experts in this working group. Evaluate the impact of the country's economic recovery measures on the SME sector and review the existing institutional framework and incentives in light of the new strategy.
- Formalise and broaden PPCs, ensuring the meaningful representation of young entrepreneurs, women entrepreneurs, start-ups, and enterprises in emerging sectors. Conduct regular enterprise surveys, with the collaboration of business associations and local authorities, covering diverse enterprise types. Identify and address significant obstacles to enterprise development based on survey findings.
- Address the high level of informality by evaluating its consequences on both labour conditions and enterprise development. This includes examining the impact of informality on unfair competition, potential distortions in enterprise growth caused by tax and labour regulations, and barriers to accessing formal external financing. By identifying these challenges, we can develop measures to mitigate the negative effects of informality and promote a fair and conducive environment for both established and new enterprises.

Dimension 2. Operational environment and simplification of procedures

Argentina has a complex regulatory system and high administrative burdens. The previous LAC SME Policy Index report highlighted that company registration and tax filing procedures were complex and time-consuming. This was also reflected in a low overall performance in the 2017 OECD Product Markets Regulations Indicators report. At that time the government acknowledged the need to proceed with regulatory reforms and legislative simplification, and established a Productive Simplification Secretariat with what was then the Ministry of Production and Labour. It enacted several legislative reforms, including amendments to the Company Law, and took steps to apply more systematically Regulatory Impact Analysis (RIA) during the process of elaboration of new legislative and regulatory acts.

During the 2019-2023 administration, legislative simplification and regulatory reform stalled. This is partly due to the impact of the COVID-19 pandemic on legislative activity and partly to the deterioration of the macro-economic framework, which forced the government to react to economic emergencies and limit its engagement in pursuing regulatory reforms. However, there was progress in the provision of e-government services, as reflected in the overall score of 2.57 for the Operational Environment and Simplification of Procedures.

Until October 2023, the government did not have a strategic plan for conducting legislative simplification programmes and regulatory reform. RIA remained optional and is conducted only for the most important legislative acts, and the reports were not made public. Argentina's score for the Legislative Simplification and Regulatory Impact Analysis sub-dimension remains at the same level as in 2019, at 1.63. Nevertheless, the new administration is actively engaged in efforts to streamline regulatory processes. It has recently declared its intention to present a bill to Congress aimed at abolishing 160 regulations. On 15 December, the State Simplification Secretariat was created within the Chief of Cabinet of Ministers, which, among its functions, includes collaborating in the design of the policy for simplification and

streamlining of procedures and processes in the National Public Sector, provincial, in the Autonomous City of Buenos Aires, and municipal, coordinating actions with areas with specific competence.

For the company registration sub-dimension Argentina's score is 2.54. This is attributed to its relatively complex nature, involving a high number of procedures. Completing the registration process formally takes 15 days, as it requires sequential completion of each step. While only some procedures can be conducted online, the overall cost of the registration process is relatively low. There is no single-window One-Stop-Shop (OSS); instead, a multiple-windows system is in place. Companies receive two registration numbers, one from the Registry of Commerce *Número de Inscripción en el Registro Público* (Public Register Registration Number) which is a number specific to each provincial registry and one from the Administración Federal de Ingresos Públicos (Federal Administration of Public Revenues, AFIP) *Clave Única de Identificación Tributaria* (Unique Tax Identification Code, CUIT) which is used on a national level.

Since 2019, the government implemented two tax measures relevant to SMEs: an extension of the *monotributo* applied to micro-enterprises and individual entrepreneurs, and the introduction of a "bridge" to promote the transition from the *monotributo* to a full corporate tax regime. As a positive step, responding to the needs generated by the COVID-19 pandemic, the tax administration has expanded the range of services provided online. This change is reflected in the increase of its score compared to 2019 from 2.33 to 2.50. However, the administration procedures for filing taxes by private enterprises are complex and time-consuming. The main weaknesses of the tax administration system are related to the number of hours required for tax filing and the total tax and contribution rate (% of profit). The tax system is further complicated by the tax autonomy given to provincial governments.

Argentina's greatest strength in this dimension lies in its e-government services, demonstrated by a score of 4.08 for this sub-dimension, following the trend of other Latin American countries assessed. The first programme promoting the digitalisation of public administration and the provision of e-government services was developed in 2015. The programme was reinforced with the launch of the *Agenda Digital Argentina* (Argentine Digital Agenda) in 2018 by the Decree 996/2018, which sets the strategic directions for the digitalisation of public administration. At the national level, the main e-government service is the *Trámites a Distancia platform* (Distance Procedures, TAD), which currently provides 2456 links with public-administration entities. The range and diffusion of e-government services have significantly expanded, also in response to the increased demand for online services during the COVID-19 pandemic. One of the most important applications for SMEs is the *Legajo Único Financiero y Económico* (Single Financial and Economic Record, LUFE), which allows the centralisation of all financial and personal data. Its objective is to facilitate and streamline the procedures for SMEs with various stakeholders in the financial system and public administration in general.

The way forward:

Argentina should embark on a comprehensive review of its laws and regulations to enhance the operational environment for private enterprises, unlocking the country's entrepreneurial potential and fostering market contestability by:

- Establish an inter-ministerial task force operating under high governmental authority, tasked with identifying key obstacles to private enterprise growth and proposing a reform agenda. To ensure inclusivity and balanced perspectives, the task force should be complemented by a consultative committee, including representatives from the private sector, particularly those advocating for new enterprises and those operating in high-growth sectors. This approach aims to counterbalance the influence of well-established and well-connected enterprises.
- Prevent the introduction of ineffective laws and regulations, implementing a systematic application of RIA for all new legislative measures impacting business activity. This entails officially endorsing state-of-the-art RIA methodology, appointing a governing body to oversee RIA application and

ensure analysis quality, designating the authority responsible for conducting RIA exercises, and mandating the publication of all RIA reports, thereby facilitating public consultations. This approach enhances transparency and effectiveness in regulatory decision-making.

- Enhance the business environment, conducting a thorough review and simplification of registration procedures for all types of enterprises. Implementing an OSS for physical registration and introducing online registration procedures. This approach would significantly streamline the process, fostering a more efficient and business-friendly environment.
- Conduct a comprehensive assessment of the total effective tax rate applied to various categories of SMEs. Identifying potential distortions in the tax system that hinder or distort enterprise growth. Moreover, simplifying and reviewing tax administration procedures can contribute to creating a more transparent and supportive tax environment for SMEs.

Dimension 3. Access to finance

Argentina achieves an overall score of 4.00 in the Access to Finance dimension, the highest in the region. The country has made notable strides in developing processes to handle SME bankruptcy and insolvency. It has also expanded alternative financing options for SMEs, including ABL schemes and capital investment instruments, supported by a specific regulatory framework.

Argentina scores 3.87 in the sub-dimension of the legal, regulatory, and institutional framework, above the LA9 regional average, mainly due to strong development in the regulation of the stock market and asset registration, and relatively lower weighting in SME guarantees.

The development of the legal framework for access to finance is primarily driven by government provisions in the stock market to help SMEs meet listing requirements and have a separate section or market for low-cap SMEs. SMEs can open their capital by listing on the stock market, with a simplified reporting regime, no obligation to establish audit committees or apply International Financial Reporting Standards (IFRS), no oversight or control fees, or *Comisión Nacional de Valores* (National Securities Commission, CNV) issuance fees, and can only be acquired by qualified investors.

The country's overall score in this sub-dimension is slightly affected by lesser development in the regulation and institutionalisation of the registration of tangible and intangible assets. Although movable property is widely accepted as collateral in the country and the cadastre is accessible online to the public, the registration of security interests in movable property does not have the same accessibility.

On the other hand, Argentina achieves the second-highest score in LA9 for the indicator of diversification of financing sources for companies, with a score of 4.57, thanks to its wide range of financial products available to SMEs. Among this range are products designed to support the internationalisation initiatives of SMEs, such as export credits from *Banco de la Nación* (National Bank, BNA) and *Banco de Inversión y Comercio Exterior* (Bank for Investment and Foreign Trade, BICE), guarantees provided by public funds (FOGABA and FOGAR), and other schemes that include specific commercial and technical advisory services for SMEs. Furthermore, in April 2024, the *Cupo MiPyME Mínimo*, a simplified incentive scheme to encourage credit assistance based on the reduction of reserve requirements, came into force by the *Banco Central de la República Argentina* (Central Bank of Argentina Central Bank of the Argentine Republic, BCRA).

Additionally, Argentina has consolidated various alternative financing options for SMEs, including ABL schemes, as well as capital investment instruments, for which there is a specific regulatory framework. Furthermore, the country has made efforts to modernise its regulatory framework concerning crowdfunding schemes for debt or peer-to-peer (P2P) lending, under Communication “A” 7406 from the BCRA, which came into effect on January 3, 2022.

In the Financial Education sub-dimension, Argentina scores 3.15. The National Financial Inclusion Strategy (NFIS) includes a National Financial Education Plan (NFEP) aimed at enhancing the financial capabilities of users of financial products and services, promoting access and quality use across the entire population, with particular focus on the most vulnerable sectors. Recognising the need for a personalised approach tailored to diverse realities, the NFEP targets specific population segments with a social and federal perspective, taking into account gender and diversity. These segments include older adults, beneficiaries of social programmes, migrants, young people, and the SME sector. For SMEs, the NFEP outlines a strategic action to develop campaigns that disseminate suitable financial instruments specifically designed for them.

As in all LA9 countries, financial education and entrepreneurship programmes are integrated into the school curriculum and are mandatory in Argentina. Additionally, the BCRA conducts financial knowledge assessments as part of its programmes. Participants in these programmes include individuals who lead SMEs, both as instructors and as beneficiaries. Furthermore, Argentina excels in its monitoring and evaluation efforts. With support from international organisations such as CAF, Argentina has developed monitoring and follow-up schemes, including the financial capacity measurement survey, and has implemented evaluation initiatives using randomised control groups. These actions underscore the importance the country places on the financial education of SMEs.

Furthermore, Argentina stands out among the countries participating in the study by obtaining the highest score in developing processes to handle SME bankruptcy and insolvency, reaching 4.42 points. This score represents a significant improvement compared to the 2019 measurement, where it scored 3.05 points. The country has a regulatory framework and other established procedures for companies in insolvency conditions, which are widely applied and based on internationally accepted principles, also applicable to state-owned enterprises.

Finally, Argentina has early warning systems for insolvency situations, the option to resort to extrajudicial agreements less burdensome than bankruptcy declarations and cramdown regulated by article 48 of the law on insolvency and bankruptcy. The country also reports the existence of special registers to store company data and procedures to lift restrictions imposed after a company declares bankruptcy. These registers are available to the public, and companies declared bankrupt are removed from the register after obtaining full discharge.

The way forward

While Argentina excels with an overall good performance in this dimension, it is important to continue deepening improvements to the legal framework for secured transactions, especially concerning the ability of secured creditors to enforce their security after reorganisation, as well as developing support mechanisms for entrepreneurs to take advantage of second chances or recover lost businesses. Some actions that could be taken by Argentina are:

- Establish a standard definition of guarantee and review the percentage of guarantees required for medium-term loans to SMEs.
- Free up credit allocation to SMEs and create mechanisms for the active use of guaranteed certificates from Mutual Guarantee Societies (MGS) and guarantee funds, so that not only SMEs with international links benefit.
- Conduct specific surveys to measure the financial capabilities of SMEs in order to design financial education programmes more in line with their context and needs.
- Design and implement training programmes for second chances, targeting individuals who have had their businesses go bankrupt.
- Implement processes that allow for automatic removal from the national credit blacklist after full discharge.

Dimension 4. SME development services and public procurement

Several programmes and measures supporting the development of SMEs and entrepreneurship exist in Argentina, including an array of business development services and measures to access public procurement opportunities. Reflecting this, Argentina registers a score of 4.26 in the overall dimension. The strongest performance in this area is in the sub-dimension of support services for entrepreneurs (4.34), followed by public procurement (4.20), and business development services (4.23). Key strengths in the overall dimension are in the implementation area, with weaker points concerning planning and design, and monitoring and evaluation.

Argentina's flagship BDS initiatives are encompassed in the *Programa de Apoyo a la Competitividad*, PAC), financed by a loan from the Inter-American Development Bank (IADB) and administered by the Ministry of Economy, through the Secretariat of Industry and Productive Development and its Sub-Secretariat for Entrepreneurs' Development. The PAC provides *Aportes No Reembolsables* (Non-Refundable Contributions, ANR) to finance projects such as the digitalisation of enterprise functions, certifications (e.g., environmental, quality, etc.), and accessing domestic and foreign markets. The modalities include technical assistance, the acquisition of equipment, studies, etc. Support is delivered through *convocatorias* or calls for projects.

Entrepreneurship development services are delivered through the programme *Escalar* (roughly to grow or to escalate) which provides financial assistance, including interest free loans, and the programme *Emprendimientos Dinámicos* (Dynamic Ventures), which consists of grants (ANRs) for projects with the potential to become competitive SMEs and that are sponsored by certified *Entidades Especializadas de Apoyo al Emprendedor* (Specialised Entities for Entrepreneur Support, EEAE) such as incubators, accelerators, and entrepreneurs' networks.

Argentina had the second-best performance in public procurement in the 2019 edition of the SME PI. Such performance was mainly driven by an effective planning and design in this area, in particular the existence of laws and regulations allowing the splitting of tenders into smaller lots, the formation of consortia of SMEs, and mandating timely payments for goods and services, among others. In this edition, Argentina continues to display good policy performance, with a score of 4.20, also driven by strong planning and design and implementation, although with a relatively weak monitoring and evaluation. Key laws regulating and fostering the participation of SMEs and cooperatives in public procurement include Law 25.300 and Law 27.437, which provide a legal framework for the development of national industry and the purchase by the State of domestic goods and services. They allow for:

- A partial bidding option for SMEs ranging from 20-35% of the total category value.
- The possibility of breaking tenders into smaller lots so that SMEs can participate in bids.
- Framework agreements giving SMEs the possibility to participate in tenders for which they meet the conditions to participate.
- A preference for national over imported goods if the price of national goods does not exceed the offer price of imported goods by 15%, and a preference of 5% for goods produced by SMEs over imported goods or goods of large enterprises.

In addition, Law 13.064 related to the *Nuevo Régimen de Obras Públicas* (New Public Works Regime) includes regulations for the timely payment of SME suppliers to the State, in particular a 30-day deadline for payment after the reception of an invoice. However, there are instances of late payments of up to two years by the State.

In terms of e-procurement, Argentina benefits from two platforms: *comprar.gob.ar* for the purchase of goods and services by the State, and *contratar.gob.ar*, for public works. The first platform, also known as *compr.ar*, allows government agencies to publish procurement opportunities and manage the entire

procurement process for all levels of the government, from the national government to municipalities. *contrat.ar* is used for the purchase of construction services such as roads, bridges, and buildings at national level. The Argentinian e-procurement systems allow public institutions to publish procurement opportunities, suppliers to submit bids, and contracting authorities to evaluate those bids and award contracts. It is designed to promote transparency, efficiency, and accountability in public procurement.

Argentina also implements a registry of suppliers, known as *Sistema de Información de Proveedores* (Supplier Information System, SIPRO), which is a database registering suppliers' contact information, financial and technical qualifications, history of compliance with contracts and laws, and any sanctions or penalties imposed on the suppliers. SIPRO is not a mandatory requirement for suppliers to participate in procurement procedures, but it can be a useful tool for suppliers to participate in government contracts.

The way forward

Overall, Argentina has a solid performance in Dimension 4, with a variety of business development services and support for the participation of SMEs in public procurement. Nevertheless, Argentina could further improve by:

- **Adopt a specific, multi-year strategy for SME development, with concrete objectives and responsibilities.**
- **Strengthen public-private dialogue for the design, implementation, monitoring, and evaluation of such SME strategy. Indeed, the information collected for this assessment shows that there is little widely available evidence on the effectiveness of support for SMEs through BDS and access to public procurement.**
- **Assess the sustainability of the delivery model of BDS, which currently relies on loans from the IADB, instead of aiming to build a self-sustained market of BDS, including through the provision of those services by private sector actors.**

Dimension 5. Innovation and technology

Argentina has an overall score of 3.58 in the Innovation and Technology dimension, marking a sizeable improvement on the score of 3.21 registered in 2019. Argentina's relatively strong performance in this dimension is driven by its cohesive and well-co-ordinated policy framework and a robust offering of financing support to enable and encourage SME innovation.

The national system for science, technology and innovation is structured around the framework established by Law 25 467 of 2001, which created the *Gabinete Científico y Tecnológico* (Scientific and Technological Cabinet, GACTEC) within the *Ministerio de Ciencia, Tecnología e Innovación* (Ministry of Science, Technology and Innovation, MINCYT). MINCYT is the designated responsible entity for developing the Science, Technology and Innovation Strategy (Plan CTI 2030), which was launched in 2022. Meanwhile, the *Consejo Federal de Ciencia, Tecnología e Innovación* (Federal Council of Science, Technology, and Innovation, COFECyT) and the *Consejo Interinstitucional de Ciencia y Tecnología* (Interinstitutional Council of Science and Technology, CICyT) work to co-ordinate innovation policies across government. Innovation policy is also integrated within other government strategies in the areas of SME policy, industrial policy, education/skills policy, and science policy, pointing to a mainstreaming of innovation policies and considerations across government. These factors contribute to Argentina's score of 4.01 in the Institutional Framework sub-dimension. Argentina's score in this sub-dimension is, however, brought down by a relatively weak performance in the monitoring and evaluation component, reflecting areas of opportunity in the monitoring of the implementation of the innovation strategy.

Argentina has a score of 2.64 in the Support Services sub-dimension. While there are initiatives to link innovative SMEs with research institutions, as well as a strong network of incubators and accelerators, appropriate monitoring and evaluation arrangements are not systematically in place. A stronger element of Argentina's innovation policy is the financing supports provided to SMEs. Argentina's score of 4.08 in the Financing for Innovation sub-dimension is underpinned by a strong range of policy supports including grants through the *Fondo Tecnológico Argentino* (Argentine Technology Fund, FONTAR), research and development tax incentives, and the innovative public procurement instrument of the National Agency for Promotion of Research, Technological Development, and Innovation.

The way forward

- Define key performance indicators and targets at the strategic level to monitor the implementation progress and overall effectiveness of the innovation strategy.
- Develop a framework for the monitoring and evaluation of major innovation policies and programmes, which should include reliable evaluation methodologies with control groups of firms that did not participate in the programmes.

Dimension 6. Productive transformation

Argentina achieves an overall score of 4.04 in the Productive Transformation dimension, reflecting a substantial positive change from the score of 3.78 in 2019. As highlighted in the Institutional Framework dimension, the nation is actively enhancing measures to increase productivity through its medium-term plan denominated *Argentina Productiva 2030 Plan de Desarrollo productivo, industrial y tecnológico* (Argentina 2030 Plan for Industrial and Technological Productive Development), approved in 2023 (see Dimension 1. Institutional Framework). This plan champions the integration of SMEs in supply chains, aiming to reshape the country's productive and technological structure. It serves as a roadmap to sustainably enhance the quality of work, incorporate new technologies into productive activities, bolster competitiveness, improve productive sectors and expand exports through 11 defined objectives (*misiones*) and 60 thematic areas (*proyectos*) reflected in a robust score of 3.71 in the Strategies to enhance productivity sub-dimension. Nevertheless, *Argentina Productiva 2030* is a key policy effort to contribute to the country's productive transformation, including specific measures focused on SMEs remains the main challenge.

The robustness of the measures to improve productive associations in Argentina persists, attaining a score of 4.57, mirroring its 2019 performance. This is largely attributed to the effectiveness of the specific cluster component within the IADB's PAC programme, implemented through calls for proposals, which offer co-funding to establish new clusters or to strengthen existing ones. Furthermore, Argentina conducts in-depth studies on existing business networks and clusters, developing strategies to support them. Since 2017, the National Industrial Parks Programme has maintained a *Registro Nacional de Parques Industriales* (National Register of Industrial Parks, RENPI), providing financial support, including credits and non-refundable contributions, to registered parks for conducting studies and installing productive infrastructure. This programme also features an *Observatorio Nacional de Parques Industriales* (National Observatory of Industrial Parks, ONPI) which provides a space for collaboration and knowledge exchange to strengthen regional industries by leveraging local experiences. While the country has established mechanisms to monitor and evaluate these policies, and adjustments have been made based on results, Argentina could benefit from the use of key indicators and performance statistics for more informed decision-making.

Argentina has a score of 3.96 in the Integration into Global Value Chains sub-dimension. Under the National Secretariat of Industry and Productive Development, the Undersecretariat for SMEs administers the Directorate for the Development of Value Chains, implementing a targeted strategy to reinforce them,

while the plan *Argentina Productiva 2030* includes a specific section focused on integrating SMEs into supply chains.

The way forward

While Argentina has shown improvement in this dimension, there are opportunities to enhance its strategic and programmatic approach. Key recommendations include:

- Implement monitoring and evaluation measures with clear, time-bound indicators for better decision-making and assessing the effectiveness of policies.
- Strengthen efforts in promoting information on existing measures and programmes. Utilise the Argentina 2030 website to provide comprehensive details, serving as a mechanism for monitoring the plan progress.

Dimension 7. Access to market and internationalisation of SMEs

Argentina scores 4.50 in the Access to Market and Internationalisation dimension, primarily supported by advances in internationalisation support programmes and the benefits derived from regional integration processes. The country has strengthened its efforts to facilitate international business through the CPPPE, created in 2020. This council formulates annual trade promotion plans in collaboration with the public and private sectors, promoting business rounds, trade missions, and technology offer workshops. Additionally, specific programmes for SMEs, such as Export Challenge, Argentina to the World, Argentina Projects, SMEs to the World, and Training to Invest and Export, have been implemented in collaboration with the *Agencia Argentina de Inversiones y Comercio Internacional* (Argentine Investment and International Trade Agency, AAICI).

The AAICI plays a crucial role in the export strategy and investment attraction, providing technical assistance, training, market intelligence, and support to SMEs. Programmes like Export Challenge have provided technical assistance with tangible results in export promotion. The programme consists of three phases: Diagnosis, Technical Assistance in Export Plan, and Assistance in International Promotion. As part of the actions carried out for the promotion of exports and the internationalisation of SMEs, the Ministry of Foreign Affairs, International Trade, and Worship developed the “SMEs for the World” programme, which offers training, technical assistance, and financing lines. In this context, a series of meetings called “SMEs for the World Cycles” have been held (SIDP, 2023[9]). The government has also implemented initiatives like *Potencia PyMEX,* offering non-refundable financing for innovation projects in manufacturing companies. This programme has benefited a significant percentage of SME exports.

Furthermore, the Ministerio de Desarrollo Productivo (Ministry of Productive Development, MDP) has implemented the Federal SME Export Development Plan to boost SME exports. This plan includes actions such as strengthening local agencies and service centres, involving universities in the production system, training in export skills, providing comprehensive technical assistance and financing, reviewing the tariff regime, and promoting products in the external market (AAICI, 2020[10]). These measures have led Argentina to score 4.91 in this area. According to the SME Industrial Products Export Monitor, Argentine SMEs exported $1.714 billion in the first half of 2023, representing 6.8% of the national total, with Brazil as their main destination (18.2%) (CAME, 2023[11]).

In the trade facilitation sub-dimension, Argentina scored 4.36. The MDP has implemented various initiatives to simplify exports, such as the ABC to Export and the *Exporta Simple 2.0* platform, which facilitates export operations for small producers through *Operadores Logísticos Exporta Simple* (Simple Export Logistic Operators, OLES). Additionally, *ExportArgentina*, a federal directory of exportable supply, has been created. The country also has Single Windows for Foreign Trade and Vuce Nodes in 11

provinces. However, Argentina could improve the inter-operability between these tools and Customs to maximise their benefits by developing web services linking both entities (ALADI, 2023[12]).

Regarding the Authorised Economic Operator (AEO) programme, the regulations were updated in November 2021 to comply with World Customs Organisation (WCO) standards. However, this programme has not yet been seen to grant specific rights to Argentine SMEs. Argentina has signed three Mutual Recognition Agreements (MRAs) and is in the process of other significant agreements. Although Argentina surpasses the LA9 average in three of the four Trade Facilitation Indicators (TFI) categories, it falls below the average in the document category (ARG: 1.125; ALC: 1.591).

Argentina also scores relatively high in the e-commerce sub-dimension (3.66). According to the Global Payments Report 2023 (FIS, 2023[13]), Argentina is the third-largest e-commerce market in Latin America, with an annual growth projection of 21%. The Argentine e-commerce market is expected to grow from $19 billion in 2022 to $41 billion in 2026, driven mainly by mobile transactions, which accounted for 60% of the total value in 2022. Regarding training and financing in digital transformation for SMEs, in 2023 the MDP launched the Digital Transformation PyMEX contest, with support from the IADB, offering non-refundable contributions of up to 25 million pesos per project to cover 70% of the cost. These projects aim to drive the digital transformation of exporting SMEs towards Industry 4.0, including process improvements, technological solution development, and digital strategies. Additionally, Digital Transformation Units (UTD) have been established, funded by the Secretariat of Industry and Productive Development, providing technical assistance and training to SMEs in their digitalisation process.

Moreover, Argentina scores 4.32 in the quality standards sub-dimension, an improvement over its 2019 performance, primarily influenced by the fundamental role of IRAM and ISO standards as strategic allies for SMEs. These standards have proven to be effective tools for knowledge transfer, bringing together results from technological research and development. Through the SME Experts programme, training is offered to improve the productivity and competitiveness of companies, facilitating access to professional technical assistance in specific areas, including quality tools.

In the integration sub-dimension, Argentina scored 4.60. Within Mercosur, policies have been established to support SMEs, including the creation of a Guarantee Fund to back credit operations in productive integration activities. However, although these initiatives have been implemented, there are currently no public records available on the use of the funds or the number of beneficiary SMEs.

The way forward

To enhance Argentina's performance in this dimension, the following actions could be considered:

- Expand AAICI's reach at the regional level through the creation of regional offices, with the objective of increasing SMEs' access to training opportunities and other benefits derived from the different programmes.
- Strengthen the integration of AEO training into AAICI programmes and explore additional support measures to facilitate AEO certification for SMEs, as well as improving the dissemination of the benefits of AEO certification.
- Strengthen the visibility of public sector support for quality certifications, capitalising on existing efforts and programmes.
- Generate and integrate the strategy for the promotion of e-commerce into SME sector development plans, with measurable objectives, in order to achieve better coordination and follow-up of the policies implemented.
- Promote sub-regional integration and benefits for SMEs through standardisation and collaboration in trade promotion and internationalisation programmes. As well as strengthening the institutional

framework established in Mercosur for the design, implementation and monitoring of SME programmes.

Dimension 8. Digitalisation

Argentina attains an overall score of 3.76 in the Digitalisation dimension, and its relatively robust performance is underpinned by a cohesive and well-coordinated National Digitalisation Strategy, coupled with a sturdy broadband connectivity infrastructure.

The country's digital transformation is propelled by the National Digitalisation Strategy (NDS), specifically the Federal Programme for Digital Public Transformation. It is supported by various regulations and initiatives, including the State Modernisation Plan, the *Gestión Documental Electrónica* (Electronic Document Management System, GDE), and the Argentine Digital Agenda. This initiative prioritises the digitalisation of small businesses, streamlining government services, and imparting digital literacy education. More than just a vision, the NDS is a tangible force shaping Argentina's inclusive digital society implemented through the Secretariat for Public Innovation and the *Ente Nacional de Comunicaciones*, (National Communications Agency, ENACOM). Coordination mechanisms include the *Consejo Federal de la Función Pública* (Federal Council of the Public Function, CoFeFuP) and its working groups. The commitment to digital governance ensures universal access to government services, promoting inclusivity. Argentina leverages efficient digital solutions to enhance public services, stimulate economic growth, and empower its citizens, culminating in a score of 4.13 in the National Digital Strategy sub-dimension. However, this score is tempered by a weak performance in monitoring and evaluation, reflecting inadequate oversight of the strategy's implementation.

Argentina excels in the Broadband Connectivity sub-dimension with a score of 4.11. The Connectivity Plan, designed to provide internet access even in remote areas, fosters social inclusion and economic development. Substantial government investments in building a robust digital infrastructure guarantee seamless connectivity nationwide. The recognition of reliable and affordable internet access's pivotal role in education is evident in initiatives that equip schools with high-speed internet, enriching the learning experience and preparing young peoplefor a digital future.

However, Argentina's digitalisation policy encounters a hurdle in the Digital Skills sub-dimension, where it scores 3.03. Efforts to empower citizens with digital skills include integrating technology into school curricula, adult education programmes aiding older generations in adapting to the digital world, and workshops and training sessions in local communities to enhance digital literacy among adults. These initiatives aim to enable people to access online services, apply for jobs, and connect digitally, fostering a more inclusive and digitally proficient society in Argentina.

The way forward

- Strengthen its monitoring and evaluation mechanisms for SME digitalisation initiatives. By implementing a robust framework, the government can systematically assess the impact of ongoing policies, identify areas of improvement, and ensure the effective utilisation of resources.
- Adopt a comprehensive approach to digital skills development.

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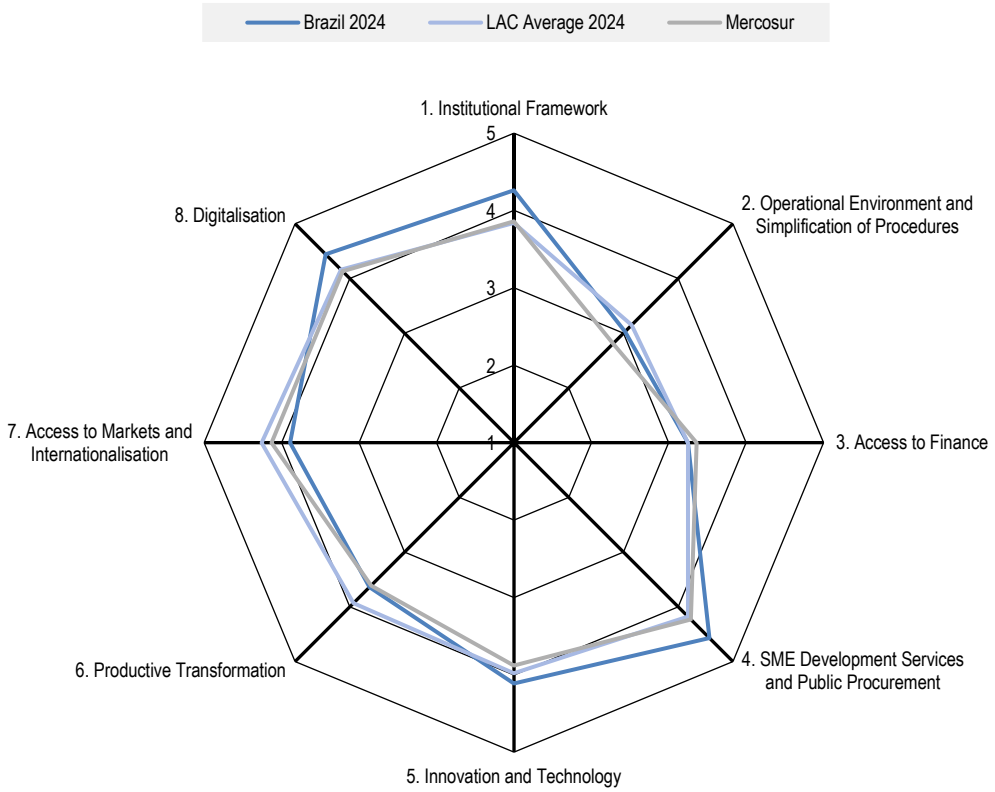
13 Brazil

This chapter provides an assessment of Brazil. It begins with an overview of Brazil's context and subsequently analyses Brazil's progress across eight measurable dimensions. The chapter concludes with targeted policy recommendations.

Overview

Figure 13.1. 2024 SME PI Brazil's score



Note: LAC average 2024 refers to the simple average of the 9 countries studied in this 2024 report. There is no data for the Digitalisation dimension in 2019 as the 2019 report did not include this dimension.

Brazil debuts in the SME Policy Index for Latin America and the Caribbean (LAC) with an overall strong performance (see Figure 13.1), ranking above the regional average in four of the eight evaluated dimensions: Institutional Framework (Dimension 1), SME Development Services and Public Procurement (Dimension 4), Innovation and Technology (Dimension 5), and Digitalisation (Dimension 8). It performs at the average level in the Access to Finance dimension (Dimension 3).

However, the country's commendable performance in productivity enhancement and association measures is offset by significant challenges in global trade integration, which poses a major obstacle to the internationalisation of SMEs. This affects its results in the dimensions of Productive Transformation (Dimension 6) and Access to Market and Internationalisation (Dimension 7). Additionally, despite a long-term commitment to legislative simplification and regulatory reform, the operational environment for SMEs in Brazil remains relatively challenging, marked by complex procedures and high administrative burdens, especially concerning company registration and tax filing and payment processes.

The creation of the new Ministry of Entrepreneurship, Microenterprise, and Small Business underscores the significance attributed by the administration that assumed office on January 1, 2023, to SME development. This presents a valuable opportunity for Brazil to continue advancing its SME development policies.

Context

During 2020, Brazil was significantly impacted by the COVID-19 pandemic. However, it experienced one of the lowest GDP contractions in the region, at 3.6% (OECD, 2024[1]). Levels of poverty and extreme poverty, at 16.3% and 1.4% respectively, though high, were lower than the average for the LAC region (OECD et al., 2021[2]). In 2021, the Brazilian economy displayed a recovery, achieving a growth rate of 5.3%, attributed to the successful vaccination campaign and a boost in domestic consumption. By 2022, growth decelerated to 3%, influenced by restrictive monetary policies and adverse weather effects that limited agricultural production and productivity (OECD, 2023[3]). The Brazilian economy grew 3% in 2023, driven by sectors such as agriculture, industry, and services, along with increased household consumption. However, a slowdown is anticipated in 2024, with a growth rate forecast of 1.8%, attributed to reduced private consumption and investment due to tighter credit conditions (OECD, 2024[1]).

In Brazil, the primary indicator of inflation is the *Índice Nacional de Preços ao Consumidor Amplo* (Broad National Consumer Price Index, IPCA), which recorded a 5.7% increase in 2022, down from the 10.1% peak in 2021. The relatively high inflation rate, coupled with tightening credit conditions, contributed to a weakening of household consumption in 2022. In response to inflationary pressures observed in 2021, arising from global commodity and energy price pressures, the Monetary Policy Committee of the Central Bank of Brazil pursued a tightening path, concluding with a benchmark interest rate of 13.75% at the end of 2022. In 2023, inflation moderated to 4.6% amid a more restrictive monetary policy implemented since 2022, with the policy rate reaching 11.7% in December of that year (COPOM, 2023[4]). A further decline in inflation is anticipated, which will likely give rise to further reductions in the interest rate, supporting investment and household consumption.

In 2022, Brazil's unemployment rate peaked at 9.3%, showing a notable decrease from the 13.2% recorded in 2021, signaling post-pandemic recovery (IBGE, 2023[5]). However, a considerable portion of the workforce, remains engaged in informal work. By 2023, the unemployment rate further decreased to 7.7%, while the informal sector accounted for 39.2% of the active population. Micro and small enterprises make a good contribution to job creation, creating an estimated 12.4 million jobs between 2007 and 2019 (OECD, 2022[6]).

Dimension 1. Institutional Framework

Brazil has established an advanced institutional framework for SME policy, marked by the presence of a well-funded and well-structured national SME development agency: *Serviço Brasileiro de Apoio às Micro e Pequenas Empresas* (Brazilian Micro and Small Business Support Service, SEBRAE) and several dedicated institutions, some of which operate in collaboration with the private sector. This is evident in Brazil's overall score of 4.26 in the dimension related to the SME institutional framework. The significance accorded to SME policy is underscored by the recent creation of the Ministry of Entrepreneurship, Microenterprise, and Small Business.

Brazil lacks a unified SME definition. On one side, the federal government broadly uses the definition established by Law 123/2006 based on annual gross revenue. On the other side, various institutions involved in SME policy utilize different criteria. The *Instituto Brasileiro de Geografia e Estatística* (Brazilian Institute of Geography and Statistics, IBGE) considers the number of employees for research, taking into account the sector of activity in industry, commerce, and services, a method also used by SEBRAE whenever annual gross revenue data is unavailable. According to the SEBRAE definition, a microenterprise has up to 19 employees (Industry) or up to 9 employees (Trade and Services); a small enterprise has from 20 to 99 employees (Industry) or from 10 to 49 employees (Trade and Services); and a medium-sized enterprise has from 100 to 499 employees (Industry) or from 50 to 99 employees (Trade and Services). The *Banco Nacional de Desenvolvimento Econômico e Social* (National Bank for Economic

and Social Development, BNDES) employs its own definition based on annual turnover. As a result, Brazil's score for the SME Definition sub-dimension is 4.

In contrast, Brazil secures one of the highest scores for the Strategic Planning, Policy Design, and Coordination sub-dimension, with 4.32. Since October 2023, the federal mandate for SME policy has been assigned to the Ministry of Entrepreneurship, Microenterprise, and Small Business by splitting the Ministry of Development, Industry, Trade and Services. Prior to this change, between 2015 and 2023, the mandate was under the Ministry of Economy and previously, from 2013 to 2015, it was managed by the Secretariat of Micro and Small Business under the Federal Presidency. The creation of the new ministry underscores the significance attributed by the administration that assumed office on January 1, 2023, to SME development.

The current institutional framework for SME policy in Brazil has been established by Law No. 123 of December 6, 2006. This law introduced the National Microenterprise and Small Businesses Statute, which outlines general rules for supporting SMEs and defines the competencies at the federal, state, and municipal levels, including the Federal District of Brasília, in relation to tax regimes, labour, social security regulations, and access to credit for micro and small enterprises. The law explicitly assigns to the Union (Federal Government) the mandate to formulate the National Policy for the Development of Micro and Small Enterprises.

In 2019, the first national plan for SME development was elaborated. A new multi-year plan for SME development is currently being formulated in Brazil through a process of inter-ministerial and public-private consultations. This plan is designed to encompass six policy dimensions and will include a section on monitoring and evaluation.

Policy implementation in Brazil is carried out through the *Sistema S* (S System). The organisations within the Sistema S are categorised as "parastatal organisations" with operational autonomy and independent funding sources derived from a levy on salaries. While these agencies work under government direction, they have a degree of autonomy. The Sistema S includes several public agencies with specialised tasks.

On the other hand, SEBRAE functions as the main agency for SME development in the country. SEBRAE has a workforce of over 6,800 and offices throughout the country. The agency is governed by the National Deliberative Council, which includes representatives from public institutions and major private sector organisations.

Other agencies within the Sistema S include *Serviço Nacional de Aprendizagem Industrial* (National Industrial Apprenticeship Service, SENAI), responsible for providing industrial vocational training, and *Serviço Nacional de Aprendizagem Comercial* (National Commercial Apprenticeship Service, SENAC), the national training service. The Permanent Forum of Micro and Small Companies, comprising all ministries and public agencies dealing with SME policy, along with representatives of private sector organisations, serves the functions of policy coordination, monitoring, and evaluation.

Furthermore, Brazil has a well-established practice of Public-Private Consultations (PPCs), supported by an advanced legal framework, as indicated by its 4.33 score for this sub-dimension. The legal basis for this practice has been strengthened by art. 29 of Law 13.655 of 2018, which stipulates that the issuance of normative acts may be preceded by Public Consultation to obtain input from interested parties, preferably through electronic means, and this input will be considered in the decision-making process. All government agencies and sectors involved in the formulation of business regulations are required to conduct public consultations, allowing civil society and private entities to express their views and contribute to the process.

The private sector in Brazil demonstrates significant lobbying capacity and actively participates in all phases of policy development, implementation, and coordination. Major private sector and SME associations are part of entities such as the *Comitê Gestor do Simples Nacional* (Simples Nacional Management Committee), which contributes to formulating tax regimes for SMEs, the Permanent Forum

of Micro and Small Companies, and SEBRAE's National Deliberative Council. These platforms provide avenues for private sector involvement and collaboration in the policy-making process.

Additionally, the legal framework for startups, established by Law 182/2021 and sanctioned in the same year, represented a key commitment to fostering innovative entrepreneurship in Brazil. This legislation introduced concepts and criteria for categorising companies as startups, defining them as new or recently established enterprises that incorporate innovation into their business models, products, or services. The law includes measures aimed at enhancing the overall business environment in the country. Notably, it places a strong emphasis on bolstering legal certainty for investments in startup ventures.

On a different aspect, the government's commitment to combating labour and enterprise informality is evident, as reflected in Brazil's score of 4.30 in the Measures to Reduce Informality dimension. The Statute of the Microenterprise and Small Business Enterprise, approved in 2006, had the formalisation of individual micro-entrepreneurs, micro-enterprises, and small businesses as one of its main goals. In order to stimulate the formalisation of companies, the Brazilian government has taken steps to reduce administrative burdens and simplify tax administration procedures.

Examples of these policies include measures to rationalise and simplify the process of starting a business, implemented through initiatives such as National Network for the Simplification of Registration and Legalisation of Companies and Businesses (REDESIM) (see Dimension 2. Operational environment and simplification of procedures) and the One-Stop Shop (OSS). Additionally, the Brazilian government has introduced simplified taxation regimes such as *Simples Nacional* and *Microempreendedor Individual* (Individual Microentrepreneurs, MEI) to promote business formalisation in Brazil. The creation of the MEI Institute is expressly aimed at the formalisation and productive inclusion of entrepreneurs. According to available statistics, there are currently 15.5 million actives Individual Microentrepreneurs in the country.

The Way Forward

- Formulate a working group comprising relevant institutions, private sector representatives, statisticians, and SME policy experts to develop a unified SME definition adopted by all public institutions and local authorities.
- Establish mechanisms for monitoring the new medium-term SME development plan implementation and collecting necessary data and information to evaluate the plan's impact on SME sector development.
- Ensure active participation of private sector representatives, including those from young entrepreneurs, women entrepreneurs, start-ups, and micro-enterprises, throughout all phases of SME policy – from design and elaboration to implementation, monitoring, and evaluation.
- Establish a comprehensive consultative council to bring together and coordinate policy inputs from various consultation tables, such as *Simples Nacional*, the Permanent Forum of Micro and Small Companies, and the SEBRAE's National Deliberative Council.

Dimension 2. Operational environment and simplification of procedures

The operational environment for SMEs in Brazil is relatively challenging, marked by complex procedures and high administrative burdens, especially concerning the company registration process and filing and paying taxes. Despite a long-term commitment to legislative simplification and regulatory reform, the overlapping of federal and state legal and regulatory regimes adds complexity to the system, creating barriers to the introduction and implementation of effective reforms. Brazil obtains an overall score of 3.03 in this dimension, slightly below the regional average (3.15).

The establishment of the REDESIM by the Federal Government in 2007 initiated a systematic process of legislative simplification and regulatory reform. Focused initially on company registration and incorporation processes, REDESIM aimed to reduce time and costs, automate and streamline procedures, and eliminate unnecessary visits to public agencies. Over time, the government extended legislative simplification and regulatory reform to other areas, albeit at a relatively slow pace. Currently, only 25% of business legislation has been revised, and the outcomes of these reforms have been uneven. Presently, there is no comprehensive national plan for legislative simplification and regulatory reform, and reforms are conducted on an ad hoc basis.

Regulatory Impact Analysis (RIA) is applied only to major pieces of legislation, and RIA reports are not consistently published. Guidelines for RIA were formalised with Decree No. 10,411 in June 2020, assigning oversight to the Secretariat for Competition and Competitiveness Advocacy of the Special Secretariat for Productivity, Employment, and Competitiveness of the Ministry of Economy. Brazil scores 3.08 in the Legislative Simplification and Regulatory Impact Analysis sub-dimension.

Despite the initiatives undertaken by REDESIM and the Normative Instructions of the *Departamento Nacional de Registro Empresarial e Integração* (National Department of Business Registration and Integration, DREI), company registration procedures in Brazil remain relatively complex, reflected in the 3.06 score for the Company registration sub-dimension, slightly below the LAC average (3.24). Efforts have been made since 2020 to streamline company registration procedures with different entities leading to some progress. These procedures are now, on average, completed in less than one day.

As of now, there is no operational OSS, but new entrepreneurs can interact with different administrations in a single location (multi-windows). Upon registration, the new enterprise receives a unique identification number that can be used across the public administration. Online registration is currently available only for single entrepreneurs and micro-enterprises.

The federal government has introduced a monitoring tool called Company Map to track company registration and closure processes nationwide. The tool provides monthly data on company registration procedures, including average time to open a company, the number of open and closed enterprises, and details on location and activities.

On a different aspect, Brazil's performance in the Ease of filing taxes is 2.50, indicating significant areas for improvement in this area. The Brazilian tax system is characterised by a high level of complexity, imposing a heavy administrative burden on private enterprises. This complexity results from the combination of federal and state-run tax regimes and administrative procedures.

While the Brazilian government has implemented measures to simplify tax payments, such as the creation of the *Simples Nacional* and MEI schemes, challenges persist for Brazilian SMEs. These challenges include the high cost of compliance, a high number of taxes, and the complexity of tax rules at both the federal and state levels. Two permanent committees have been established to work on tax reform, with SEBRAE being a member of both committees.

In the realm of e-government services, Brazil scores 3.60. The digital transformation of the Federal Government is guided by two strategic documents: the *Estratégia de Governo Digital* (Digital Government Strategy, EGD) 2020-2023, which is updated every three years, and the Brazilian Strategy for Digital Transformation.

Actions related to the provision of e-government services to the private sector are carried out by the *Secretaria de Governo Digital* (Secretary of Digital Government, SGD) and the *Ministério da Gestão e Inovação em Serviços Públicos* (Ministry of Management and Innovation in Public Services). The *Secretaria Extraordinária para Transformação do Estado* (Extraordinary Secretariat for State Transformation, SETE) and the *Ministério da Gestão e da Inovação em Serviços Públicos* (Ministry of Management and Innovation in Public Services, MGI) are also active in this area.

The mandates of these entities are defined by Decree 10,332, approved in April 2020. The current range of e-government services is relatively extensive, covering areas such as tax-filing, filing of social security contributions, and completing enterprise statistical surveys.

The EGD foresees the provision of some services that will benefit SMEs, including online services to simplify and expedite the opening, modification, and closure of companies in Brazil, with the aim of completing these procedures in one day. One of the objectives of the EGD was to introduce at least twenty new interoperable services of interest to companies and organisations by 2022.

The Way Forward

- The Federal Government of Brazil could reinvigorate the programme of regulatory reform and legislative simplification, drawing on the experience accumulated by REDESIM in company registration. It could begin by identifying major regulatory obstacles faced by private enterprises, conducting a thorough analysis of current barriers to private enterprise growth, and formulating a medium-term plan for a regulatory reform programme with clearly defined objectives selected in cooperation with representatives of the private sector.
- Streamline company registration procedures, encompassing simultaneous registration with Federal and State authorities, establishing a network of OSS, and expanding online registration procedures to all categories of enterprises.
- Consider establishing a task force to formulate a reform of the tax regime applied to SMEs, evaluating the effective tax rate for different types of SMEs, and minimising the number of tax declarations and payments required by federal and local tax authorities.
- Implement programmes to encourage the adoption of e-government services by SMEs as part of the post-2023 Digital Government Strategy.

Dimension 3. Access to finance

Brazil performs at the average level in the Access to Finance dimension with a score of 3.25. In the Legal, Regulatory, and Institutional Framework on Access to Finance sub-dimension, Brazil scores 3.08, which is below the LA9 average of 3.46. This lower score is primarily due to its limited regulation of the securities market. However, Brazil excels in asset registration and collateral weighting. The country has highly developed regulations and institutions for registering both tangible and intangible assets. Movable assets are widely accepted as collateral, supported by an accessible, albeit partially online, cadastre, and a public registry of security interests in movable assets. Additionally, the regulation regarding the percentage of collateral required for medium-term SME loans is minimal. Despite these strengths, Brazil faces significant challenges due to the lack of a legal framework for the SME capital market, minimal support for meeting listing requirements, and the absence of a separate market for low-capitalisation SMEs.

On the other hand, Brazil achieves the highest score among the LA9 countries in the Diversified sources of enterprise finance sub-dimension, with 4.62, thanks to its wide range of financial products available for SMEs. Notable programmes include export financing by *Banco do Brazil* and BNDES, which provide resources to exporters for production and commercialisation abroad. Additionally, the Complementary Law No. 123/2006 (National Statute of Micro and Small Enterprises) in its article 60-A provides for the establishment of the National Credit Guarantee System (NCGS), which will integrate the National Financial System. To facilitate this, Decree No. 10.780/2021 was published, outlining the proposal and implementation of actions aimed at establishing and consolidating the NCGS, regulating the acceptance and provision of guarantees by financial institutions within the NCGS, and establishing prudential and supervisory criteria, among other measures. However, this regulation is still under discussion within the

working group officially created in 2021 by Interministerial Ordinance SEPEC-SETO-ME-BCB No. 11.591/2021.

Furthermore, Brazil has state-funded microfinance schemes and regulation on mechanisms like crowdfunding through CVM Resolution 88, which has introduced significant innovations to increase financing volumes and investor security in the country.

In the Financial education sub-dimension, Brazil scores 3.30, one of the highest scores in the region. This high score is the result of efforts to design and implement a National Financial Education Strategy that includes SMEs as a key target group. SEBRAE in Brazil offers a wide range of free financial education programmes and courses on its website aimed at SMEs and entrepreneurs. Additionally, efforts have been made to gather information on the financial capabilities of the population, though most measurements have not specifically focused on micro-entrepreneurs' knowledge. For example, in 2020, the Securities and Exchange Commission, with the support of CAF, conducted financial capability surveys for individuals using OECD methodology. However, these surveys focus on measuring individuals' financial education, not SMEs. The OECD developed a specific methodology in which Brazil participated in a measurement exercise, and the results were published in 2021. Furthermore, as part of the OECD's PISA assessments, financial literacy among young people (15 years old) in Brazil has been measured.

Lastly, Brazil faces challenges in the sub-dimension of Efficient procedures for dealing with bankruptcy, scoring 2.02. While it has universally applicable laws based on internationally accepted principles, these laws do not apply to state-owned enterprises, and the country lacks early warning systems for insolvency situations. Although the Insolvency Law provides for conciliation mechanisms before bankruptcy, there are no early warning systems or less burdensome out-of-court agreements. Additionally, details of insolvent companies are not accessible to the public, and once the debt is paid, the case is almost automatically removed from the register.

In terms of offering new opportunities to entrepreneurs whose initial ideas have not succeeded, Brazil has yet to develop public policies in this regard, representing an area for improvement that could be complemented by additional financial education efforts aimed at SMEs. The lack of regulation for secured transactions, which does not consider asset recovery after business reorganisation or prioritise payment for taxes or other debts, is also notable. Finally, the differentiated treatment of micro and small enterprises in insolvency processes, with extended payment terms, is another relevant issue in Brazil's regulatory framework.

The way forward

- Strengthen the accessibility and availability of the cadastre and registries of collateral.
- Promote a capital market legal framework for SMEs.
- Develop a strategy to support SMEs in complying with listing requirements and promote the creation of a separate section or market for thinly capitalised SMEs.
- Brazil could continue to strengthen co-ordination among the different public and private institutions working to promote financial education for SMEs in order to improve the effectiveness of programmes and avoid duplication.
- Design and implement early warning mechanisms to identify potential bankruptcy situations in order to be able to take the necessary corrective actions.
- Develop a legal framework for secured transactions.
- Design and implement training programmes for second chances, targeting individuals who have had their businesses go bankrupt.

Dimension 4. SME development services and public procurement

Brazil displays a strong performance in this dimension, with an overall score of 4.57, behind only two other countries in the region. Performance is particularly solid in entrepreneurial development services (4.67) and business development services (4.60), with a relatively lower performance in public procurement (4.40).

SEBRAE has a mandate to plan, coordinate and orient the technical programmes to support SMEs, in line with national development policy and specifically the policies related to industry, trade and technology. The elaboration of the policy for business development services (BDS) is underpinned by studies on the demand for such services, in particular the Global Entrepreneurship Monitor, and research by the *Unidade de Gestão Estratégica* (Strategic Management Unit) of SEBRAE.

SEBRAE's operations are funded by taxes or income of tax-like nature, according to the information provided by the government. This represents an advantage over other less sustainable models funded by loans or by international assistance financing. Some of the flagship BDS programmes include the *Programa Brasil Mais Produtivo* (Brazil More Productive, BMP), which aims to improve management quality in SMEs and the adoption of digital technologies and innovative processes and has been recently updated (see Dimension 6. Productive transformation). Support is provided in the form of trainings, technical support and specialised consulting fully funded by SEBRAE for eligible firms, as well as co-financing schemes with business associations and municipalities. An example is the EMPRETEC programme for the formation of entrepreneurial skills in which SEBRAE finances 70% of the program and the entrepreneur the other 30%. The budget for BDS in Brazil is approximately R$5.5 billion (US$1.28 billion), primarily funded by SEBRAE and representing 0.11% of the total government budget.

In addition, SEBRAE's actions also aim to promote the development of a private market for BDS through the *Sistema de Gestão de Fornecedores do SEBRAE* (Supplier Management System), which provides open tenders for the accreditation of private sector consultants in areas such as human resources, entrepreneurship, education, financial and accounting services, marketing and sales, international business, business planning, etc.

Another important initiative to support emerging entrepreneurs is the so-called *Sistema S* (see Dimension 1. Institutional Framework), which aims to promote the development of Brazilian businesses through services administered by private entities providing training and assistance to entrepreneurs.

Brazil also benefits from a system of laws, regulations and measures to promote the participation of SMEs in public procurement opportunities including by breaking tenders above a certain size into lots, the possibility to form consortia of SMEs and participate in joint biddings, participation quotas for SMEs and timely payments.

Brazil has a well-established system for electronic procurement (e-procurement), which is known as *Comprasnet*. *Comprasnet* is a government-wide e-procurement platform that is used by federal agencies, state governments, municipalities, and public enterprises. The platform is used for a wide range of procurement activities, including the publication of tenders, the submission of bids, and the award of contracts. Some measures have been introduced to facilitate the participation of SMEs in *Comprasnet*, including a simplified registration process and special regimes for SMEs to participate in public procurement. In addition, Brazil implements a *Sistema de Cadastramento Unificado de Fornecedores* (Unified Supplier Registration System) that helps to facilitate the participation of SMEs in public procurement by providing a list of suppliers that are eligible to participate in public procurement in Brazil and facilitates the verification of the qualifications of suppliers.

In general, Brazil has a solid policy framework for the provision of business development services for SMEs and entrepreneurs and a full-fledged public procurement framework that facilitates the participation of small firms in public markets.

The Way Forward

To move forward, Brazil could further:

- Explicitly clarify how the BDS system implemented by SEBRAE helps to advance the national SME strategy and the national development plan's objectives.
- Elaborate on the measures to support entrepreneurs and start-ups, in particular the existence and operation of national systems of business incubators and accelerators, beyond the existence of the *Sistema S*.
- Clarify how SMEs take advantage of the national electronic procurement system and establish programmes or BDS to support SMEs to better participate in public markets.

Dimension 5. Innovation and technology

Brazil has an impressive array of public supports available to SMEs to facilitate and incentivise innovation, which form part of a robust framework for innovation policy. However, weaknesses in monitoring and evaluation practices weigh on Brazil's score in the Innovation and Technology dimension which, at 4.11, is above the regional average (3.98).

The National Innovation Policy was established by Decree No. 10 534 in October 2020. This provides the framework for Brazil's innovation policy. The Innovation Chamber was created as an instrument for overseeing the implementation of the National Innovation Policy. The Ministry of Science, Technology and Innovation serves as the secretariat of the chamber, which is chaired by the Civil House and has the participation of nine other ministries. In 2021, the Innovation Chamber approved the National Innovation Strategy and the Action Plans, which set out initiatives to be taken in this area over the subsequent 4-year period. The strategy contains a number of actions targeting SMEs, including through training and consultancy supports in specific sectors as well as technological development grants. Overall, Brazil's framework for innovation policy is well organised, has a strong focus on SMEs, and has mechanisms in place to foster inter-governmental co-ordination. These factors contribute to a score of 4.35 in the Institutional Framework sub-dimension.

The availability of support services for SME innovation is relatively strong in Brazil. These supports include a network of 363 incubators (61% of which are based in universities), an online portal to connect businesses with researchers, and a range of technology parks, for example the Science and Technology Park of the State University of Campinas-São Paulo. More could be done, however, to analyse the needs of SMEs and the barriers they face in conducting innovative activities. This could facilitate the development of policies that more precisely address the challenges and opportunities for SME innovation in Brazil. As is the case in most Latin American countries covered in the study, Brazil's score of 3.95 in the Support Services sub-dimension is lowered by a weak performance in the monitoring and evaluation component.

Brazil has a score of 4.02 in the Financing for Innovation sub-dimension. Direct financing supports for SME innovation include the provision of subsidies for SMEs to cover the costs of research infrastructure, technology transfer or the contracting of technological services. Furthermore, in November 2022, the now *Secretaria de Desenvolvimento Industrial, Inovação, Comércio e Serviços* (Secretariat for Industrial Development, Innovation, Trade and Services, SDIC) of the *Ministério do Desenvolvimento, Indústria, Comércio e Serviços* (Ministry of Development, Industry, Trade and Services, MDIC) launched a public procurement for innovation platform. R&D tax incentives are also in place through Law No. 11 196 of 2005. The Brazilian Micro and Small Business Support Service (SEBRAE) consolidates and publicises information on financial support for SME innovation, although there are apparent gaps in the coverage of information provided. Moreover, despite the varying channels of support available, SMEs' uptake is relatively low.

The Way Forward

In the future, the government of Brazil could consider:

- Introducing period impact evaluations of major innovation programmes, adopting reliable methodologies with control groups of firms that did not participate in the programmes.
- Establishing a digital OSS for information on innovation supports available to SMEs.
- Identifying and addressing barriers to SMEs' uptake of financing supports for innovation.

Dimension 6. Productive transformation

Brazil's well-coordinated efforts to enhance SME productivity are evident in its notable score of 3.64 for the Productive Transformation dimension. The country attains the highest score in the region for the first two sub-dimensions. However, its overall score is notably impacted negatively by the score in sub-dimension 3, Integration into Global Value Chains, reflecting areas of opportunity in this domain.

The sub-dimension of Strategies to Increase Productivity in Brazil receives a score of 4.85, the highest among the LA9 countries, primarily guided by the BMP programme. This noteworthy federal government initiative began in 2016 and was significantly enhanced in 2023 as part of the *Nova Indústria Brasil* – the new Brazilian Industrial Policy. Coordinated by the MDIC in collaboration with the Brazilian Industrial Development Agency (ABDI), SEBRAE, SENAI, *Financiadora de Estudos e Projetos* (Financing Agency for Studies and Projects, FINEP), *Empresa Brasileira de Pesquisa e Inovação Industrial* (Brazilian Company for Industrial Research and Innovation, EMBRAPII) and the BNDES.

The new BMP is set to reach over 200.000 through its new digital platforms and to directly support over 90.000 industrial SMEs until 2027. Since its first iterations, in 2016, the programme has impacted over 170,000 SMEs, including approximately 30.000 industrial firms. The programme unfolds in phases, according to the firm's necessity and readiness, involving the improvement of management practices and production line optimisation, the implementation of digital solutions, and the development and adoption of Industry 4.0 solutions in SMEs. BMP stands out not only for its well-designed structure but also for its clear implementation and robust monitoring and evaluation mechanisms, paving the way for expansion.

Since 2004, Brazil has implemented the *Grupo de Trabalho Permanente para Arranjos Produtivos Locais* (Permanent Working Group for Local Productive Arrangements, GTP-APL) as the primary federal and state-level policy for promoting productive agglomerations and local business development. Over the years, the APL policy has evolved, expanding its scope beyond technical assistance to encompass support for SME exports and technology transfer between SMEs and research organisations.

Performance in this area is measured through established Key Performance Indicators (KPIs), effectively tracking the positive progress of this policy. Additionally, the SEBRAE conducts various initiatives for productive integration through Agreements of Technical Cooperation (ACTs) with the federal government, actively considering feedback from the private sector within the scope of the Permanent Forum for Micro and Small Enterprises. Brazil's strong performance in this area is reflected in its robust score of in the 4.93 sub-dimension of Measures to Improve Productive Associations, the highest among LA9.

Brazil's overall score is hindered by its performance in the Global Value Chain Integration sub-dimension (1.26). The country faces a significant challenge in terms of global trade integration, which poses a major obstacle to the internationalisation of SMEs. Presently, there is no specific policy addressing this aspect. SEBRAE's National Productive Chain programme stands out as a key initiative for supplier development, primarily focusing on micro and small enterprises (MPEs). While the programme aids MPEs in meeting the demands of large anchor firms and establishing buyer-supplier relationships, there is currently no effort to

integrate domestic SMEs into the supply chains of multinational enterprises (MNEs) based in Brazil (OECD, 2020[7]).

The Way Forward

- Enhance the participation of Brazilian SMEs in global supply chains, Brazil could refer to the policy recommendations outlined in the OECD report on SME and Entrepreneurship Policy in Brazil (OECD, 2020[7]). One key strategy could involve the implementation of supplier development programmes, leveraging business linkages between local SMEs and MNEs. Drawing inspiration from successful initiatives in peer countries within LA9 countries, Brazil can tailor its programmes to foster collaboration, improve competitiveness, and facilitate the integration of Brazilian SMEs into global supply chains.

Dimension 7. Access to market and internationalisation of SMEs

Brazil has achieved a remarkable score of 3.89 in the Access to market and internationalization dimension, showcasing strong performance in various sub-dimensions and highlighting opportunities for improvement in terms of integration benefits.

In the area of Support programmes for internationalisation, Brazil scored 4.38. In July 2023, Decree 11.593 introduced the National Export Culture Policy, aiming to foster an export-oriented mindset and increase the number of Brazilian exporters, particularly among SMEs. This decree also established the National Committee for the Promotion of Export Culture, a collegiate body tasked with implementing and monitoring the policy. In addition, other key initiatives include the Multi-Year Plan 2024-2027, aimed at expanding the country's role in the international trade of goods and services. Additionally, the National Export Culture Plan (PNCE) and the *Agência Brasileira de Promoção de Exportações e Investimentos* (Brazilian Trade and Investment Promotion Agency, ApexBrasil) play crucial roles. ApexBrasil, under the supervision of the MDIC, conducts activities to promote exports, attract foreign investments, and support the internationalisation of national companies. ApexBrasil's 2020-2023 Strategic Plan sets clear objectives to strengthen Brazil's positioning as a global trade partner, generate business intelligence, and enhance international competitiveness. The agency offers various support programmes such as *"Exporta Mais Brasil,"* which facilitates meetings between Brazilian companies and international buyers, and the *Programa de Qualificação para Exportação* (Export Qualification Programme, PEIEX). In 2022, ApexBrasil supported over 14,000 companies, underscoring its commitment to SMEs. Furthermore, the PEIEX and SEBRAE play fundamental roles in training and guiding companies to operate in the international market. Furthermore, since the beginning of 2023, the Brazilian government has been seeking to increase the participation of women in foreign trade.

In the Trade facilitation sub-dimension, Brazil achieved an outstanding score of 4.36, reflecting its commitment to supporting companies in their internationalisation process. The Learning to Export programme offers an online platform with content oriented towards export education, covering a wide range of relevant topics, and adapting to the user's knowledge level. Furthermore, the *"Acesse o Mundo"* platform allows any enterprise, including SMEs from any region or sector, to receive a free, automated export maturity assessment and a personalised list of actions for internationalisation. This tool helps identify the export services needed to access or expand sales in international markets.

The platform *Brasil Exportação*, funded by the UK government, aims to promote inclusive and sustainable economic growth, focusing on micro and small enterprises. ApexBrasil offers tools and programmes that facilitate companies' access to international markets, with a strong focus on SMEs. Additionally, the Single Foreign Trade Portal (SISCOMEX), co-administered by the Foreign Trade Secretariat of the MDIC and the Special Secretariat of the *Receita Federal do Brasil* (Federal Revenue of Brazil, RFB) of the Ministry of

Finance, is an integrated system that simplifies the registration, monitoring, and control of foreign trade operations. Since July 2023, the new RFB Normative Instruction No. 2154/2023 updates the Brazilian AEO (Authorised Economic Operator) Programme, promoting greater security and agility in foreign trade flows, facilitating the inclusion of new actors, and reducing administrative costs for both companies and authorities. This update includes new features such as the incorporation of the Maritime Agency into the AEO Programme, aiming to strengthen efficiency and security in international trade.

In the e-commerce sub-dimension, Brazil stands out with a score of 4.30. The country has established significant regulations to protect online consumers, such as Decree No. 7.962 of 2013, which complements the Consumer Protection Code and sets clear standards for electronic transactions. This measure ensures transparency in product information, complete identification of the provider, efficient customer service, and respect for the consumer's right of withdrawal. Additionally, Brazil's General Data Protection Law (LGPD) of 2018 provides a comprehensive legal framework for the protection of personal data. The Brazilian government is also committed to digital transformation through the Brazilian Digital Transformation Strategy (E-Digital). This initiative seeks to sign international agreements to ensure the security of cross-border e-commerce and support the expansion of exports through e-commerce. Domestically, ApexBrasil's E-xport programme promotes the internationalisation of Brazilian companies through e-commerce, offering resources such as readiness diagnostics, international marketing training, and technical advice for creating online stores. The National Programme for Supporting Micro and Small Enterprises (PRONAMPE) provides financial support to micro and small businesses, including access to special credit lines for investing in technology and developing e-commerce platforms. SEBRAE, in turn, offers comprehensive training and advice on e-commerce, as well as events and trade fairs focused on this area, promoting the development and competitiveness of micro and small enterprises in the e-commerce sector in Brazil. This robust infrastructure and government support position Brazil as a regional leader in e-commerce, offering significant opportunities for economic growth and business expansion.

On the other hand, the country has achieved an outstanding score of 4.53 in the Quality standards sub-dimension, supported by the National System of Metrology, Standardisation, and Industrial Quality Law (Law No. 5.966/1973). This law establishes the structure and competencies of the *Instituto Nacional de Metrologia, Qualidade e Tecnologia* (National Institute of Metrology, Quality and Technology, INMETRO), which is responsible for promoting the quality of products and services, ensuring the reliability of measurements, and guaranteeing product safety for consumers. INMETRO, linked to the Ministry of Economy, regulates technical standards, conformity assessment, laboratory accreditation, and product certification. Additionally, it organises seminars, conferences, and educational events on relevant topics in metrology and quality. INMETRO is active in cooperation projects, disseminating metrological knowledge in LAC, and Portuguese-speaking countries in Africa.

Finally, in the sub-dimension of the benefits of regional integration, Brazil scored 1.09, indicating a low perception of the benefits derived from integration in LAC. However, the Multi-Year Plan 2024-2027 highlights the need for Brazil to reclaim its foreign policy through active participation in multilateral and regional integration organisations, both in the economic-trade sphere and in the social, political, and environmental areas. The ApexBrasil Strategic Plan 2024-2027 also aims to expand the participation of Brazilian companies abroad, diversifying both the origins and destinations of exports, and promoting sustainability. The goal is qualitative and quantitative growth in the international presence of Brazilian companies, emphasising the balance among Brazilian states in exports, regional development, and the expansion of emerging markets. Notable are the trade agreements signed by Mercosur, of which Brazil is a full member, with countries such as Bolivia, Chile, Colombia, Cuba, Egypt, India, Israel, Mexico, and Peru, as well as agreements with other regional blocs such as the Andean Community (CAN) and the Southern African Customs Union (SACU).

The way forward

The following actions could be considered in order to improve Brazil's performance in this dimension:

- Strengthen programmes to support the internationalisation of SMEs, increasing the inclusion of this segment in the initiatives implemented. This will improve the country's integration into international markets. Likewise, mechanisms to benefit sub-regional integration should be strengthened, through standardised and collaborative programmes, with adequate follow-up.
- Improve information channels with SMEs on export procedures, including special programmes, simplified provisions and regulations, export training, export financing mechanisms, among others.
- Improve monitoring and evaluation mechanisms for programmes implemented by different agencies, with a focus on those aimed at enhancing e-commerce and quality standards, through measurable indicators and regular publication.
- Improve access and information for SMEs on certification as an AEO, establishing defined communication channels and differentiated benefits.

Dimension 8. Digitalisation

Brazil boasts an impressive array of public supports designed to facilitate SMEs' access to broadband connection, a crucial prerequisite for a robust digitalisation policy framework. However, weaknesses in monitoring and evaluation practices impact Brazil's Digitalisation dimension score, which, at 4.44, is above the regional average.

The nation has made significant strides in advancing its National Digitalisation Strategy (NDS), with a strategic focus on ensuring inclusive digital transformation, enhancing cybersecurity, and fostering a thriving digital economy. Spearheaded by the National Digital Transformation Secretariat, the strategy emphasises key pillars such as e-governance, digital infrastructure, and data-driven innovation. Brazil's forward-looking approach aims to leverage digital technologies for improving public services, enhancing government efficiency, and fostering economic growth. The strategy's holistic vision spans diverse sectors, aiming to create a digitally empowered society, contributing to a score of 4.33 in the National Digitalisation Strategy sub-dimension.

In the Broadband Connectivity sub-dimension, Brazil attains an impressive score of 5. The country has implemented ambitious initiatives to expand internet access, particularly in remote and underserved regions. Notable projects include the National Broadband Plan, which seeks to enhance internet infrastructure and affordability. Brazil's collaboration with International Organisations facilitates knowledge exchange, enabling the adoption of best practices in digital connectivity. Through partnerships with both public and private sectors, Brazil continues to enhance its connectivity landscape, ensuring citizens, regardless of their location, can fully participate in the digital era.

Similar to many Latin American countries covered in the study, Brazil's score of 4.00 in the Digital Skills sub-dimension is diminished by weak performance in the monitoring and evaluation component. Despite this, Brazil has implemented comprehensive programmes to enhance digital literacy, targeting diverse demographic groups. Initiatives such as the National Digital Inclusion Programme focus on equipping individuals with essential digital skills, fostering a digitally literate population. Moreover, Brazil's emphasis on education and training underscores its dedication to nurturing talent in emerging technologies. By integrating digital skills into formal education and vocational training, Brazil is laying the foundation for a skilled workforce capable of driving innovation and sustainable economic growth.

The Way Forward

In the future, the government of Brazil could consider:

- Strengthen monitoring and evaluation mechanisms for digitalisation policies, to for example, ensure the strategic impact of initiatives aimed at enhancing digital literacy among SMEs.
- Enriching its NDS by incorporating measurable targets, action plans, responsible entities, budgets, and timelines, fostering comprehensive implementation and dedicated SME Digitalisation Strategies within overarching plans.

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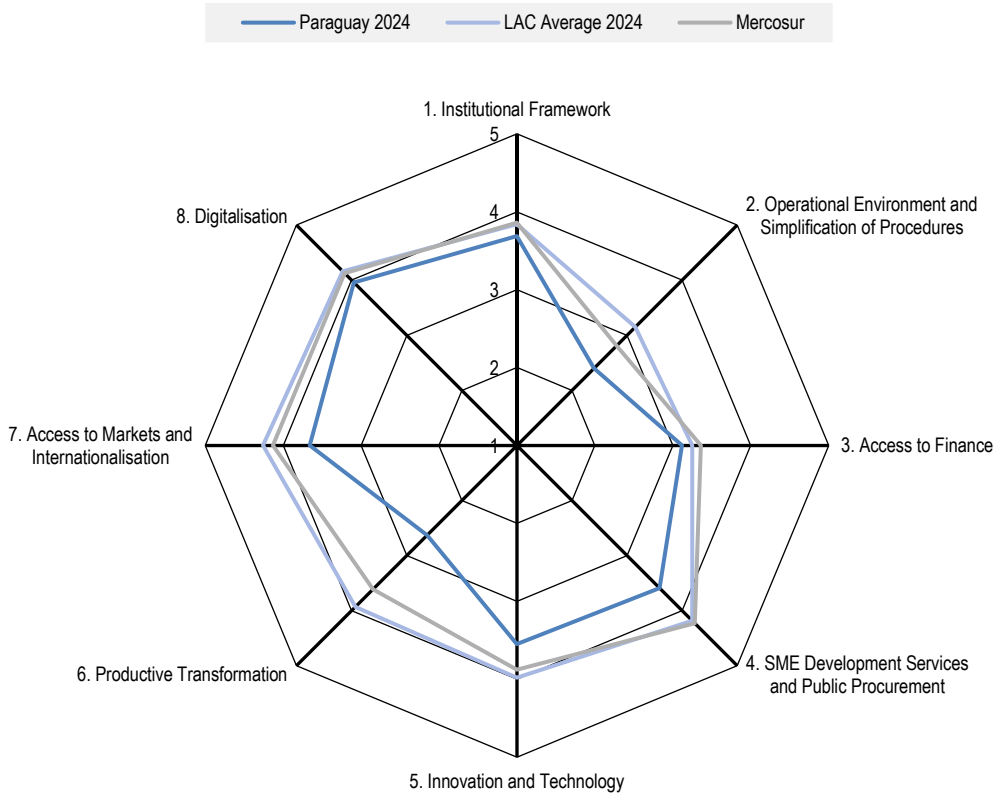
14 Paraguay

This chapter provides an assessment of Paraguay. It begins with an overview of Paraguay's context and subsequently analyses Paraguay's progress across eight measurable dimensions. The chapter concludes with targeted policy recommendations.

Overview

Figure 14.1. 2024 SME PI Paraguay's score



Note: LAC average 2024 refers to the simple average of the 9 countries studied in this 2024 report. There is no data for the Digitalisation dimension in 2019 as the 2019 report did not include this dimension.

Paraguay's first participation in the SME Policy Index assessment recognises the various efforts the country has made regarding SME development policy but identifies significant gaps across various assessment dimensions (see Figure 14.1). Since 2012, Paraguay has established a relatively well-defined institutional framework for SME policy, with a clearly assigned policy mandate and a practice of medium-term policy planning. However, weaknesses are evident in policy implementation, monitoring and evaluation, and policy coordination. Additionally, Paraguay is in the early stages of legislative simplification and regulatory reforms, which are crucial for enhancing its regulatory environment.

The completion and approval process for launching the third strategic plan for SME development presents an opportunity for Paraguay to enhance SME growth. This can be achieved by ensuring the plan includes quantifiable and time-bound objectives, along with a section on monitoring and evaluating the plan's impact and conducting an in-depth assessment of the quality of the operational environment for SMEs.

Taking these recommendations into account, along with others mentioned throughout the chapter, can enable Paraguay to create a conducive environment for SME development. This, in turn, could positively impact its performance across all dimensions and enhance the productivity of Paraguayan SMEs.

Context

Paraguay has demonstrated commendable economic performance since 2003, rebounding from a period of extended economic and political instability. The country has maintained an average annual real Gross Domestic Product (GDP) growth rate of 4.6%, achieved notable job creation at a rate of 2.8% per year, and successfully reduced poverty from 58% to 27% between 2003 and 2018 (OECD, 2018[1]). Thanks to its macro-economic stability, Paraguay experienced a minimal GDP contraction of 0.8% in 2020, the lowest in the region. Subsequently, it witnessed a robust 4.2% growth in 2021, driven by investments in public and private infrastructure, increased private consumption, and the alleviation of drought conditions (World Bank, 2022[2]). The effective containment of COVID-19 cases played a crucial role in facilitating economic recovery by enabling greater mobility and reactivation of various sectors, including services, industry, and construction (Ministry of Finance Paraguay, 2023[3]). However, in 2022, the Paraguayan economy slowed to a modest growth of 0.1%, influenced by the negative performances in manufacturing and construction, despite satisfactory results in agriculture, power generation, livestock, and services. The contraction in construction impeded GDP growth on the expenditure side, particularly in domestic demand due to investment contraction (CBP, 2023[4]). In 2023, the country experienced a GDP growth of 4.5%, primarily attributed to the positive impacts of agriculture and electricity production, with industry and services also exhibiting robust dynamism. Nevertheless, the contraction in construction continued to temper overall GDP growth. On the expenditure side, exports and imports of goods and services increased, aligned with a significant rise in re-exports and imports under the Tourism Regime (CBP, 2023[5]). The *Banco Central del Paraguay* (Central Bank of Paraguay, CBP) projects a GDP growth rate of 3.8% in 2024, anticipating an increase in domestic demand and favourable weather conditions (CBP, 2023[5]).

Paraguay witnessed an increase in inflation, aligning with global and regional trends. At the end of 2021, inflation reached 6.8%, up from 2.2% in 2020, primarily attributed to higher commodity prices. This surge was linked to the recovery of economic activity and global demand after the 2020 shock, surpassing the capacity of the supply response (CBP, 2021[6]). In 2022, the country experienced a further rise in prices, reaching 8.1%, driven mainly by increases in food and fuel prices, along with price hikes in the durable goods and services basket (CBP, 2022[7]). However, by 2023, inflation receded to 3.7%, influenced by decreases in fuel prices, tight monetary policy, the anchoring of inflation expectations to the medium-term target, and reduced pressures from food and energy commodity prices (CBP, 2023[5]). Looking ahead to 2024, projections suggest that, with a nearly closed domestic and external GDP gap and international interest rates beginning to narrow in the first half of the year, inflation is expected to oscillate around the lower end of the target range in the initial quarters of 2024. Subsequently, in the absence of further shocks, it is projected to gradually converge to 4% from the third quarter onwards (CBP, 2023[5]).

In 2021, Paraguay experienced a slight increase in open unemployment, reaching 6.7% of the population, with a higher incidence among women (9.4%) and in urban areas (8.2%). Although underemployment decreased, it disproportionately affected women (7%) and workers in rural areas (7.1%), linked to the adverse performance of the primary sector during the year. Moreover, only 21.7% of those employed contributed to social security, indicating a high level of informality. The informal employment rate reached 64.2% for workers in non-agricultural activities, rising to at least 74.7% in rural areas. By 2022, the unemployment rate decreased to 5.7%, with a higher share of women (NIE, 2022[8]). Informal employment remained high at 63% (NIE, 2022[9]). In 2023, the unemployment rate increased to 7.3%, primarily in urban areas (NIE, 2023[10]), while informality remained relatively stable at 65.5%.

The COVID-19 pandemic significantly impacted Paraguayan SMEs, with approximately 47.5% experiencing reduced employment capacity, 70% facing decreased sales, and 68.6% cutting back on investments (Sánchez, Sanabria and Paredes, 2021[11]) In response, the government implemented policies, primarily focused on providing credit support for SMEs. Despite the crucial role played by the SME sector, employing about 75% of the economically active population and constituting 97% of all enterprises, it faces significant productivity challenges (STPDES, 2020[12]).

Dimension 1. Institutional Framework

Paraguay has established a relatively well-defined institutional framework for SME policy since 2012. This includes an operational SME definition, a clearly assigned policy mandate, and a practice of medium-term policy planning. However, weak points are evident in policy implementation, monitoring and evaluation, and policy coordination in the fight against labour and enterprise informality, reflected in a score of 3.69 in this dimension.

The SME definition, which scores 4, has been set by Law N° 4.457 for micro, small, and medium-sized enterprises, approved in 2012. This definition is based on two parameters: the number of workers and total annual sales, with the latter considered determinant in case of doubt.

The institutional framework for SME policy, defined by the Law on SMEs approved in 2012, assigns SME policy to the *Ministerio de Industria y Comercio* (Ministry of Industry and Commerce, MIC). The law establishes a Vice-Ministry in charge of SME policy elaboration, coordination, and implementation, as well as the *Sistema Nacional de MIPYMES* (*National SME System*, SINAMYPIMES), with the mission of supporting the elaboration of policy actions for the development of small-scale enterprises, facilitating policy coordination, and promoting public-private dialogue. The law also defines the scope of SME policy and mandates the government to elaborate medium-term plans for SME development. The first *Plan Estratégico MIPYMES* covered the period 2018–2023. A new medium-term strategic plan is currently in the final elaboration phase for the 2024-2028 period.

The MIC is directly responsible for policy implementation, working in coordination with other relevant institutions in the field. In 2022, the implementation of the *Centro de Apoyos a Emprendedores* (Entrepreneurship Support Centers, CAE) began, followed by the establishment of the *Centros de Desarrollo Empresarial* (Small Business Development Centres, SBDC) in 2023. The CAE received support from technical cooperation funds provided by Chinese Taipei, while the SBDC received joint support from both Chinese Taipei and the United States. This is reflected in Paraguay's score for the sub-dimension of Strategic Planning, Policy Design, and Coordination, which is 3.70.

Furthermore, Channels for Public-Private Consultations (PPCs) are defined by the 2012 Law on SMEs, and consultations are conducted within the framework of SINAMYPIMES. The main event concerning PPCs is the annual meeting of SINAMYPIMES, where the government presents initiatives in support of SMEs and listens to representatives of SME associations. Since 2022, the government has started to conduct informal meetings with major SME associations, such as FEDEMIPYME, and technical meetings with a larger number of private sector organisations. Paraguay scores 3.51 in the sub-dimension of public-private consultations.

Despite measures to reduce labour and enterprise informality, the informal sector in Paraguay remains large. Data from the *Encuesta Permanente de Hogares Continua* (Continuous Permanent Household Survey, EPHC) 2017-2021 indicates that informal labour accounted for close to 65% of total employment in 2021. The National Development Plan aims for a significant reduction of the informal sector, with a target to formalise up to 90% of the economy by 2030. The main focus is on reducing informal labour, and the government implemented a labour formalisation strategy for 2018-2023. Positive results have been achieved, reflected in a score of 3.53 for this sub-dimension; however, policy coordination among the institutions fighting informality remains weak.

The way forward

- Complete the elaboration and approval process for launching the third strategic plan for SME development. Ensure that the plan includes quantifiable and time-bound objectives, along with a section on monitoring and evaluating the plan's impact.

- Involve SME representatives in the elaboration and implementation of the plan. Establish a formal framework for public-private consultations, such as creating an SME consultative council within the *Sistema Nacional Pymes*. Ensure that consultations involve representatives from all different types of enterprises and entrepreneur typologies, including young and women entrepreneurs, start-ups, and enterprises located in less developed areas.
- Conduct an evaluation of the measures implemented so far to reduce informality. Design a comprehensive strategy for the reduction of labour and enterprise informality, incorporating the results of the evaluation exercise. Integrate the plan to reduce informality into the next strategic plan for SME development.

Dimension 2. Operational environment and simplification of procedures

Paraguay is currently in the initial phases of developing legislative simplification and regulatory reforms, laying the groundwork for enhancing its regulatory environment. While challenges persist, such as the complexity of starting a business process and tax filing procedures, there have been strides in promoting e-government services to SMEs, indicating a positive trajectory in this dimension that scores 2.40. Although a comprehensive regulatory reform plan is lacking and Regulatory Impact Analysis (RIA) implementation is yet to be realised, the country's efforts demonstrate a commitment to streamlining regulations and fostering a more conducive environment for businesses.

Paraguay scores 1.90 in the Legislative Simplification and Regulatory Impact Analysis. The operational environment for SMEs in Paraguay is characterised by a combination of complex regulations and high administrative burdens. Furthermore, the process of legislative simplification and regulatory reform is at a very early phase, with less than 25% of the legislation related to business activity reviewed to date. Currently, there is no active plan for legislative simplification and regulatory reform, but proposals have been presented by the *Federación de MyPEs*, and the government is elaborating a reform plan. RIA is not applied, but the government is considering its introduction.

Starting a business in Paraguay is relatively complex. This is reflected in the 2.54 score for the company registration sub-dimension. Critical features include the time required (35 days) and the cost, amounting to 52.2% of the average annual income per capita, while the number of procedures is relatively contained (7 against a Latin America and Caribbean region average of 8.1). The most time-consuming procedure is related to the registration with *Sistema Unificado de Apertura y Cierre de Empresas* (Unified System for the Opening and Closing of Businesses, SUACE), a comprehensive registry coordinated by the MIC. According to the 2020 Doing Business report, registration with SUACE takes an average of 25 days. The high cost is due to the need to use notary services and the level of fees charged by the different administrations involved in the starting a business process.

Companies receive four identification numbers *Registro Único del Contribuyente* (Single Taxpayer Register, RUC); *Registro Patronal* (Employer Registration); Registro de Empresa (Company Registration), and Registro PyME (SME Registration), but the RUC number is the most relevant. An enterprise without the RUC and *Registro Patronal* numbers is not considered formal. Some registration procedures can be performed on-line, but only for *Empresas por Acciones Simplificadas* (Simplified Joint-Stock Companies, EAS). The EAS is a new legal entity designed with an entrepreneurial focus, enabling the lawful pursuit of lucrative activities in an organised and expedited manner. The main advantage is that it is processed entirely online and at no cost. The company's incorporation is completed within a maximum period of 72 hours.

On another note, filing and paying taxes in Paraguay represent a relatively complex operation, although not significantly worse than in many other Latin American countries. However, since late 2018, the first stage of the *Sistema Integrado de Facturación Electrónica Nacional* (National Integrated Electronic

Invoicing System, SIFEN) has been initiated. This involved a pilot programme where 14 companies were selected to issue the first electronic invoices. Presently, over 3,900 companies are already issuing their invoices electronically.

Starting from 2019, tax reforms have been implemented in Paraguay, resulting in a reduction in the number of taxes imposed on private enterprises- unification of several taxes. The reforms also aimed at simplifying tax-filing procedures and introducing a simplified tax regime for SMEs. However, according to the tax administration, not all SMEs are aware of this opportunity. Paraguay scores 2.5 in the Ease of filing taxes sub-dimension.

Finally, the development of digital government in Paraguay is at an intermediary stage, with a score of 2.83. The country obtained an Electronic Government Development Index (EGDI) of 0.6332 out of 1 and ranked 94 out of 193 countries in the UN 2022 E-government Survey. The Plan Nacional TIC 2022 al 2030 outlines strategic directions for the digitalisation of public administration in Paraguay. The Ministry of Technology, Information, and Telecommunications (MITIC) is responsible for coordinating the implementation of the plan. A dedicated electronic platform has been established to provide services to SMEs, reflecting the government's commitment to advancing digital initiatives in public administration.

The way forward

- Conduct an in-depth assessment of the quality of the operational environment for SMEs, followed by the development of a legislative simplification and regulatory reform medium-term strategy, in close consultation with the *Federación de MyPEs*.
- In parallel, the government should plan for the application of RIA on the most relevant new legislative and administrative acts. This involved identifying a public institution to serve as a coordinator and overseer of RIA applications, establishing a team of RIA specialists.
- Streamline company registration procedures and reduce associated costs.

Dimension 3. Access to finance

Paraguay achieves an overall score of 3.12 in the Access to Finance dimension slightly below the average for LA9 countries (3.25). It also scored 4.03 in the Legal, Regulatory and Institutional Framework sub-dimension, surpassing the regional average (3.46). This high score is mainly due to progress in securities market regulation and the development of the asset register, as well as a strong performance in the collateral weighting.

Regarding the percentage of collateral required for medium-term SME loans, the country's regulation is minimal. The regulatory and institutional development of the registry for tangible and intangible assets is average. Although a cadastre exists, it is not yet fully functional and is only accessible to certain groups, with partial online availability. The system for registering security interests in movable assets is operational, but the ownership of registered pledges is neither documented nor publicly accessible online.

On the other hand, the development of the legal framework for access to finance is driven by government provisions in the securities market. There is a legal framework to regulate the capital market for SMEs, including a separate section in the stock market for these low-capitalisation companies. However, there is no strategy to assist SMEs in meeting listing requirements.

Paraguay scores 4.15 in the Diversified sources of Enterprise Finance, below the regional average of 4.32. The country is notable for its Development Finance Agency (AFD), the government's second-tier bank, which offers credit lines for various purposes, including working capital for exports, although these credits are not differentiated by company size. Additionally, Paraguay has the *Red de Inversiones y Exportaciones* (Investment and Export Network, REDIEX), which provides funds to co-finance companies seeking to

export. In terms of guaranteed schemes, the country has the *Fondo de Garantía del Paraguay* (Paraguay Guarantee Fund, FOGAPY), aimed at providing guarantees and re-guaranteeing loans, leasing operations, and other financing mechanisms for SMEs.

However, Paraguay faces opportunities for improvement regarding microfinance schemes, as it lacks a legal framework, and microfinance services have developed mainly as pilot projects and self-sustaining initiatives. The country has legislation related to asset-based lending (ABL) systems, such as Law 6542/2020 "On Factoring, Negotiable Invoice, and Electronic System of Secured Transactions"; Law 1295/1998 "On Financial and Mercantile Leasing"; Law 215/1970 "On General Warehouses of Deposit," among others. Regarding crowdfunding, while bills and initiatives have been proposed since 2018, they have yet to be submitted or addressed as bills in the National Congress.

Furthermore, the financial education dimension in Paraguay scores 2.45. The country has a National Financial Inclusion Strategy and a National Financial Education Plan, recently updated with CAF's support and in the process of implementation, with a priority focus on SMEs. Additionally, financial capability surveys were conducted in collaboration with CAF in 2017 and 2022, in conjunction with the Ministry of Finance.

Finally, in the sub-dimension of Efficient procedures for dealing with bankruptcy, Paraguay scores 1.83, indicating a need to intensify efforts to improve its regulatory framework in this area. Although the country has laws and procedures for companies facing insolvency or bankruptcy, they do not meet international standards and have a low level of compliance. For autonomous and self-sufficient entities and public companies, the state has subsidiary responsibility; in such cases, a special law will be enacted to dissolve and liquidate the entity, and, if applicable, the processes of reorganisation and transformation into legal entities governed by the relevant norms of private law will be established and regulated, presenting certain limitations.

While there is an official bankruptcy register and a credit insolvency register, public access to the former is restricted. Furthermore, there is no automatic mechanism for exiting the bankruptcy register once full discharge is obtained, unlike the black credit list register when debts are settled. There are also no early warning systems to identify companies at risk of insolvency.

Regarding secured transactions, a legal framework has not been identified, indicating a need for improvement in this area. Regarding the prioritisation of tax debt payments in bankrupt companies, it is confirmed that these have priority and can be fractionated, as in the case of income taxes. However, there are no specific support mechanisms with training for companies that have undergone bankruptcy processes. The creation of the General Directorate of Public Registries, which includes the Pledge Registry, provides a legal framework for registering real guarantees of pledges on movable property. However, in practice, this registry should be more transparent, accessible, and less costly for interested parties, representing a significant area for improvement.

The way forward

- Strengthen the cadastre to make it functional, publicly accessible, and online, and promote the registry of security rights in movable assets to be accessible and online.
- Promote a separate section or stock market for small-cap SMEs.
- Develop a legal framework for micro-finance, encouraging the development of micro-finance initiatives beyond the pilot projects that have been developed in the past.
- Create a regulatory framework for alternative sources of business financing, such as crowdfunding, or the operation of seed capital funds, angel funds, and venture capital funds.

- Conduct financial capability surveys for SMEs in order to have updated information for the design of financial education programmes, as well as design and implement a follow-up, monitoring, and evaluation system for both policy and programmes.
- Strengthen its procedures for handling bankruptcy by implementing an official bankruptcy registry that is freely accessible to the public and has an automatic mechanism to remove firms from the registry when the situation is resolved, in line with international best practices. Implement an early warning system to prevent bankruptcies.
- Design training programmes for second chances, targeting individuals who have had their businesses go bankrupt.

Dimension 4. SME development services and public procurement

Paraguay debuts in the SME PI with a general score of 3.59, compared to the regional average of 4.18. The strongest performance is in the area of public procurement (4.60), with lower displays in entrepreneurial development services (3.35) and business development services (3.17).

The provision of business development services in Paraguay is framed by the first Strategic SME Plan 2018-2023, which prioritises entrepreneurship promotion, enterprise development, and business formalisation. The wider SME policy agenda is dictated by the SME Law of 2012 and implemented by the MIC and within the SINAMYPIMES (see Dimension 1. Institutional Framework). According to the information provided for this assessment, the SME strategy is linked to an action plan, but this lacks quantitative objectives and expected outcomes and impact. In addition, the strategic plan is not based on a thorough analysis of the needs and demand for BDS across the country. Furthermore, although the provision of BDS is funded, the independent assessment indicates that the resources are insufficient for the needs of the country and lack specific programmes in important areas such as high-growth enterprises. Funding for BDS is through a combination of domestic public resources, development banks, private sector initiatives, and international donors (e.g., EU, USAID, and Chinese Taipei).

Support for business incubators is also framed by international co-operation with Germany and Uruguay to strengthen the institutional capacities of service providers. In addition, the Paraguayan government implements programmes such as:

- A distance learning platform (PCD) developed in collaboration with the Ministry of Technology and Communications. The PCD provides SMEs and entrepreneurs with access to a variety of training courses on topics such as business management, marketing, and technology.
- Technology and innovation service centres (CST) in the textile, footwear, food, and dairy sectors. The CSTs provide SMEs and entrepreneurs with access to technical assistance and training on how to use new technologies and innovations to improve their productivity.
- Business support centres (CAE) in triple helix territories. The CAEs bring together public, private, and academic institutions to provide SMEs and entrepreneurs with information, training, and networking opportunities.

Public procurement is governed by the new Law 7021/2022, which replaces the previous 2003 law and allows for advancements in “sustainability, value for money, circular economy, revitalisation of strategic sectors, registration of suppliers and buyers, sanctions, disqualifying clauses and conflicts of interests.” The *Dirección Nacional de Compras Públicas* (National Directorate of Public Procurement, DNCP), through its Higher Technical Institute (ITS) provides courses on the new Law for public officials, businesses and the general public. Article 27 of the Law contains the *Programa Annual de Contrataciones* (Yearly Contracting Prorgamme, PAC), which lists goods, services, and works to be purchased by the state in a fiscal year. The PAC establishes measures for SMEs, including a set-aside of 20% for SMEs, a preference

for SMEs in small contracts, the possibility to open bids exclusively for small businesses, etc. Furthermore, according to the Open Contracting Partnership (OCP), the DNCP is using machine-learning to identify tenders that are most likely to be awarded to smaller businesses, publish those tenders in a "small-business friendly" section in a dedicated microsite, and providing help for SMEs to navigate the process of participating in procurement. The Law, however, does not stipulate sanctions or measures in case of late payments in public procurement.

The way forward

Overall, Paraguay demonstrates a solid performance in public procurement with a modern law and system but lags significantly behind in the provision of support services for SMEs and entrepreneurs. To address those areas, Paraguay could:

- Strengthen its strategic approach towards BDS and services for entrepreneurs and start-ups, particularly by undertaking comprehensive assessments of the barriers and challenges for small firms and designing BDS programmes accordingly, as well as defining with more precision the quantitative objectives of support services and their expected outcomes and contribution to impact.
- Implement programmes for high-growth and innovative enterprises and determine the financial needs for a more complete array of BDS. It is positive that support is funded with help of international donors, but the long-term sustainability of such model needs to be considered, as BDS should eventually be self-sustained through private sector provision.
- Further strengthen its public procurement system by integrating measures to ensure the timely payment for public contracts and penalties and sanctions for late payments.

Dimension 5. Innovation and technology

Paraguay has an overall score of 3.55 in the Innovation and Technology dimension. Its strongest performance comes from the Institutional Framework sub-dimension, for which the country has a score of 3.95. Paraguay's innovation strategy includes provisions addressing SMEs and entrepreneurs, including, for example, the creation of a public-private mechanism to finance innovative start-ups. The governing body for science, technology and innovation policies is the *Consejo Nacional de Ciencia y Tecnología* (National Council for Science and Technology, CONACYT), which is represented by a range of entities from the public, private, and academic sectors. CONACYT formulates and proposes policies and strategies to the national government and operates a number of innovation support programmes, such as the *Programa de Innovación en Empresas Paraguayas* (Paraguayan Business Innovation Programme, Proinnova) and the *Programa Paraguayo para el Desarrollo de la Ciencia y Tecnología* (Paraguayan Programme for the Development of Science and Technology, Prociencia).

Paraguay's lowest scoring sub-dimension is Support Services for Innovation at 3.02. This is underpinned by a relatively low availability of key innovation infrastructures such as science and technology parks and business accelerators. More positively, Paraguay scores highly in the monitoring and evaluation component of the Support Services for Innovation sub-dimension, and previous efforts by CONACYT to analyse the performance of innovation support services are to be commended. With that being said, these assessments do not appear to take place with a high degree of regularity, and methodological limitations mean that the causal impacts of the assessed programmes cannot be reliably determined.

Direct financing supports are available to SMEs, which cover the costs of individual or collective innovation projects, as well as the incorporation of innovation managers. Beneficiaries of these initiatives are required to contribute at least 20% of the project cost. Unlike most countries in the region, Paraguay does not have incentives within the tax system to promote research, development, and innovation. There is also an

absence of demand-side measures to stoke innovation, such as public procurement for innovation initiatives. Paraguay has a score of 3.69 in the Financing for Innovation sub-dimension.

The way forward

Paraguay could consider the following to strengthen support for SME innovation:

- Introducing a wider range of financing supports for innovation, for example R&D tax credits or public procurement for innovation schemes.
- Investing in strengthening the business incubator and accelerator system, including through the establishment of a public accelerator programme.

Dimension 6. Productive transformation

Paraguay obtains a score of 2.63 in the Productive Transformation dimension. While it demonstrates notable efforts in the sub-dimension of Productivity Enhancing Measures (3.24), its performance in the Productive Associations Enhancing Measures and the Integration into Global Value Chains sub-dimension impacts the overall score, highlighting areas for improvement.

As presented in the Institutional Framework sub-dimension, Paraguay has the Strategic Plan for SMEs 2018-2023. At the time of writing this assessment, it is in the final phase of the plan for 2024. However, similar to plans in other Latin American countries assessed, this plan faces challenges as it mostly constitutes a set of actions without specific goals, quantifiable objectives over time, or an allocated budget. Therefore, the new plan represents an opportunity to set ambitious goals for the upcoming period, along with monitoring and evaluation measures useful for assessing their impact.

Additionally, Paraguay has the National Employment Plan 2022-2026, focusing on increasing employability and labour productivity in its second axis, impacting SMEs. The Competitiveness Programme for SMEs, framed within the National Development Plan Paraguay 2030 and operated by the MIC - SMEs Vice Ministry, operates through calls with the goal of improving SMEs' productivity. The *MiPyMEs Compite* programme, a cooperation initiative of the European Union, supports SMEs in enhancing their competitiveness through quality, innovation, and responsible environmental management.

Paraguay scores 2.33 in the sub-dimension of Productive Associations Enhancing Measures, reflecting its early stage of development in this area. Currently, there is no public policy promoting or incentivising the formation of productive clusters. However, the country is collaborating with organisations such as SELA to explore the potential benefits of productive clusters for SMEs within the framework of the Productive Articulation for SMEs project.

Regarding industrial parks, the Law No. 4903/2013 on Industrial Parks includes provisions for promoting and granting benefits to industrial parks, including scientific and technological parks. CONACYT provides incentives through one of the instruments available under Proinnova.

Another area for improvement in Paraguay is encouraging the integration of SMEs into global value chains (2.40). While the SMEs Vice Ministry promotes participation in business rounds and connections with large companies for supply purposes, there is currently no government programme specifically supporting the integration of SMEs into global value chains.

The way forward

- Continue to assess the benefits and opportunities associated with implementing Productive Associations Enhancing Measures for SMEs and outline measures considering best practices from other Latin American countries.

- Use supplier development programmes to promote business linkages between local SMEs and MNEs, with a view to increasing the participation of SMEs in global value chains.

Dimension 7. Access to market and internationalisation of SMEs

Overall, Paraguay achieved a score of 3.66 in the evaluated dimension, placing it below the average. In the sub-dimension of Support programmes for internationalisation, it scored 4.22. According to Law 4457/2012, the Vice Ministry of SMEs within the MIC is the governing body for programmes targeting SMEs. The activation in 2021 of the General Directorate of Information and Internationalisation within the Vice Ministry of SMEs has enabled a focus on internationalisation activities.

The MIC offers a dedicated section on its website for the internationalisation of SMEs, providing technical advice, training, information on foreign trade, and links to partner programmes and institutions. Among the partnerships, the collaboration with DHL Express in the *PYMEXPORTA* Programme stands out, facilitating the export process.

REDIEX promotes local and foreign investments, supports exports, boosts the Paraguay Country Brand, and offers services such as exporter diagnostics and the design of co-financing projects. Additionally, Paraguay and the IADB signed Loan Agreement No. 3865 OC-PR in July 2017 for the "Business Development Services Support Project for Paraguayan Exporting Companies," aiming to increase and diversify exports by providing business development services and financing to exporting companies.

The *Exporta Fácil* programme simplifies the export process for SMEs through postal shipments, reducing bureaucratic procedures and logistical costs. Additionally, platforms like Paraguay Export facilitate the internationalisation and promotion of exports. These initiatives aim to promote the internationalisation of Paraguayan SMEs, facilitating their access to international markets and strengthening their global competitiveness.

In the sub-dimension of Trade facilitation, Paraguay scored 3.32. The country offers guides and advice to exporting SMEs, such as the "Exporter's Clock" document developed by MIC – REDIEX, detailing the 12 steps for exporting. It also provides tools like the "Exporter Diagnostic" to assess companies' export capacities. An initial step is to register as an exporter with the Foreign Trade Single Window (VUCE), an MIC initiative to facilitate export processes.

The *Comité Nacional de Facilitación del Comercio* (National Trade Facilitation Committee, CNFC), created by Decree No. 7102/17, brings together 27 public sector institutions and 17 private sector institutions to implement trade facilitation measures in line with the WTO Trade Facilitation Agreement.

Paraguay has established agreements to facilitate trade, such as the Letter of Intent with the Government of Chinese Taipei to strengthen the capacity of the SME Guidance System. Additionally, the Trade Agreement with Chile and the Mercosur Trade Facilitation Agreement promote cooperation and economic development, especially for entrepreneurs and SMEs.

Paraguay's customs service promotes safe and easy trade through the Authorised Economic Operator (AEO) Programme, which seeks to certify companies that meet security and transparency standards in their operations. However, to date, no SME has obtained Authorised Operator status.

Despite these efforts, Paraguay still faces challenges in trade facilitation, showing performance below the regional average in the OECD Trade Facilitation Indicators (TFI) like availability of information (PRY: 0.905; ALC: 1.467) and tariffs and charges (PRY: 0.923; ALC: 1.526).

In the sub-dimension of e-commerce use, Paraguay achieves a score of 3.72. E-commerce regulation is supported by Law No. 4868/2021, which sets standards for electronic transactions and designates the MIC as the enforcing authority.

In 2018, a loan contract for USD 130 million was signed for the "Support Programme for the Digital Agenda," led by the *Ministerio de Tecnologías de la Información y Comunicación* (Ministry of Information and Communication Technologies, MITIC), which aims to improve economic competitiveness and the quality of public services through investments in information technology.

In 2022, MITIC launched the "+digitales: Digital Extensionism for MIPES" programme, with support from the IADB and Koga Impact Lab, to promote the digital transformation of SMEs through technical assistance and financing for digital services. Additionally, MIC joined the Kolau Digitalisation Plan to digitalise 30,000 SMEs in three years, offering training and access to a free website creation platform, a plan that concluded in 2022. Recently, in April 2022, MIC and CAPACE signed a Framework Cooperation Agreement to train SMEs in e-commerce and conduct joint research and publication activities in this field.

In the sub-dimension of quality standards, Paraguay performed scores 4.31. The country has the *Organismo Nacional de Normalización* (National Standardisation Organism, ONN), which is responsible for developing, promoting, and disseminating useful standards for the community, in line with recognised international criteria. This organism officially represents Paraguay in international and regional standardisation bodies.

Within the SME Strategic Plan, quality, innovation, and technological development in SMEs are promoted as transversal objectives. Specific goals have been established to increase quality levels, establish a Quality Policy for SMEs, incorporate quality criteria in tourism and craft offerings, develop Quality Certification Centres, and train SMEs on quality practices.

In 2016, the Paraguayan Standard as a management model for SMEs was published. Additionally, the *MiPYME Compite* Programme, funded by the European Union, focuses on supporting SMEs to improve their competitiveness through quality, innovation, and responsible environmental management, benefiting 365 SMEs up to 2023. However, there is still no specific section for programmes and political initiatives that meet international quality standards.

Finally, in the sub-dimension of benefits from integration efforts, Paraguay scored 1.81. As a member of Mercosur, the country benefits from initiatives aimed at strengthening small and medium-sized enterprises. It also takes advantage of the trade agreements of the bloc with countries and regions such as Singapore, the Eurasian Economic Commission, Egypt, and others, as well as agreements with Associated States. At regional meetings, such as the Mercosur SMEs Meeting in May 2018, the importance of transparency and trade facilitation for the internationalisation of SMEs is discussed, as well as the need to maintain a common position on SME-related issues in international negotiations, as evidenced in the Agreement with the European Union.

The way forward

- Implement programmes that maximise the benefits of sub-regional integration, through cooperation and coordination between countries; as well as improve communication channels with SMEs on these benefits.
- Provide SMEs with more information and support on requirements, procedures, and processes to facilitate exports and their follow-up.
- Increase SME participation in training on the use of the Foreign Trade Single Windows, as well as AEO and other trade facilitation programmes.
- Improve mechanisms for compliance, monitoring and evaluation of standards for e-commerce activities, as well as programmes aimed at their growth.

Dimension 8. Digitalisation

Paraguay achieves an overall score of 3.96 in the Digitalisation dimension, with its most notable performance emanating from the National Digitalisation Strategy sub-dimension, where it secures a score of 4.80. Serving as the bedrock of the country's digital transformation initiatives, Paraguay's National Digitalisation Strategy is governed by the Coordination and Interoperability Committee for Electronic Government, established through Law No. 6.207/2018 and Decree No. 2145/2019. This strategy unfolds as a comprehensive roadmap with the ambitious National ICT Plan 2022-2030 at its core. Clear objectives outlined in this plan encompass the digitalisation of all state procedures, achieving 100% interoperability among government entities, and the digitalisation of services in municipalities and governorates. Progress is systematically monitored through annual reports that consider diverse demographic and geographic factors, ensuring Paraguay steadily progresses towards its digital aspirations.

Paraguay's dedication to digital inclusion is evident through its National Connectivity Strategy (ENCONEC). Aspiring to achieve 100% broadband coverage in both urban and rural areas, this strategy aims to connect every household and educational institution to broadband internet. Regular multi-stakeholder consultations involving network operators and regulatory authorities ensure a comprehensive approach to connectivity. Paraguay's commitment to enhancing its international connectivity capacity further emphasises its ambition to become a digitally connected global player. Despite this, Paraguay receives a score of 3.72 in the Broadband Connectivity sub-dimension.

Digital Skills constitute Paraguay’s lowest scoring sub-dimension, with a score of 3.36. Although not explicitly integrated into the national curriculum, digital skills training is provided at various educational levels. Initiatives to fortify these skills encompass teacher training programmes, enhancements in technical education, and specialised IT training for citizens and public officials. Furthermore, efforts are underway to promote digital literacy across citizens of all age groups, signifying Paraguay's commitment to empowering its population with the essential skills necessary to thrive in the digital age.

The way forward

Paraguay could consider the following to strengthen support for SME digitalisation:

- Bolster Paraguay's digital skills landscape by implementing a comprehensive digital skills policy. Emphasise the integration of digital skills into formal education, expanding initiatives from school curricula to adult education programmes.
- Establish targeted training programmes for SMEs, incorporating online resources and workshops.

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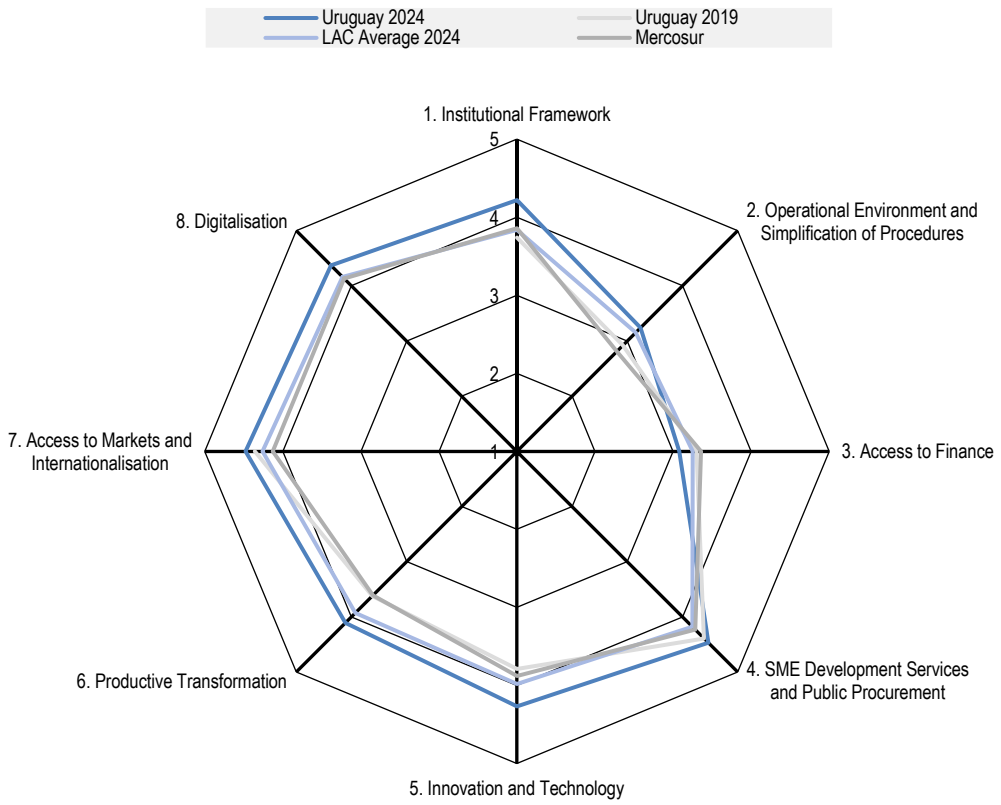
15 Uruguay

This chapter provides an assessment of Uruguay. It begins with an overview of Uruguay's context and subsequently analyses Uruguay's progress across eight measurable dimensions. The chapter concludes with targeted policy recommendations.

Overview

Figure 15.1. 2024 SME PI Uruguay's score



Note: LAC average 2024 refers to the simple average of the 9 countries studied in this 2024 report. There is no data for the Digitalisation dimension in 2019 as the 2019 report did not include this dimension.

Uruguay stands out with significant improvements in 6 out of the 7 dimensions evaluated in the 2019 edition, positioning itself above the regional average for LA9 countries, and showcasing its commitment to adopting previous recommendations. This progress is supported by a wide range of SME support services. At the same time, the country demonstrates a remarkable performance in the new Digitalisation dimension. However, key opportunities for improvement for Uruguay remain in the area of Access to Finance (Dimension 3), where the country could benefit from peer learning, as well as its monitoring and evaluation capacity to enhance the overall effectiveness of its policy interventions supporting SMEs.

Uruguay has a clearly assigned policy mandate, a medium-term development strategy for SMEs, an independent agency which works together with the the *Ministerio de Industria, Energía y Minería* (Ministry of Industry, Energy, and Mining, MIEM) for policy implementation, and effective mechanisms for public-private consultations. Nevertheless, it could review its SME development strategy (2020-2025) in light of the economic crisis triggered by the COVID-19 pandemic and the subsequent recovery phase in view of a new strategy. Going forward, Uruguay could further strengthen its SME development programmes and services to continue improving and become a top performer among LA9 countries.

Context

Within Latin America, Uruguay distinguishes itself with a high per capita income and low levels of inequality and poverty. Relatively, it boasts the largest middle class in the Americas, encompassing over 60% of its population (World Bank, 2022[1]). However, prior to the onset of the COVID-19 pandemic, the country's inclusive growth model began showing signs of decline. GDP growth, which stood at 4.6% in the first decade of the millennium, diminished to 0.8% in 2019, and poverty reduction had stagnated with indications of an increase in 2019 (World Bank, 2022[1]). In 2020, following 17 consecutive years of expansion, GDP contracted by 6.3% (ECLAC, 2021[2])Through a combination of factors such as a manufacturing boost, an early vaccination campaign, robust exports, and the country's social compact, the economy rebounded by 5.3% in 2021 (BCU, 2021[3]).The momentum persisted in 2022, with GDP growing by 4.9%, fuelled by significant investments in cellulose, paper, and wood pulp manufacturing by the Finnish company UPM-Kymmene Corporation, along with strong foreign trade performance in the first half of the year. However, economic activity declined in the latter half of the year due to a severe drought affecting agricultural production and exports, coupled with the completion of the UPM2 works. In 2023, the economy experienced a slowdown with 1.3% growth, primarily attributed to contractions in the agricultural, fishing, mining, electricity, gas, and water sectors, strongly impacted by the drought (BCU, 2023[4]).

Inflation reached 7.5% in 2023 and is projected to further decrease to 6.2% in 2024. Recognising signs of a slowdown, the *Banco Central del Uruguay* (Central Bank of Uruguay, BCU) became the first central bank in the region to lower the policy rate, reducing it by 0.25 percentage points to 11.2% at its April meeting. This adjustment followed a peak at 11.5%, starting from 4.5% in September 2020 when it was negative in real terms to mitigate the effects of the pandemic (BBVA, 2023[5]). The overall public sector deficit concluded 2022 at 3.2% of GDP and excluding extraordinary revenues from the *Fidecomiso de la Seguridad Social* (Social Security Trust Fund, FSS), it would have stood at 3.4%. This marked an improvement of 0.7 percentage points compared to 2021, representing three consecutive years of compliance with the target (BBVA, 2023[5]).

Regarding the labour market, in December 2021, the activity rate in Uruguay was 62%, the employment rate was 57.7%, and the unemployment rate stood at 7% (INE, 2021[6]). This represented a notable improvement of 4 percentage points in the unemployment rate compared to 2020, reaching pre-pandemic levels. Moving to December 2022, the labour market remained stable, with the activity rate at 62.7%, the employment rate at 57.7%, and the unemployment rate at 7.9% (INE, 2022[7]). The informality rate in 2022 was 20.5%, showing a decrease of 1.8 percentage points in year-on-year terms (CINVE, 2022[8]). In December 2023, the activity rate increased to 63.8%, the employment rate to 58.9%, and the unemployment rate to 7.8% (INE, 2024[9]).

Dimension 1. Institutional Framework

Uruguay stands out with a significant improvement in the institutional framework dimension, achieving a score of 4.22. This reflects the establishment of a relatively well-structured framework for SME policy, leveraging some of the recommendations from the 2019 SME PI. Key features include an operational definition of SMEs, a clearly assigned policy mandate, a medium-term development strategy for SMEs, an independent agency responsible for policy implementation, and effective mechanisms for public-private consultations. Additionally, Uruguay has successfully contained the size of its informal sector compared to other Latin American countries, attributed to the implementation of flexible tax regimes. However, there is room for improvement in Uruguay's monitoring and evaluation capacity to enhance the overall effectiveness of its policy interventions supporting SMEs.

The country achieves the highest score (4.7) in the SME definition sub-dimension among the LA9 countries, primarily attributed to methodological adjustments in the individual weighting values assigned to

the assessed elements. The current SME definition was established by Decree 504 issued in 2007 and is grounded in two parameters: sales and employment. Values are denominated in *Unidades Indexadas* (UI), subject to periodic adjustments aligned with the inflation rate. The definition incorporates an independence clause stipulating that an enterprise must not be under the control of a large enterprise to be classified as an SME. Furthermore, SMEs are required to register in the *Registro Pyme*, managed by MIEM, and renew their registration annually to confirm their SME status and access SME support programmes.

The SME policy mandate is entrusted to the MIEM, specifically the *Dirección Nacional de Artesanías, Pequeñas y Medianas Empresas* (National Directorate of Crafts, Small and Medium-Sized Enterprises, Dinapyme). Until 2020, SME policy objectives were outlined in two key strategic documents. The first document presented the strategic guidelines for 2015-2020 within the MIEM. The second significant document was the National Plan for Productive Transformation and Competitiveness (2017-2021), implemented by the inter-ministerial coordination system known as *Transforma Uruguay*. The plan aimed to foster the country's productive transformation, encompassing projects related to innovation, human capital development, attracting foreign direct investment (FDI), and supporting SMEs, such as the establishment of enterprise innovation centres. A new SME development strategy (2020-2025) has been crafted as part of the government plan.

Furthermore, the *Agencia Nacional de Desarrollo* (National Development Agency, ANDE), the *Agencia de Gobierno electrónico y Sociedad de la Información de Uruguay* (E-Government and Information Society Agency of Uruguay, AGESIC), and the *Instituto Nacional de Empleo y Formación Profesional*, (National Institute for Employment and Vocational Training, INEFOP) collaborated in 2022 to initiate a multi-year programme aimed at promoting enterprise digitalisation. This programme is backed by a USD 15 million loan from the IADB and is executed by ANDE, which is also responsible for implementing SME support programmes and delivering business services to SMEs. The *Agencia Nacional de Investigación e Innovación* (National Agency for Research and Innovation, ANII), manages innovation programmes and provides support to innovative SMEs.

The implementation of Dinapyme's programmes and tools are monitored on a regular basis, which produces a detailed annual activity report integrated into the MIEM annual report. These concerted efforts have contributed to Uruguay achieving a score of 4.23 in the sub-dimension of Strategic Planning, Policy Design, and Coordination, surpassing the score of 3.59 in the 2019 assessment, showcasing the positive strides the country is making in this area.

Furthermore, demonstrating progress, public-private consultations emerge as another sub-dimension with a notable score of 3.93. At citizen level, the government has established a digital public consultation platform managed by the AGESIC-*Gobierno Abierto* (Open Government). Additionally, each ministry conducts public consultations through their respective websites, as well as on the Open Government website.

At the enterprise level, private sector organisations are consulted during various phases of the elaboration and approval of legislative and regulatory acts. These consultations are conducted ad hoc, with invitations issued by the MIEM.

Finally, the informal sector in Uruguay is relatively smaller than in other Latin American countries, as the country was one of the first to systematically address the issue of labour and enterprise informality. This initiative began with the introduction of the *Monotributo* in 2007. According to the International Labour Organization (ILO), informal labour accounts for around 25% of total employment. Data on informal labour are regularly collected through the Continuous Household Survey. In addition to the *Monotributo*, the government has introduced several incentives to promote labour and enterprise formalisation. Dinapyme sponsors the organisation of workshops to encourage the formalisation of new enterprises and individual entrepreneurs (score for Measures to Tackle Informal Economy: 4.00).

The way forward

- Review the SME development strategy (2020-2025), considering the impact of the economic crisis generated by the COVID-19 pandemic and the subsequent recovery phase.
- Systematically collect data on the implementation of the SME Development strategy and various SME support programmes to enhance monitoring mechanisms and establish the basis for programme evaluations.
- Ensure regular consultation of SME representatives throughout all phases of SME policy, including design, elaboration, implementation, monitoring, and evaluation, encompassing all categories of enterprises.

Dimension 2. Operational environment and simplification of procedures

Uruguay faces a relatively complex operational environment for SMEs. The process of regulatory reform has slowed in recent years. While there has been some advancement in simplifying the process of starting a business and streamlining tax filing procedures for SMEs, several areas continue to be burdened by complex procedures and heavy administrative requirements. Notably, significant progress has been achieved in the development and provision of e-government services.

As indicated by a score of 1.87 the operational environment for SMEs in Uruguay is still marked by significant administrative burdens. Initial regulatory reform actions were conducted within the framework of the *Transforma Uruguay* plan. However, since the plan's completion in 2021, no new plan has been launched, and actions are taken only on a case-by-case basis. Regulatory Impact Assessment (RIA) is not systematically applied.

The process of starting a business in Uruguay is relatively simple and can be completed in a short time, requires a total of five procedures and is completed in 6.5 days. Upon registration, the new enterprise receives a single identification number that can be utilised across the public administration, the *Registro Único Tributario* (Single Tax Register, RUT) issued by the *Dirección General Impositiva* (General Directorate of Taxation). There is no One-Stop-Shop (OSS) in place, but instead, a system based on several windows operating in the same location. Online company registration is available through the *Empresa en el Día* platform, although it does not cover the entire registration process. Uruguay scores 3.48 in the Company Registration sub-dimension.

Furthermore, the administrative tax burden for SMEs is relatively light compared to other LAC countries, with a score of 3.48 in the sub-dimension of Ease of filing taxes. A notable aspect of the tax system is the high frequency of tax payments per year (20) and the relatively high rate of corporate taxes and social contributions on total profits (41.8%).

SMEs enjoy a reduced income tax rate initially. However, they encounter a significant tax rate increase when transitioning from the small-scale enterprise regime to a standard *Impuesto a las Rentas de las Actividades Económicas* (Tax on Income from Economic Activities, IRAE) tax regime. This transition occurs under two possible scenarios: (1) If an enterprise, which is taxed under the Small Business Value Added Tax (VAT), exceeds 305,000 UI in turnover, it then shifts to the IRAE regime. If the following year's turnover falls below the Small Business threshold, it can revert to the previous regime. (2) If an enterprise, taxed under the Small Business VAT, voluntarily opts for the general regime, it must remain in that regime for three years before reverting to the Small Business VAT regime.

Finally, Uruguay's best performance in the second dimension is on the e-government sub-dimension (4.70). The country has actively promoted the digital transformation of state administration and the development of e-government services for over a decade, achieving substantial progress in this area. One of the measures taken to streamline procedures has been to increase the exchange of files in digital format.

Uruguay ranked 35 out of 193 countries covered by the UN Electronic Government Survey, the highest in Latin America, with an E-Government Development Index (EGDI) of 0.85 out of 1.

The government has launched and implemented a series of Digital Strategies, with the latest one covering the period 2021-2025. The implementing agency is the AGESIC, located under the *Presidencia de la República de Uruguay*. There is already a good range of e-government services in place.

The way forward

- Consider launching a new programme of legislative simplification and regulatory reform, capitalising on the experience gained through the implementation of the *Transforma Uruguay* programme. In close cooperation with private sector organisations, the government should identify the areas that are most critical for the improvement of the operational environment and formulate a plan of action for reform.
- Take steps for the application of RIA on the most relevant new legislative and administrative acts. To proceed in this direction, the government should identify a public institution that could act as a coordinator and supervisor of RIA applications and form a team of RIA specialists.
- There is room for further simplification of company registration procedures. In this context, the government should consider establishing a network of One-Stop-Shops.

Dimension 3. Access to finance

Uruguay obtains an overall score of 3.08 in the Access to Finance dimension. It also achieves a score of 3.45 in the Legal Framework sub-dimension, slightly below the LA9 regional average. This result is mainly due to the development of the asset register and a high score in the collateral weighting, although it has a slightly lower score in the regulation of the securities market.

Compared to other LA9 countries, the regulation regarding the percentage of collateral required for medium-term loans to SMEs is relatively low in Uruguay. However, the country boasts a functional cadastre accessible to the public online. Furthermore, Uruguay has a fully operational registry of security interests in movable assets, which is partially available online, facilitating the documentation of pledge ownership. This system ensures that movable assets are widely accepted as collateral in the financial system, thereby providing additional avenues for SMEs to access financing.

Regarding the development of the legal framework for access to finance, there is no special regulation in the capital market for SMEs, although regulations on Simplified Issuances with Public Offering have been issued. However, there is no separate section or market in the stock market for these small-cap companies, and there is no strategy to help them comply with listing requirements.

In the sub-dimension of Diversified Sources of Enterprise Finance, Uruguay scores 4.40, reflecting its broad array of financial products available to SMEs. Particularly noteworthy is the facilitated access to commercial credit through the *Sistema Nacional de Garantías para Empresas* (National System of Guarantees for Enterprises, SIGA), which plays a vital role in supporting small entrepreneurs. Additionally, Uruguay benefits from the presence of several entities specialised in offering financial solutions to SMEs, providing access to multiple asset-based lending (ABL) instruments. Moreover, the country regulates alternative financing mechanisms, such as crowdfunding platforms, in accordance with the provisions of Law 19820 and the resolution of the *Banco Central del Uruguay* (Central Bank of Uruguay, BCU), thus integrating Fintechs into the regulatory framework.

In the Financial Education dimension, Uruguay has achieved a total score of 2.55, marking an increase compared to the 2019 edition. Unlike other LA9 countries, Uruguay does not have national financial inclusion and financial education strategies coordinated by a national committee. However, it does have

public policies at national level in these areas. Specifically, a national financial inclusion public policy has been developed and is led by the *Ministerio de Economía y Finanzas* (Ministry of Economy and Finance, MEF).

Moreover, Uruguay has a national economic and financial education programme led by the BCU, which involves agreements, conventions, and contributions from various national entities such as the public education system, the *Ministerio de Educación y Cultura* (Ministry of Education and Culture, MEC), the University of the Republic (UDELAR), the trade union center, and all public and private actors in the financial system. Although this programme is not specifically focused on micro-entrepreneurs, it serves to enhance financial literacy across the population. Recently, the BCU, with the support of CAF, conducted a survey in 2023 to measure financial capabilities.

In the sub-dimension of Access to Finance, which assesses the Efficient procedures for dealing with bankruptcy, and mechanisms to facilitate the productive reintegration of unsuccessful entrepreneurs, Uruguay scores 1.92 points. This performance, measured only in the policy design and implementation phase, is due to an underdeveloped regulatory framework, based on internationally accepted principles, which does not apply to state-owned enterprises.

Uruguay has an early warning system for insolvency and bankruptcy situations through the clearing of reports and the National Register of Legal Entities in the National Commercial Registry Section. In addition, there is the possibility of resorting to out-of-court settlements that are less onerous than declaring bankruptcy, through Private Reorganisation Agreements.

A noteworthy aspect in Uruguay is the existence of formal procedures for exemption from bankruptcy liability through the Bankruptcy Process Law number 18.837, which regulates exonerations from liability in specific cases, without establishing deadlines. It also provides for a formal procedure for bankruptcy and liquidation of companies, which includes the classification of fault and fortuitous.

When a company is declared insolvent, its details are stored in special registers that are not accessible to the public. Uruguay does not have a system of automatic removal of this information from all registers when the situation is remedied. Nor does it offer exclusive capacity building for entrepreneurs whose initial ideas did not prosper.

Uruguay has regulations for secured transactions that prioritise secured creditors in the liquidation of a bankrupt company. However, this regulation does not provide for secured creditors to seize their collateral after reorganisation, nor does it provide for certain restrictions to be respected when a borrower files for reorganisation, such as the consent of creditors. In addition, tax debts have priority over any other debts in bankruptcy.

The way forward

- Make the registry of security rights over movable assets fully operational and online.
- Promote special regulation in the capital market for SMEs, and disseminate it widely, promote a separate section or market in the stock market for SMEs, and establish a strategy to help SMEs comply with listing requirements.
- Facilitate assistance and training programmes for SMEs through available credit guarantee schemes. It could also promote the development of credit guarantee systems while encouraging the participation of the private sector in its management.
- Design a National Financial Inclusion Strategy (NFIS) and a National Financial Education Strategy with governance schemes that allow the coordination of policies and improve the effectiveness of programmes, as well as periodically conduct financial capability surveys for SMEs in order to have updated information for the design of financial education programmes. Similarly, design and implement a follow-up, monitoring and evaluation system for both policy and programmes.

- Strengthen the existing regulatory framework related to bankruptcy and insolvency policies according to internationally accepted principles and extend its application to state-owned enterprises (SOEs).
- Strengthen its procedures for handling bankruptcy by implementing an official bankruptcy registry that is freely accessible to the public and has an automatic mechanism to remove companies from the registry when the situation is resolved, in line with international best practices.
- Design and implement training programmes for second chances, targeting individuals whose businesses have gone bankrupt.

Dimension 4. SME development services and Public Procurement

Performance in SME development services and public procurement for Uruguay is solid, with a score of 4.47, above the regional average of 4.18. Key strengths are in entrepreneurial development services (4.71) and public procurement (4.60), with a slightly lower score in Business Development Services (4.19).

As in the 2019 assessment, Uruguay is one of the very few countries to implement a strategic approach towards the provision of business development services and support for startups and entrepreneurs. Those support services consider the wider national economic development and transformation goals as reflected in the SME development strategy 2020-2025 (see Dimension 1. Institutional Framework). The offer of Business Development Services (BDS), however, has not been based on the development of a detailed study of the needs of the SME sector, according to the responses to the questionnaire for this assessment.

The array of BDS and programmes for entrepreneurs comprises advice, trainings, subsidies, support in the obtention of quality certificates, internationalisation, commercialisation, design, energy, etc. Services are delivered by various institutions including the MIEM, ANDE, INEFOP, and the exports and investment agency, Uruguay XXI, among others. Services are also provided through a network of SME Centres across the territory (formerly known as the Competitiveness Centres). In addition, programmes exist to co-finance the provision of services by private sector providers. According to the questionnaire for this assessment, the funding is adequate for the BDS to achieve their objectives.

Public procurement is governed by a series of laws and regulations, including the *Texto Ordenado de Contabilidad y Administración Financiera* (Ordained Text of Accounting and Financial Administration, TOCAF), which establishes how the state should procure the goods and services it needs. The public procurement regime establishes that contracts above a certain size should be divided in lots, allows for the formation of consortia of SMEs, includes set-asides for SMEs and establishes framework agreements. The regulations, however, do not decree any penalties or measures to ensure timely payments in public procurement. Additionally, Article 43 of Law No. 18,362 of October 6, 2008, established the Public Procurement for Development Programme. Its objective is to employ special procurement regimes and procedures that promote the development of domestic suppliers and stimulate scientific-technological development and innovation.

As in the 2019 SME PI, Article 50 of TOCAF establishes the mandatory character of e-procurement. It notes that public administrations should publish their procurement offers (including their specific conditions, modifications, or clarifications) through the website of the *Agencia Reguladora de Compras Estatales* (Contracting and Purchasing Agency of the State, ARCE).

The way forward

In general, Uruguay continues to display a solid performance in this dimension, with some areas to work on going forward:

- Developing comprehensive diagnostics on the demand and offer of business development services across the country, so that the SME strategies can be better informed and targeted.
- Strengthening the public procurement system by introducing measures and penalties to ensure that payments are made on time.

Dimension 5. Innovation and technology

Uruguay's overall score of 4.27 in the Innovation and Technology dimension is the second highest in the LAC region. This is underpinned by strong scores across each of the three sub-dimensions. ANII is the primary implementing body for innovation programmes. ANII's board of directors include representatives from key ministries and the *Consejo Nacional de Innovación, Ciencia y Tecnología* (National Council of Innovation, Science and Technology, CONICYT), which represents an important tool for horizontal co-ordination of innovation policies. CONICYT, which is represented by private sector representatives, academia, and relevant government ministries, is responsible for preparing proposals for innovation policies and priorities. Since 2007, Uruguay's innovation strategy has historically been relatively broad in its focus. However, from 2023, an increased emphasis is being placed on advanced digital technologies, green tech, and biotech. These features of Uruguay's framework for innovation policy support a score of 4.29 in the Institutional Framework sub-dimension.

A key pillar of Uruguay's support services for innovation is the Uruguay Innovation Hub, which is led by ANII and a number of other government ministries and entities. The initiative seeks to establish a technology-based accelerator focused on promoting the internationalisation of Uruguayan start-ups, an innovation campus within the LATU Technology Park, and open innovation labs across the country. These measures would strengthen an already robust system of innovation support services and facilities, delivered through a range of programmes, incubators, and science and technology centres. Uruguay has a score of 4.23 in the Support Services for Innovation sub-dimension, which is the third highest in the region.

The non-financial innovation supports are complemented by a strong offering of financial support measures. Uruguayan SMEs can apply to ANII for funding to strengthen their internal innovation capabilities, for instance through the hiring of international experts, the use of consulting services, and spending time at technology centres or foreign universities and companies. There is also a public procurement for innovation scheme, through which public entities can identify challenges associated with improving their public services. However, it is reported that the complexity of the reglementation has reduced engagement. Another source of financing support for innovation is delivered through R&D tax credits. These appear to have strong uptake among SMEs, supported by pro-active outreach efforts through social media channels, business fairs, exchanges with business representative organisations, and the provision of information on ANII's website. This strong provision of financial support for SME innovation contributes to a score of 4.29 in the Financing for Innovation sub-dimension.

The way forward

- Engaging with public entities to raise awareness and buy-in across government on public procurement for innovation. These outreach efforts can be complemented by training and capacity building to overcome technical and legal skills gaps that can inhibit public entities from participating in public procurement for innovation.
- Conducting robust evaluations of current and planned initiatives of the Uruguay Innovation Hub. The introduction of these new initiatives provides a good opportunity to embed strong monitoring and evaluation procedures within the schemes from their inception.

Dimension 6. Productive transformation

Uruguay's commitment to enhancing productive transformation and strengthening monitoring and evaluation systems in this dimension is evident in its commendable score of 4.11, surpassing the regional average (3.93). Following the conclusion of *Transforma Uruguay* and its first strategic plan, evaluated during the 2019 assessment, Uruguay delineates its long-term strategy for Development 2050. Launched in 2019 after a thorough process with coordinated leadership from the Office of Planning and Budget (OPP) through the Directorate of Planning, one of these axes is specifically dedicated to sustainable productive transformation. However, despite these advancements, Uruguay's institutional environment, once simplified by *Transforma Uruguay*, remains complex. Notably, Uruguay's score for the sub-dimension of Strategies to enhance productivity (3.82) is bolstered by the establishment of the Industrial Productivity Monitoring Indicators System (SIMPI). This system aims to obtain total factor productivity measures by sector and is intended to be used for informed decision-making, as well as for proposing, executing, and evaluating public policies.

Furthermore, Uruguay has a long-standing experience with support programmes aimed at enhancing productive associations. Presently, ANDE oversees various initiatives, notably the SME Centres and the Associative Practices programme. SME Centres serve as hubs for supporting and advising SMEs in their development and growth. They play a crucial role in the framework of the Associative Practices programme, which seeks to support groups of SMEs from the same sector, value chain, or territory, with financial resources to implement joint actions.

In terms of industrial parks, the new regime, based on Law No. 19,784 and regulated by Decree No. 79/2020, introduces, for the first time in law, the concept of Scientific-Technological Parks, while maintaining the concept of Industrial Parks, and defining the Specialised Park modality. It facilitates more accessible rates or conditions for public services and establishes a regime of control and sanctions. Uruguay's positive shift is evident in reaching a score of 4.16 for the Productive Association-Enhancing Measures sub-dimension.

Finally, Uruguay excels in the Integration into Global Value Chains sub-dimension, achieving a score of 4.49, the highest among the LA9 countries. The UPM Supplier Development Programme aims to promote the integration of national suppliers and services into the value chain associated with the UPM Project. This initiative encourages the adaptation of the productive conditions of national companies, it is implemented by ANDE and falls withing the framework of the *Fondo de Innovación Sectorial* (Sectorial Innovation Fund, FIS).

The way forward

Uruguay could strengthen its commitment to fostering productive transformation by:

- Formulating a comprehensive action plan that spans various government sectors. This plan should articulate clear objectives, measurable indicators, and specific timelines to effectively guide the country's transformation initiatives. Drawing insights from successful models within the region, such as Colombia's CONPES 3866 Action Plan and Peru's Competitiveness Agenda.

Dimension 7. Access to market and internationalisation of SMEs

Uruguay stands out in the Access to market and internationalisation dimension, scoring 4.48. Its overall score is bolstered by its strong performance in the Support Programmes for Internationalisation sub-dimension, where it achieves a score of 4.50. This success is largely attributed to Uruguay’s robust policies and programmes in this area. The agency in charge of promoting investment, exports, and the country brand, Uruguay XXI, leads the strategy in this area, based on five key pillars:

- promoting internationalisation and business competitiveness;
- attracting productive foreign investment;
- generating strategic information;
- positioning Uruguay in the international arena; and
- improving the national business environment.

Uruguay XXI offers a comprehensive suite of tools and services to support the growth and diversification of Uruguayan SMEs, as well as the promotion of an exporting culture. These include advisory services on the export process, facilitating access to international markets, and organising trade promotion activities in collaboration with both public and private institutions. All these efforts are encapsulated within the Uruguay 2050 development plan, which prioritises international integration and export promotion, ensuring that the country's businesses are well-equipped to compete and thrive in the global market. Additionally, it maintains a constantly updated Exporters Information System.

In terms of financing for SMEs, the *Superintendencia de Servicios Financieros* (Superintendence of Financial Services, SSF) has developed an Action Plan for 2020-28, which includes measures to increase access to credit through sustainable guaranteed systems. Initiatives for financing through capital market have also been explored in coordination with ANDE and the stock exchanges. ANDE offers various financing programmes, such as *Crédito SOS PyMEs* and the *Fondo de Diversificación de Mercados* (Market Diversification Fund, FODIME), to promote exports. While Uruguay's main challenge lies in the monitoring and evaluation of its export promotion strategies, the country maintains a constant dialogue with the private sector to make informed decisions.

On the other hand, in the Trade Facilitation sub-dimension, Uruguay obtained a score of 4.35. Uruguay XXI, through its Export Promotion Department, provides a fundamental guide for SMEs starting their export process, offering practical guidance and quick consultation. In addition, the *"TUexporta"* programme facilitates exports by exempting the payment of taxes and duties for shipments up to USD 2000, streamlining customs procedures through the Foreign Trade Single Windows (VUCE). In November 2023 the One Stop Investment Shop (VUI) was launched. The National Customs Directorate provides certification as an Authorised Economic Operator (AEO). Despite the overall good performance, Uruguay is below the Latin American average in terms of trade facilitation-related procedures (LAC: 1,558; URY: 1,429) and documents (LAC: 1,591; URY: 1,333).

In the Use of e-commerce sub-dimension, Uruguay achieved a solid score of 4.46, reflecting strong performance in this area. The country has enacted Law No. 19210, which regulates electronic payments and provides a legal framework for the sector's development. Additionally, the Uruguay Digital Agenda 2025, aligned with the Sustainable Development Goals and other international initiatives, aims to promote digital transformation and empower SMEs to enhance their sustainability and competitiveness. Uruguay XXI supports e-commerce through the "E-Commerce Directory," facilitating access to information and resources for businesses to establish their online presence. Furthermore, Uruguay has Law No. 18331 on personal data protection (IMFO, 2008[10]), which led to the creation of the Regulatory and Control Unit of Personal Data, ensuring mechanisms for the protection of personal data rights.

In the quality standards sub-dimension, Uruguay achieved an outstanding score of 5.0. This high performance is attributed to the country’s strong institutional infrastructure in quality standards. Support for SMEs to improve their quality standards is integrated into most business promotion and development programmes. Various institutions are dedicated to training personnel in the implementation, evaluation, and improvement of quality management systems under international standards.

The Uruguayan Institute of Technical Standards (UNIT) plays a crucial role in this field, providing ISO-9001 certifications and training for the implementation of quality standards. In 2022, UNIT trained 4,921 individuals through over 300 courses, both in-person and virtual. Additionally, the Technological Laboratory of Uruguay (LATU), established in 1965, offers services oriented toward the production chain and supports

quality certification through industrial and agro-industrial analysis. The Uruguayan Accreditation Body (OUA) is responsible for accrediting national conformity assessment bodies.

Uruguay also achieved a notable score of 4.05 in the sub-dimension concerning the benefits of regional integration. The country excels due to its well-defined strategies through Mercosur and its trade policy, addressing aspects such as common nomenclature and tariffs, trade agreements, rules of origin, and special regimes. Information dissemination about the opportunities arising from sub-regional integration is conducted through institutional pronouncements, dissemination actions, and communication policies with citizens. Information is shared in dialogue and consultation instances with the private sector, and initiatives such as *"Exporta Fácil"* are promoted through its web platform.

General guidelines for sub-regional integration are outlined in the Strategic Plan for Foreign Policy 2020-2025, focusing on revitalising Mercosur's internal agenda and projecting towards the Pacific Alliance. The Directorate of Trade and Investment Promotion Intelligence (DIPCI) of the Ministry of Foreign Affairs plays a fundamental role in promoting exports and attracting investments. It participates in programmes for SMEs, organises trade missions abroad, and supports companies through the diplomatic network. A notable tool is the "Exporter's Route," developed by Uruguay XXI, which provides updated and free information on the steps in the internationalisation process for businesses.

The way forward

- Promote SME certifications as Authorised Economic Operators through differentiated and strategic support, establishing particular benefits and improving communication channels on benefits such as international trade facilitation, cost reduction, and improved supply chain security.
- Continue to strengthen and promote e-commerce as a strategic tool for exporters, through programmes that provide SMEs with knowledge and concrete tools for its implementation.
- Continue to improve the monitoring and evaluation mechanisms of the internationalisation programmes for SMEs implemented, highlighting the use of quantifiable indicators that allow the process of improvement to be accelerated.
- Strengthen the mechanisms for SMEs to access and benefit from the integration processes in which Uruguay participates, with defined and inter-institutionally articulated programmes.

Dimension 8. Digitalisation

Uruguay's overall score of 4.37 in the Digitalisation dimension surpasses the regional average in the LAC region, supported by robust scores in each of the three sub-dimensions. The country's National Digital Strategy, as outlined in the Agenda Uruguay Digital 2025 objectives, serves as a comprehensive roadmap, demonstrating Uruguay's commitment to digital transformation. This strategy places a strong emphasis on digital inclusion as a fundamental right, ensuring that all citizens can exercise their rights and responsibilities in the digital realm. Objectives such as improving digital competencies and skills across all educational levels, integrating digital education into formal curricula, and promoting digital citizen participation highlight Uruguay's dedication to cultivating a digitally literate society. These aspects contribute to Uruguay's score of 4.80 in the National Digitalisation Strategy sub-dimension.

Uruguay adopts a robust approach to connectivity, exemplified by a national digital policy based on the Uruguay Digital Agenda. This agenda encompasses initiatives for the development of digital policies executed by the Public Administration, with a vision for national reach, aimed at narrowing the digital divide. The plan involves extensive infrastructure development to improve coverage, service quality, and the deployment of new technologies, ensuring internet access even in remote areas. The success of this plan is attributed to effective public-private partnerships, which play a crucial role in establishing digital infrastructure. Additionally, Uruguay's commitment to the access of digital services is evident through

initiatives such as the virtual police station, providing citizens with 24/7 access to essential services. In the Broadband Connection sub-dimension, Uruguay achieves a score of 4.00.

Digital skills are a focal point of Uruguay's educational agenda, with the National Digital Strategy placing significant emphasis on integrating digital competence into the national curriculum. While digital competence is not yet part of the primary education curriculum, it is incorporated into vocational education and training. The strategy also prioritises lifelong learning, offering non-formal courses to enhance digital skills for the general population. Initiatives such as "Young People to Program" and various STEM education programmes actively promote women's participation, fostering gender inclusivity in digital education and careers. This substantial support for SME upskilling contributes to a score of 4.32 in the Digital Skills sub-dimension.

The way forward

Looking ahead, Uruguay could consider:

- Develop policies specifically tailored to address the unique needs and challenges of SMEs in the digitalisation process. This includes ensuring inclusive broadband access, especially in rural areas.
- Advocate for enhanced data transparency and standardisation of indicators to facilitate more accurate and comparable assessments of digitalisation progress across the region. This will provide a clearer picture of the impact of digital policies on SMEs and help refine strategies for better outcomes.

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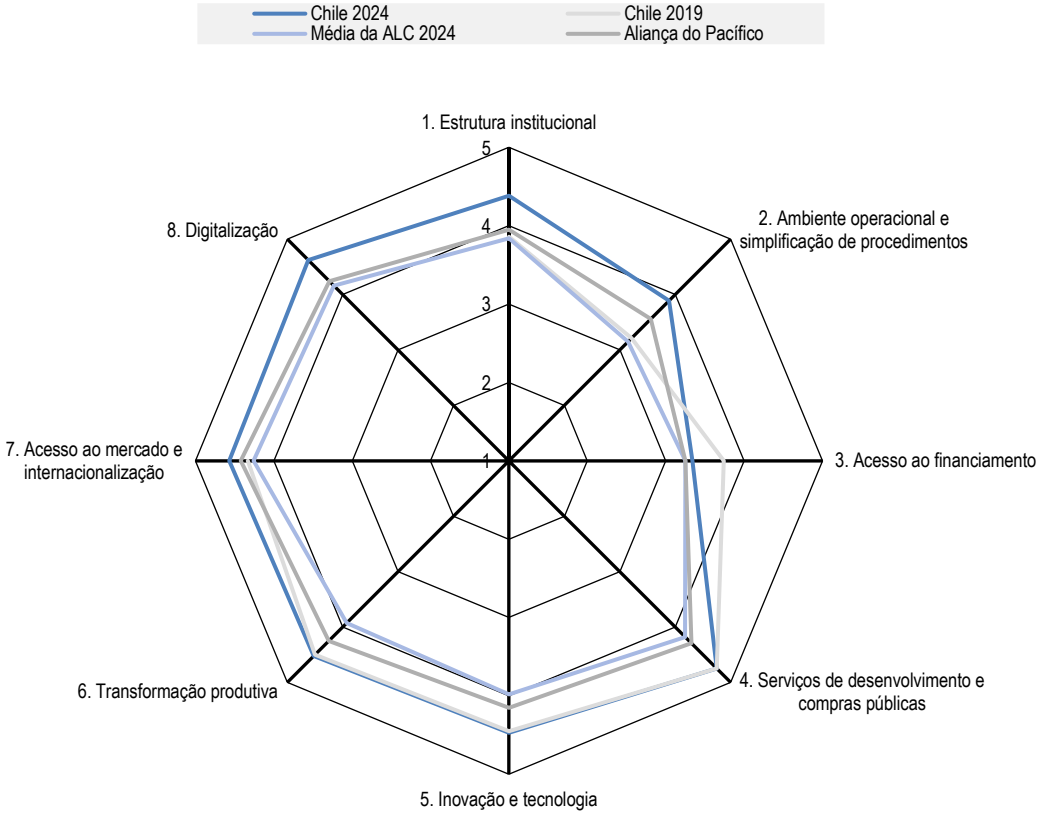
16 Chile

This chapter provides an assessment of Chile. It begins with an overview of Chile's context and subsequently analyses Chile's progress across eight measurable dimensions. The chapter concludes with targeted policy recommendations.

Overview

Figure 16.1. 2024 SME PI Chile's score



Note: LAC average 2024 refers to the simple average of the 9 countries studied in this 2024 report. There is no data for the Digitalisation dimension in 2019 as the 2019 report did not include this dimension.

Chile demonstrates top performance in this second SME Policy Index assessment (see Figure 16.1), ranking as the leading LA9 performer in all dimensions except for Access to Finance (Dimension 3). This success is attributed to an advanced framework for SME policy, which includes clear mandates for policy formulation and oversight, a relatively robust operational environment, and a wide array of SME support services available across all dimensions.

However, Chile could benefit from the elaboration and approval of the new SME strategic development plan that incorporates advanced monitoring and evaluation mechanisms. Prioritising the integration of policy actions to support SME digital transformation within this framework could be a key focus moving forward. Additionally, as will be further detailed throughout this chapter, Chile could develop a more comprehensive innovation strategy that includes detailed proposed policy actions, responsible implementation entities, timelines, objectives, key performance indicators, and targets.

Context

Chile witnessed a steady recovery in 2021, recording a GDP growth rate of 11.9% (OECD, 2024[1]) as it rebounded from the impacts of the COVID-19 pandemic. Key drivers of this growth included increased

consumption fuelled by pension fund withdrawals, direct fiscal support, and the nation's rapid vaccination campaign (World Bank, 2022[2]) However, in 2022, the economy decelerated to 2.5. Output is projected to grow by 2.3% in 2024 and 2.5% in 2025 (OECD, 2024[3]).

Inflation has receded since reaching its peak in 2022, driven by a gradual resolution of macroeconomic imbalances. During 2021-2022, the Central Bank steeply increased its policy rate (from 0.5% to 11.25%). This played a central role in moderating consumption and narrowing the output gap, consequently leading to a decline in inflation. The recovery in household disposable income, driven largely by the process of inflation convergence, will continue to support this performance (CBC, 2023[4]). Inflation will converge to the 3% target in mid-2025 (OECD, 2024[3]).

The recovery in the labour market has been gradual, with 60% of the jobs lost in 2020 being recovered by 2021 (World Bank, 2022[2]). By 2023 the employed managed to surpass pre-pandemic levels by maintaining a significant gap (500,000 people) with respect to the trend. The unemployment rate remains at higher levels than before the start of COVID-19. However, in this case, the economic slowdown has an important influence (Bastidas and Vergara, 2023[5]).

The SME sector in Chile, comprising 98.6% of all enterprises, has been particularly impacted by the pandemic and subsequent macro-economic disruptions. Among these enterprises, 75.5% are micro-enterprises, 20.2% are small enterprises, and 2.9% are medium-sized (OECD, 2022[6]). Despite their numerical dominance, large firms (1.5% of total enterprises) contribute significantly to total sales, comprising 86.9%, while SMEs account for only 13.1% (OECD, 2022[7]). Chile's solid institutional framework, along with recent government efforts, has enabled a more integrated approach to SME recovery. The government has implemented various measures to support the sector, including initiatives to boost investment, develop infrastructure, streamline bureaucratic procedures, and promote innovation (Ministry of Economy, Development and Tourism Chile, 2023[8]).

Chile's business environment presents significant opportunities, driven by its integration into foreign trade, favourable regulatory conditions, and credit market conditions. The country has established 31 economic-trade agreements covering 65 economies globally, representing 88% of the world's GDP and providing access to a potential market of more than 5 billion people worldwide (SUBREI, n.d.[9]).

Dimension 1. Institutional Framework

Chile has established an advanced framework for SME policy, with clear mandates for policy elaboration and supervision assigned to the *Ministerio de Economía, Fomento y Turismo* (Ministry of Economy, Development, and Tourism). Policy implementation is delegated to two specialised agencies *Corporación de Fomento de la Producción* (Production Promotion Corporation, CORFO) and the *Servicio de Cooperación Técnica* (Technical Cooperation Service, SERCOTEC) with substantial operational autonomy.

CORFO's mission is to promote investment, entrepreneurship, innovation, and competitiveness. Established in 1939 with the mandate to implement the country's industrial policy, the agency manages a series of investment and R&D incentives, as well as a credit guarantee fund open to all classes of enterprises. CORFO is governed by a collegial body chaired by the Minister of Economy, Development, and Tourism, and composed of representatives from other ministries and two independent members nominated by the President of the Republic. The agency has a total staff of over 1000 and offices across the country.

SERCOTEC, established in 1952, has a mission to provide training and technical assistance programmes to micro and small enterprises and new entrepreneurs. Like CORFO, it has a network of regional offices, and its total staff consists of 240 units. Both agencies enjoy significant operational autonomy and receive adequate funding. Additionally, CORFO has its own monitoring and evaluation department.

In addition to well-defined mandates for policy formulation and oversight, the country has demonstrated effective practices in public-private consultations and has implemented measures to reduce labour and enterprise informality. This commitment is reflected in its overall score for the SME Institutional Framework dimension, which stands at 4.38.

Chile's SME definition which scores 4.5 has been established by Law 20.416 and adopted in 2010. This definition encompasses micro, small, and medium-sized enterprises and relies on two parameters: annual sales and employment. Sales values are expressed in *unidades de fomento* (support units), an accounting unit adjusted in line with inflation. The SME definition is widely used throughout the public administration.

In the Strategic Planning, Policy Design, and Coordination sub-dimension Chile's performance remains robust, with a score of 4.56. The mandate for SME policy is assigned to the Ministry of Economy, Development, and Tourism, specifically to the Directorate for Small Enterprises within the Sub-secretariat for the Economy as outlined in the 2010 Law on SMEs. The same law also established the *Consejo Nacional Consultivo de la Empresa de Menor Tamaño* (National Consultative Committee for Small Scale Enterprises), composed of the seven most representative trade associations in the country, together with representatives of local governments (municipalities), higher education institutions, and non-governmental entities (NGOs) with a mission to promote entrepreneurship.

The strategic directions of SME policy are incorporated in the *Chile Apoya Plan 2022-2023*, which covers the recovery phase from the economic crisis generated by the COVID-19 pandemic. The plan, developed in collaboration with the private sector, is in its final implementation phase. Simultaneously, a Strategic Development Plan for SMEs has been in the works since 2023. Developed in partnership with the trade associations comprising the Advisory Council of Smaller Companies, this initiative aims to establish consensus on strategic objectives guiding the design and execution of public policies, fostering the sustained growth of SMEs over the medium and long term.

The Ministry of Economy, Development, and Tourism has identified digitalisation as a key priority, alongside the enhancement of services for entrepreneurs and investors provided by the two main implementation agencies, CORFO and SERCOTEC, and the registration of informal enterprises. The Ministry, in collaboration with CORFO and SERCOTEC, has recently launched a programme called *Digitaliza tu PyME* which seeks to promote digital transformation in SMEs and reduce the digitalisation gap between large and small-scale enterprises.

Furthermore, Chile has a well-established practice of Public-Private Consultations (PPCs), as reflected in its score of 4.33 for this sub-dimension. The law recommends that public deliberations related to the introduction of new legislative acts, policy plans, and programmes should undergo public consultations. Typically, a period of 15 days is allocated for public consultations, and each ministry has its own digital consultation platform.

The *Consejo Nacional Consultivo de la Empresa de Menor Tamaño* (National Consultative Committee for Small Scale Enterprises) serves as the primary consultation channel for SMEs. Chaired by the Minister of Economy, Development, and Tourism, the council meets several times per year, and private sector representatives have the authority to propose legal acts and policy measures for discussion.

Finally, for the sub-dimension of measures to reduce informality, Chile receives a score of 3.94. Despite a significant growth in employment and business opportunities over the last decade, labour and enterprise informality remains high. In 2021, it was estimated that one in four jobs were informal. The government has prioritised the reduction of labour and enterprise informality and has implemented various measures. These include the strengthening of the *Registro de Empresas y Sociedades* plataform, aimed at simplifying company registration, *PyME Ágil* to reduce administrative burdens on small-scale enterprises and expedite the issuance of local business licenses, and the programme *Formalízate* implemented by SERCOTEC, which is a competitive fund that supports the formalisation and start-up of new businesses with the opportunity to participate in the market, financing a work plan aimed at implementing a business project.

This is complemented by workshops on formalisation conducted by the *Centros de Desarrollo de Negocios* (Business Development Centres) to encourage the registration of informal enterprises.

The way forward

- Finalise the elaboration and approval of the new SME strategic development plan, incorporating advanced monitoring and evaluation mechanisms. Additionally, integrate policy actions to support SME digital transformation within the framework of the new strategic development plan.
- Ensure ongoing consultations with representatives of young entrepreneurs and start-ups, and design support measures implemented by SERCOTEC and CORFO to encompass all types of enterprises with growth potential.
- Evaluate the measures introduced to reduce informality, assess their impact over time, and draw lessons for the next policy phase.

Dimension 2. Operational environment and simplification of procedures

The operational environment for SMEs in Chile is reasonably functional, with the country obtaining a score of 3.89, the highest among the assessed Latin American countries. Procedures are relatively simple, and the administrative burden is lighter than in other Latin American countries. Chile is making progress in the application of Regulatory Impact Analysis (RIA) and in the provision of government services. Although procedures for filing and paying taxes remain relatively complex, a comprehensive tax reform is under implementation. Currently, Chile does not have a medium-term legislative simplification and regulatory reform plan in place but has adopted a case-by-case approach.

The country began taking steps to introduce the use of RIA in 2017, with the issuance of Presidential Instructive No. 2. This directive instructed economic ministries to conduct RIAs focusing on the impact of new legislative or regulatory acts on productivity during the approval process. The methodology, called Productivity Impact Assessment, was in line with standard RIA methodologies.

In 2019, Presidential Instructive No. 3 further promoted the application of RIA, and a RIA manual was developed by the General Secretariat of the Presidency (SEGPRES), the body responsible for supervising RIA application. While RIA is not yet systematically applied, there is a legal obligation to conduct RIAs for all major legal and regulatory acts, and all RIA reports are made public. However, there is no specific RIA SME test requirement.

Law No. 20.416, approved in 2010, establishes that all laws and regulations affecting SMEs must be subject to a simple impact evaluation. These changes are reflected in Chile's score of 4.00 for the Legislative Simplification and Regulatory Impact Analysis sub-dimension, which is higher than its performance in the 2019 assessment.

Furthermore, the company registration process in Chile is relatively well-structured, with a score of 4.20. The new enterprise receives a single identification number issued by the tax administration, the *Rol Único Tributario* (Unique Tax Number, RUT), valid for all interactions with the public administration. One-Stop-Shops are in place, and it is possible to conduct the company registration procedures online through the *Registro de Empresas y Sociedades* platform. Following a recent evaluation, company registration procedures have been further simplified.

In the sub-dimension of ease of filing taxes, Chile obtains a score of 3.22. SMEs in Chile have to deal with a relatively complex tax regime. While the number of tax payments per year and the tax and social contribution on total profits are below the OECD average, the number of hours for tax filing and paying taxes in a year (256) is significantly higher than the OECD average (158.8).

Nevertheless, a comprehensive tax reform is under implementation. Among other measures, it includes the introduction of a VAT regime on the sale of services. The reform maintains a special tax regime for SMEs and establishes a new tax regime for startups and for enterprises that go through the formalisation process, with incentives to facilitate the transition from the special SME tax regime to the standard corporate tax regime.

Chile has started to develop e-government (score: 4.20) services with the launch of the Digital Agenda 2020 in 2015. The policy direction for the digitalisation of government services has been set by Ley N°21.180 de *Transformación Digital del Estado* (Digital Transformation of the State). A particular focus has been assigned to promote interoperability across the data banks managed by different public administrations. The function of policy coordination is performed by the Digital Government Division of SEGPRES.

The range of e-government services is evolving and currently covers tax-filing, data reporting, and company registration procedures. Assistance in the use of e-government by SMEs and to promote digital transformation is provided by the platform *Digitaliza tu PyME*.

The way forward

- Undertake regulatory reform in areas where it exhibits relative weaknesses. To develop a focused regulatory reform and legislative simplification agenda, an in-depth assessment of the business environment should be conducted, utilising methodologies such as the OECD regulatory reform tools.
- Consider formally implementing an SME RIA test to better assess the impact of new legislation and regulations on different categories of SMEs.
- Complete the implementation of the tax reform and monitor the effective tax rate imposed on different types of SMEs as a result of the reform.

Dimension 3. Access to finance

Chile scores 3.34 in the Access to Finance dimension, slightly above the regional average. In the Legal Framework sub-dimension, Chile achieves a score of 3.28, standing out for its solid development in asset registration and securities market regulation. However, it shows lower performance in the area of guarantees for SMEs. The country has advanced regulations and institutionalisation concerning the registration of tangible and intangible assets, with an accessible online registry system for the public and an online registry of movable property rights. However, movable property as collateral is accepted only by some banks or large borrowers.

Regarding the securities market, there are regulations for SMEs and government provisions to facilitate compliance with listing requirements. However, certain types of securities offerings are not considered public and are therefore exempt from certain information and oversight obligations. Nevertheless, the absence of a specific securities market for low-capitalisation SMEs negatively impacts this aspect. Moreover, one of the challenges facing Chile in this area relates to the terms of guarantees required for medium-term loans aimed at SMEs. The high percentage of required collateral represents a significant obstacle for these enterprises.

Chile ranks fifth in the alternative sources of financing indicator, scoring 4.49, distinguished by its robust framework covering all recommended elements. The country offers a wide range of competitive and diversified financial products, with specific support programmes for SMEs seeking international expansion.

Among these programmes are coverage for bank loans to exporters, such as CORFO's COBEX, operated by both banking and non-banking institutions. Also relevant are refinancing programmes, managed by non-banking financial institutions, setting limits on interest rates for factoring.

The *Fondo de Garantía para Pequeños Empresarios* (Small Business Guarantee Fund, FOGAPE) stands out, providing bank guarantees to facilitate access to credit for small businesses with limitations on their credit lines or lacking the collateral required by commercial banks. Furthermore, the granting of digital financing with digital guarantees is promoted.

In addition to these initiatives to improve access to traditional banking, Chile has a microfinance system that includes nationwide institutions and a variety of alternative asset-based financing sources, crowdfunding, and private equity investment tools. The Fintech Law (Law No. 21,521, 2022) is a prominent example in this field, promoting competition and financial inclusion through innovation and technology in the provision of financial services.

Chile leads in financial education for SMEs with a score of 3.75 points. The country has conducted financial capability surveys in collaboration with CAF and the OECD, as well as financial literacy assessments among 15-year-olds as part of OECD's PISA evaluations.

The country also has a *Estrategia Nacional de Educación Financiera* (National Financial Education Strategy, ENEF) approved at the end of 2016. The ENEF includes action plans for financial education programmes for SMEs and entrepreneurs, with institutions such as CORFO, the *Servicio Nacional del Consumidor* (National Consumer Service, SERNAC), and *BancoEstado* offering comprehensive programmes covering accounting modules, business planning, and access to financing information. Financial education is included in the secondary school curriculum as a mandatory subject for all students, and training courses are provided for teachers. The *Comisión del Mercado Financiero* (Financial Market Commission, CMF) has established guidelines on financial education for supervised entities, aligned with international best practices.

Chile shows a significant lag in public policies related to corporate bankruptcy and insolvency compared to other countries in the Pacific Alliance regional bloc, with a score of 1.83 in LA9. Although it has a regulatory framework and procedures for insolvent companies, these need further development to align with international standards. Key areas for improvement include the implementation of early warning systems and the facilitation of less onerous out-of-court settlements. Additionally, existing laws do not apply to state-owned enterprises (SOEs).

Finally, while the legal framework for secured transactions exists, it has opportunities for improvement. For instance, allowing secured creditors the ability to seize their collateral after reorganisation and ensuring that creditor consent is obtained for reorganisation processes are crucial steps. These improvements could strengthen the business environment and improve Chile's standing in this area.

The way forward

- Promote that movable assets are accepted and used as collateral by the entire financial system. Review downward the weighting of collateral for medium-term loans to SMEs.
- Promote a separate securities section or market for SMEs with low capitalisation.
- Design and implement a National Financial Inclusion Strategy (NFIS) and establish governance and coordination mechanisms between the NFIS and the ENEF.
- Periodically conduct a survey to measure SMEs' financial capabilities in order to have timely information on their needs for effective programme design.
- Strengthen the existing regulatory framework related to bankruptcy and insolvency policies including the development of early warning mechanisms.

- Promote other out-of-court mechanisms for bankruptcy cases that can be more cost and time efficient for the parties.
- Establish an automatic mechanism, which removes companies and individuals from official bankruptcy and insolvency registers when the situation is resolved, in line with international best practices.

Dimension 4. SME development services and public procurement

Chile is the top performer in this dimension, with a score of 4.75. The highest performance is registered in the business development services sub-dimension (4.80), and public procurement services (4.80), followed by entrepreneurial development services (4.67). Back in the 2019 evaluation, Chile also registered the highest performance in this dimension, which points to a strong SME policy consistency over the years.

The delivery of business development services for SMEs is contemplated in the National Programme of Government 2022-2026, which prioritises the economic recovery from the pandemic and the development of the capacities and competitiveness of SMEs and co-operatives. Key areas of action identified include access to finance, markets, and innovation, improving enterprise capabilities, supporting co-operatives, and supporting workers. The programme, however, does not provide details on specific measures, targets, and responsibilities for the provision of BDS to address those areas, at least in its publicly available version. The publication of such details is necessary to understand the priorities, actions, and targets of SME policy in general and BDS in particular, as well as how SME policy objectives link to the wider national development and transformation ambitions.

As in 2019, various agencies are devoted to the support of different types of SMEs, including CORFO for innovative and high-potential businesses, SERCOTEC for the provision of training and financing of more traditional businesses, the Instituto de Desarrollo Agropecuario (Institute for Agricultural Development, INDAP) for agricultural businesses, and Pro-Chile for internationally oriented firms. Those agencies also provide targeted services for entrepreneurs and start-ups. For example, CORFO sponsors incubators, accelerators, and technology centres in collaboration with private sector actors whereas SERCOTEC works through private consultants (*Agentes operadores*) in the provision of its programmes. This contributes to the development of a market for BDS in the private sector and the long-term sustainability of the support, as opposed to models purely dependent on state institutions and funded by public resources, debt or international aid. In addition, Chile has a functional system to track the participation or the reach of beneficiaries from its programmes and provides general information for entrepreneurs on how to create a firm, what procedures and authorities need to grant approvals, and what private organisations provide support to entrepreneurs. Other measures aimed at facilitating SME participation in public procurement include a mechanism allowing for the simplification of low-value tenders (*Compra Ágil*) and a mandate to comply with strict payment deadlines of no more than 30 days, reflected in Law 21.131, which helps to prevent the unlawful financing of government activities through SMEs.

As noted above, Chile continues to have a performing public procurement system facilitating the participation of SMEs in this important market. As in the 2019 edition of the SME PI, the legal framework for public procurement is provided by the Public Procurement Law (*Ley de Compras Públicas*) 19.886 of 2003, which establishes the rules and procedures for the procurement of goods, services, and works by public entities. The law is administered by the Directorate of Procurement and Public Works (*Dirección de Compras y Contratación Pública* or *Chile Compra*) and foresees the possibility, but not the obligation, to break tenders that surpass a given value into smaller lots and hence facilitate SME participation in bidding processes. The law also allows for the formation of consortia of SMEs to participate in joint bidding but does not permit or mandate set-asides or quotas for SMEs in public procurement. In mid-2023, Law No. 21.634 was enacted, modernising Law No. 19.886 and other legal frameworks with the objective to enhance the quality of public expenditure, elevate standards of integrity and transparency, and introduce

principles of circular economy. This modernisation also aimed to promote the participation of SMEs in public procurement by facilitating agreements with regional organisations to enhance SMEs' access to public procurement processes, as well as local suppliers and women-led businesses. It sought to enhance differentiated pricing for SMEs' entry into the Supplier Registry in *Compra Ágil* and strengthen and formalise the concept of *Unión Temporal de Proveedores* (Temporary Union of Suppliers, UTP) as a mechanism for joint participation in tenders.

In addition, Chile does not impose pre-qualification requirements for firms to participate in public procurement (e.g., minimum levels of revenue, guarantees, and deposits to participate in tenders, qualifications, etc.). According to the government responses for this assessment, the approach in Chile is to actively favour SME involvement in public procurement, and to remove any barriers that may prevent their participation due to their size. Chile undertook an assessment of the main barriers facing small firms in public procurement and devised measures to address those barriers, which include the large size of contracts, a limited knowledge of procedures, a lack of capacity and time to prepare bids, excessive bureaucracy, late payments, high qualification requirements, etc.

Chile has a fully-fledged electronic procurement system through *Chilecompra.cl*, which comprises the publication of all relevant information and the management of the different stages of the procurement process. It also includes information on how to use the system and comprises a registry of suppliers that facilitates the participation of bidders in various processes. The use of the electronic platform is mandatory for all agencies and processes.

Overall, Chile displays a strong performance in this dimension, with a diversity of services and initiatives for the development of SMEs, entrepreneurs, start-ups, and their participation in public procurement opportunities. It is not very clear, however, how the different measures under this dimension relate to the National Development Programme 2022-2026 and its broad objectives including the recovery from the pandemic and the achievement of a sustainable and inclusive development model.

The way forward

- Explicitly identify how BDS and services for entrepreneurs link to the National Government Programme 2022-26 and how specific actions and responsible actors operate to advance the objectives stated in the Programme.
- The above includes specifying how key agencies and initiatives such as CORFO, SERCOTEC, Start-Up Chile, Pro-Chile, and others, advance the national strategic objectives on SMEs and entrepreneurship.

Dimension 5. Innovation and technology

Chile has an overall score of 4.47 in the Innovation and Technology dimension. Chile's strong performance is driven predominantly by excellent financing supports for innovation, as well as its wider network of support services and innovation infrastructure.

There is a large number of entities involved in the delivery of innovation supports in Chile, including CORFO under the Ministry of Economy, Development and Tourism, the Chilean *Agencia Nacional de Investigación y Desarrollo* (National Agency for Research and Development, ANID) under the Ministry of Science, Technology, Knowledge, and Innovation, and the *Fundación para la Innovación Agraria* (Foundation for Agricultural Innovation, FIA) under the Ministry of Agriculture. This amplifies the importance of having an institutional framework with structures that facilitate inter-governmental co-ordination. This is achieved in Chile through the inter-ministerial committee of the *Consejo Nacional de Ciencia, Tecnología, Conocimiento e Innovación para el Desarrollo* (National Council of Science, Technology, Knowledge, and Innovation for Development, CTCI). The CTCI's 2022 National Strategy of Science, Technology,

Knowledge, and Innovation for Development identifies the need for technological upgrading and digitalisation within SMEs, and it presents a number of initiatives to promote SME innovation. Importantly, the private sector was consulted during the development of the strategy, as stipulated by Law No. 20 500, and there are formal records of the inputs received during these consultations. However, the strategy does not include measurable targets, which inhibits future monitoring and evaluation efforts to determine its effectiveness. It also lacks implementation timelines for specific actions. These factors contribute to a score of 4.34 in the Institutional Framework sub-dimension.

Furthermore, Chile excels in the provision of supports for SME innovation, with a score of 4.35 in the Support Services sub-dimension. CORFO is active in this area, including through the promotion of the CTeC Technology Park and the operation of the Start-Up Chile public business accelerator. CORFO also hosts a registry of incubators for innovative start-ups on its website. Again, stakeholder consultation is a strength for Chile, with SMEs having been formally engaged through consultations and surveys in order to identify their innovation policy needs.

Chile has a score of 4.72 in the Financing for Innovation, which is by some margin the highest in the LAC region. A large number of financing supports are available for SMEs to help them to innovate, including grants, vouchers, and co-financing instruments implemented by CORFO via *InnovaChile*. There are also financing programmes that target specific groups, including the *Expande* programme for high-growth enterprises and the *Capital Abeja Emprende* programme, which targets women. R&D tax credits are also available, with a high uptake among SMEs. Chile also conducts regular monitoring and independent impact evaluations of its financing supports for innovation, which sets it apart from most other countries in the LAC region. One potential gap in the policy support framework is the absence of demand-side measures to support innovative SMEs. In other countries, public procurement for innovation schemes have been an effective tool for stimulating demand for innovative SMEs' products or services.

The way forward

Going forwards, Chile could consider:

- Introducing a public procurement for innovation programme, to provide another source of potential funding for innovative firms.
- Elaborating the innovation strategy to include further detail on proposed policy actions, with responsible implementation entities, timelines, objectives, key performance indicators, and targets.
- Ensuring the CTCI is represented by all public entities with responsibility for the design or delivery of innovation policies.

Dimension 6. Productive transformation

Chile obtains the highest score among the LA9 countries in the Productive Transformation dimension, reaching a score of 4.52. This notable performance is propelled by the SME-focused axis of the Productivity Agenda unveiled in 2023. Chile registers an improvement in the scores of the first two-sub-dimensions and a decline in the integration into global value chains sub-dimension compared to its 2019 results. This decline is primarily due to methodological changes detailed in the assessment's methodology section, but which also highlights a great opportunity to improve monitoring and evaluation systems.

Chile's Productivity Agenda stands as a well-coordinated collaborative initiative involving the Ministry of Finance, the Ministry of Economy, Development and Tourism, and the Ministry of Labour and Social Security, in conjunction with various business associations and the country's primary workers' organisation. This joint effort materialises through the implementation of 40 measures encompassed in nine axes, one of which prioritises the productivity of SMEs. This prioritisation involves promoting measures to streamline

administrative processes the redesigning of the *Digitaliza tu PyME* programme and the broadening of the *PyME Ágil* platform. Chile's commitment to creating strategies to enhance productivity is reflected in its 4.75 score for the first sub-dimension, surpassing the regional average and their performance in the 2019 assessment (4.52).

Chile excels in the measures to improve productive associations sub-dimension boasting a score of 4.84. This is attributed to the ongoing implementation of *the Programas Estratégicos de Especialización Inteligente* led by CORFO, which were in their initial phase of implementation at the time of the 2019 assessment. These programmes emerged from a collaborative effort between the public and private sectors and feature a sophisticated and multi-faceted monitoring and evaluation system based on IADB recommendations. They leverage CORFO's programmatic offerings to stimulate the creation of networks, promote innovation, and enhance competitiveness in enterprises. Furthermore, since 2015, SERCOTEC, drawing inspiration from international experiences and fostering strong public-private coordination tailored to the Chilean context, has spearheaded the Strengthening of the *Programa de Barrios Comerciales*. The primary objective is to enhance the commercial offer and urban environment of commercial neighbourhood through collaborative efforts. This involves providing technical support and financing for investment aimed at reinforcing associativity and improving the commercial offerings of SMEs. The programme seeks to elevate the identity and communication of the neighbourhood, enhancing safety, sustainability, and urban infrastructure. Since its inception, the programme has made significant strides, reaching a third of the country's municipalities.

There is some room for improvement with respect to the Integration into Global Value Chains sub-dimension, where Chile scored slightly lower at 4.12. While Chile demonstrates commendable performance in the thematic blocks of Planning and Design, coupled with the implementation of this sub-dimension, these achievements are somewhat overshadowed by the comparatively limited efforts of its new programme in Monitoring and Evaluation. Chile's well-established and long-standing *Programa de Desarrollo de Provedores* (Supplier Development Programme, PDP) serves as an exemplary model with robust monitoring and evaluation frameworks. Meanwhile, recent endeavours to promote support programmes for the integration of SMEs into global value chains, including the pilot programme *Pymes Globales*, showcase Chile's commitment to evolving strategies. Initiated by SERCOTEC and building on the 2021 version *Orgullo Chileno*, this programme aims to propel SMEs to expand their sales channels and take initial steps towards internationalisation. It offers a 10-month advisory and specialised technical assistance programme to position the company in international marketplaces, accompanied by co-financing for promotional materials. While the programme is only in its second call for applications, Chile's score could be enhanced by reinforcing monitoring and evaluation practices and conducting reliable assessments of the impacts of the *Pymes Globales* programme.

The way forward

- Chile has showcased notable progress since 2019, but there is room for further improvement in its monitoring mechanisms. Strengthening existing efforts could involve establishing KPIs with well-defined lines of action and objectives. This enhancement is particularly pertinent when assessing the impacts of initiatives like the *Pymes Globales* programme.

Dimension 7. Access to market and internationalisation of SMEs

Chile has achieved a notable score of 4.57 in the Access to Markets and Internationalisation dimension, reflecting its efforts to boost the foreign trade of Chilean SMEs through well-formulated policies and specific measures on issues such as trade facilitation, e-commerce, and quality standards.

Regarding internationalisation policies and programmes, Chile has scored 5.0, indicating satisfactory compliance in the design, implementation, and evaluation of programmes. The agency ProChile, responsible for promoting exports and investments, has played a crucial role in this aspect since its autonomy in 2019. Through ProChile, policies aimed at supporting Chilean companies in promoting and diversifying their exports are coordinated and implemented, with special attention to exporting SMEs and priority sectors such as audiovisual arts, energy efficiency, and seafood.

ProChile programmes, such as "*ProChile a tu medida*" and "*Global X*", are designed to enhance competitiveness and accelerate SME participation in the international market. Additionally, training and financing opportunities are offered to enhance international businesses, with competitive funds and specific programmes according to the sector and stage of the companies in their export process.

In terms of promotion and financing to boost international businesses, both ProChile and CORFO offer a wide range of programmes and activities to support the internationalisation of Chilean companies. ProChile provides funds for activities such as international fairs, trade missions, and establishing offices abroad. Meanwhile, CORFO provides financing through programmes such as COBEX, Associative Network, and CORFO SMEs Credit, facilitating credit operations, leasing, and factoring. These initiatives aim to boost the success of companies in international markets.

In 2022, ProChile achieved significant coverage of continuous and intermittent exporters, generating a significant impact on employment. Although activities are monitored, there is still lacking information about the impact of implemented programmes. ProChile has also established feedback mechanisms from the private sector, including satisfaction surveys and regional export councils, demonstrating a comprehensive approach to the needs and concerns of Chilean companies in the international arena.

In the trade facilitation sub-dimension, Chile stands out with a score of 4.73, surpassing the LA9 average. ProChile provides export guides called "*Exporta paso a paso*," while the *Subsecretaría de Relaciones Económicas Internacionales* (Undersecretariat for International Economic Relations, SUBREI) develops export and import manuals updated according to current International Trade Terms. Additionally, the National Customs Authority, along with ProChile, offers workshops on the benefits and procedures of Authorised Economic Operator (AEO) certification. The single window "SICEX" ensures interoperability of agencies involved in the import and export process, and Chile benefits from its membership in the Inter-American Network of Single Foreign Trade Windows of the IADB (REDVUCE). Although Chile generally exceeds or matches the LA9 average performance in Trade Facilitation Indicators (TFI), it is below the overall OECD average performance in all TFI indicators (1.46 vs. 1.67, respectively), especially in appeal procedures and cooperation among border agencies.

In the e-commerce sub-dimension, Chile scored 4.17. In 2022, the "Digital Agenda 2035" was launched, addressing seven fundamental axes for long-term digital development. Although previous digital agendas were implemented, they lacked a solid and continuous strategic framework beyond presidential cycles. Although there is no website to monitor its implementation, data from the Santiago Chamber of Commerce indicates that 50% of SMEs used e-commerce in 2023, representing 37% of their total sales.

In January 2021, the Electronic Commerce Regulation was approved to strengthen transparency and quality of information on e-commerce platforms. Additionally, the Consumer Rights Law establishes a regulatory framework for consumer protection online. On the other hand, ProChile implements the "E-commerce Export" programme to boost sales and exports through digital channels. It offers guidance, training, and consultancy to companies to enter and position themselves in key international digital channels. This programme includes market research, training on marketplaces, logistics, and digital marketing, and an implementation stage with the support of an e-commerce accelerator.

In the quality standards sub-dimension, Chile scored 4.31. CORFO administers the Quality Promotion Programme (FOCAL), which supports the incorporation of management standards in SMEs. In 2022, this programme supported 87 companies with a disbursement exceeding USD 300 thousand. The Chilean

Agency for Food Quality and Safety also assists SMEs in creating and reviewing quality standards, subsidising the application of these norms.

ProChile's training programmes also promote product improvement and management protocols. However, monitoring and evaluation efforts in this area are limited to counting the number of beneficiaries and the budget invested, without performance or impact indicators currently available. Private sector consultations for policy formulation are conducted through specific business associations.

Finally, in the sub-dimension on the benefits of LAC integration, Chile scored 3.91 points. The Multilateral Regional Integration Division of the Ministry of Foreign Affairs coordinates the country's foreign policy. Its participation in the Pacific Alliance (PA) stands out, where it is part of the "SME Technical Group," focusing on projects on trade facilitation, business development, and public procurement. During the XIII AP Summit in 2018, the Global Value Chains and Productive Linkages Committee (CCGVyEP) was created, aiming to promote productive linkages among member countries. Through the committee, business matchmaking platforms are promoted, such as CORFO Connect.

The way forward

To strengthen Chile's performance in dimension 7, Chile could consider:

- Improving the monitoring and evaluation of policies implemented in the medium- and long-term. This will allow better adjustments to programmes, as well as better design of new ones. In addition, the publication of these evaluations could serve as a guideline for each programme.
- Expand programmes and activities focused on scaling up SME operations through digital channels. This will favour the growth and consolidation of local and cross-border e-commerce.
- Generate greater dissemination of the benefits available to SMEs in the various programmes and policies to support internationalisation. This includes digital platforms, business intelligence, logistics, cross-border e-commerce, trade fairs, among others.
- Move forward with the implementation of programmes for the certification of a greater number of SMEs as AEO.
- Enhance the benefits of sub-regional integration through trade promotion and SME internationalisation programmes, standardised, and with interoperability of the different export promotion agencies of the Pacific Alliance.

Dimension 8. Digitalisation

Chile achieves an overall score of 4.62 in the Digitalisation dimension. The driving force behind Chile's robust performance lies primarily in its outstanding National Digitalisation Strategy, coupled with its broadband connectivity infrastructure and digital skills initiatives.

Chile is rapidly advancing its digital landscape through a comprehensive National Digitalisation Strategy (NDS), serving as a blueprint to leverage technology for the betterment of citizens' lives. The NDS places significant emphasis on supporting small businesses, streamlining government services, and providing digital literacy education. It underscores Chile's commitment to fostering an inclusive digital society, highlighting the importance of digital governance to ensure accessibility to government services irrespective of location or background. By implementing efficient digital solutions, Chile enhances the overall quality of public services, drives economic growth, and empowers its people. These factors contribute to an impressive score of 4.80 in the National Digitalisation Strategy sub-dimension, surpassing the regional average.

Chile excels in providing digital infrastructure, earning a score of 4.33 in the Broadband Connection sub-dimension. Through its Zero Digital Divide Plan, Chile is ambitiously working to bridge the digital gap, ensuring even remote areas have internet access to promote social inclusion and economic development. The government invests in building a robust digital infrastructure, facilitating seamless connectivity across the country. Additionally, recognising the importance of reliable and affordable internet access in education, Chile provides schools and educational institutions with high-speed internet. This initiative enriches the learning experience and prepares students for the digital future.

In the Digital Skills sub-dimension, Chile boasts a score of 4.73. Empowering citizens with digital skills are a cornerstone of Chile's digital transformation efforts. Schools nationwide integrate technology into their curriculum, equipping students with essential digital skills from an early age. Adult education programmes help older generations adapt to the digital world, ensuring broad participation in the digital economy. Chile's focus on digital education extends beyond formal settings, with the government collaborating with non-profit organisations to organise workshops and training sessions in local communities. These initiatives aim to enhance digital literacy among adults, enabling them to access online services, apply for jobs, and connect with others in the digital sphere.

At the same time, the *Digitaliza tu Pyme* programme is a noteworthy example of Chile's efforts to enhance and assess the digital maturity of SMEs in the country. The programme provides a diverse array of events, workshops, training sessions, and tools. It also establishes a network of partners aimed at fostering the adoption of digital technologies, particularly focusing on SMEs.

The way forward

Going forwards, Chile could consider:

- Establishing a framework for continuous feedback and improvement in digital skills policies, ensuring they are aligned with the evolving needs of SMEs.
- Encouraging public-private partnerships to enhance digital infrastructure, with a focus on supporting SMEs in both urban and rural areas.

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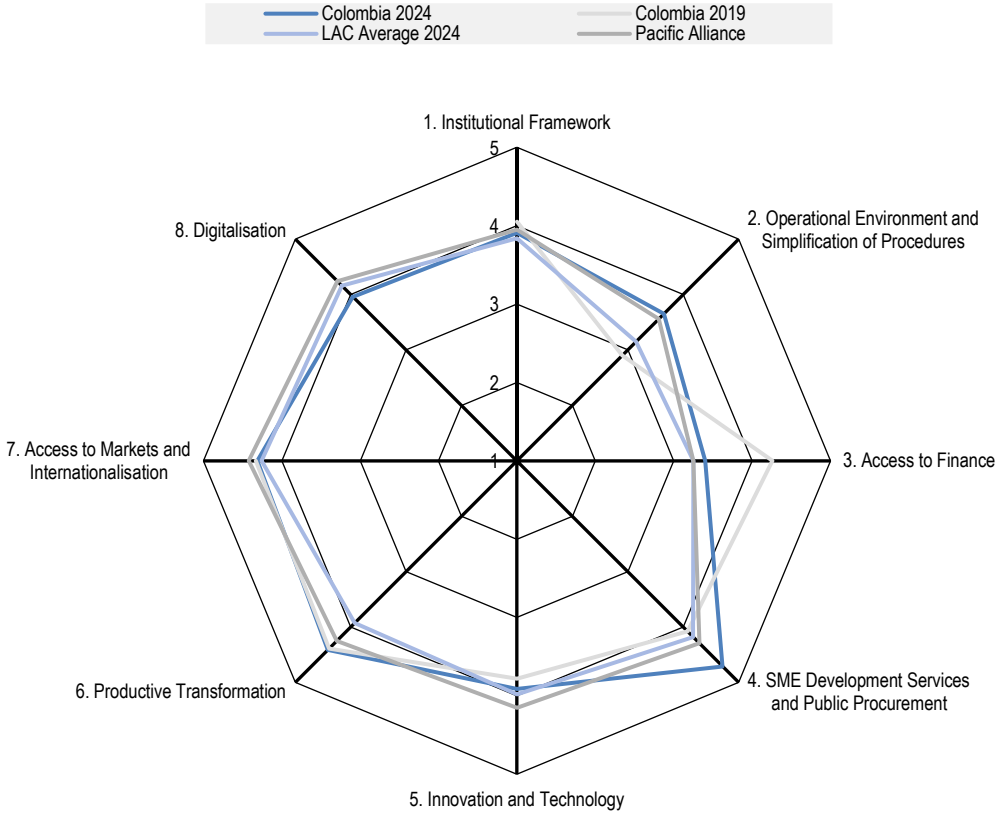
17 Colombia

This chapter provides an assessment of Colombia. It begins with an overview of Colombia's context and subsequently analyses Colombia's progress across eight measurable dimensions. The chapter concludes with targeted policy recommendations.

Overview

Figure 17.1. 2024 SME PI Colombia's score



Note: LAC average 2024 refers to the simple average of the 9 countries studied in this 2024 report. There is no data for the Digitalisation dimension in 2019 as the 2019 report did not include this dimension.

Colombia demonstrates notable improvement in the second SME Policy Index assessment, surpassing the LA9 average in seven of the eight dimensions assessed (see Figure 17.1). Compared to its 2019 scores, Colombia has enhanced its performance in four dimensions: Operational Environment and Simplification of Procedures (Dimension 2), SME Development Services and Public Procurement (Dimension 4), Innovation and Technology (Dimension 5), and Productive Transformation (Dimension 6). However, challenges persist in Dimension 8, where despite achieving a reasonably strong overall score, largely due to its robust National Digitalisation Strategy, its performance is somewhat hindered by deficiencies in the digital skills framework.

Looking ahead, Colombia could benefit from delineating SME development priorities within the new National Development Plan. These priorities should be translated into realistic, quantifiable, and time-bound objectives, while establishing an effective monitoring and evaluation mechanism—a point that will be further elaborated upon in this chapter.

Context

Colombia exhibits robust macro-economic conditions that facilitated its resilience to the pandemic's impact. The country's prudent fiscal and macro-economic management, anchored by a targeted inflation regime, flexible exchange rate, and a rules-based fiscal framework, enabled a swift economic recovery post-COVID-19 (World Bank, 2021[1]). After reaching pre-pandemic GDP levels by the second half of 2021, Colombia recorded an impressive 11% growth for that year. However, growth moderated to 7.3% in 2022, attributed to a deceleration in domestic demand amidst high inflation, elevated interest rates, tight external financial conditions, and economic slowdowns in trading partners (OECD, 2024[2]). In 2023, the economy faced a further slowdown to 1.2%, primarily influenced by declining investment in sectors like construction and machinery.

Throughout 2022, Colombia faced rising inflation, closing at 13.1%, a continuation of the upward trend observed since late 2020, prompting a restrictive monetary policy. The significant depreciation of the exchange rate during the year, impacting various goods and services, including food, was a notable contributor (BANREP, 2023[3]). Exchange rate pressures were compounded by high demand, surpassing the economy's productive capacity. From March 2023 onwards, inflationary pressures began to ease, ending the year at 9.6%, despite notable increases in energy prices and a 16% hike in the minimum wage. The alignment of domestic gasoline prices with international rates helped alleviate the impact of global oil price fluctuations on public finances (OECD, 2023[4]). Projections indicate inflation at 4.2% in 2024 and 3.0% in 2025 (BANREP, 2023[3]) contingent on the severity of the *El Niño* weather phenomenon, which may lead to droughts and impact food prices due to crop failures (OECD, 2023[4]).

In 2022, Colombia experienced improvements in its labour market, with the national unemployment rate at 11.2% and the urban rate at 11.4%, marking a decrease of 2.6 percentage points nationally and 3.8 percentage points in urban areas, compared to 2021. Employment dynamics surpassed pre-pandemic levels, driven by increased formal employment and a higher proportion of female employment. All sectors contributed positively to employment generation during 2021-2022. In 2023, the unemployment rate further improved to 10.6%, attributed to the recovery of rural employment and growth in the non-wage segment, characterised by high informality (OECD, 2023[4]).

SMEs in Colombia faced significant challenges during the COVID-19 pandemic, with 66% of businesses experiencing a decline in sales volume, 46% ceasing activities, 40.1% reducing staff, and 52% adopting teleworking or a hybrid work model (ANIF, 2020[5]). In Colombia, SMEs play a crucial role in driving economic growth, transformation, and employment, constituting 93.2% microenterprises, 6.4% SMEs, and 0.4% large enterprises within the formal business structure. Together, micro-enterprises and SMEs contribute approximately 40% to GDP and 65% to employment (OECD, 2022[6]). Colombia, with moderate international trade integration, is involved in numerous free trade agreements, boasting 18 agreements in force. The country has made significant strides in developing operational e-services for businesses and maintaining a well-functioning credit market (OECD/CAF, 2019[7]).

Dimension 1. Institutional Framework

Colombia has successfully established a robust framework for SME policy, evident in its commendable 3.91 overall score in the first dimension. The country boasts a well-developed experience in formulating national development plans that articulate strategic directions for SME policies, along with effective mechanisms for monitoring their implementation. While Colombia has made substantial progress, there remains room for improvement, particularly in refining policy implementation mechanisms, enhancing institutional capacity, and addressing the significant challenge of labour and enterprise informality.

The SME definition, earning a score of 4.33, is based on three parameters: total employment, total annual gross sales, and total assets. These values are denominated in *Unidades de Valor Tributario* (Tax Value Units), an accounting unit subject to periodic reviews to accommodate inflation. The SME definition, initially introduced in 2004 through Law 905, outlines the scope and institutional framework of SME policy. The definition underwent its latest revision in 2019 and is consistently applied across the public administration.

In the sub-dimension of Strategic Planning, Policy Design, and Coordination, Colombia attains a score of 3.66. The *Ministerio de Comercio, Industria y Turismo* (Ministry of Commerce, Industry, and Tourism, MINCIT) specifically the Vice-Minister for Enterprise Development, SME Technical Direction, is entrusted with the SME policy mandate. The regulatory landscape was initially shaped by Law 905 in 2004, establishing the *Sistema Nacional de Apoyo a las Mipymes* (National Support System for SMEs), which included public institutions, a National Council for micro-enterprises, and a National Council for small and medium-sized enterprises. The subsequent Law 2069 of 2020 introduced modifications, creating the *Sistema Nacional de Competitividad e Innovación* (National System for Competitiveness and Innovation, SNCI) as a coordinating body for policy actions promoting economic development.

SME policy strategic directions are embedded in the National Development Plan *Pacto por Colombia, Pacto por la Equidad* (Law 1955 of 2019). The pillars of this plan include initiatives to reduce informality and enhance enterprise productivity, further detailed in MINCIT's *Planeación Estratégica Sectorial 2019-2022* (Strategic Sectoral Planning, PES).

The National Development Plan is the document that serves as the basis and provides the strategic guidelines for the public policies formulated by the President of the Republic through his government team. Its elaboration, socialisation, evaluation, and monitoring are the direct responsibility of the *Departamento Nacional de Planeación* (National Planning Department, DNP).

The new government elected in 2022 has introduced a new national development plan called *"Colombia Potencia Mundial de la Vida"* which was approved and elevated to the status of Law of the Republic in May 2023. This plan prioritises the recognition and support of the *Economía Popular* (Grassroots Economy), which encompasses a significant portion of the country's population still facing social and economic inclusion challenges.

On the other hand, the *Consejo Nacional de Política Económica y Social* (National Council for Economic and Social Policy, CONPES) is the highest national planning authority and serves as an advisory body to the government in all aspects related to the country's economic and social development. To achieve this, it coordinates and guides the bodies in charge of economic and social management in the government, through the study and approval of public policy documents.

Directly overseeing SME policy implementation, MINCIT collaborates with various institutions, including sectorial chambers, chambers of commerce, local administrations, and other independent bodies. These collaborations are facilitated through *convocatorias* (calls for proposals) within the frameworks of key programmes which are carried out through: iNNpulsa Colombia and *Colombia Productiva,* bodies responsible for implementing public policy on SMEs. Notably, there has been no evaluation of the 2018-2022 National Development Plan to date.

Furthermore, Colombia has instituted a system of public consultations for the development of new legislative acts through the electronic portal *Sistema Único de Consulta Pública* (Unique Public Consultation System, SUCOP), allowing for a 15-day consultation period. The country exhibits a well-established practice of Public-Private Consultations (PPCs), reflected in its 4.18 score for this sub-dimension. The significant involvement of the largest SME association and private sector representatives in legislative processes underscores the collaborative approach.

On another note, efforts to reduce labour and enterprise informality have been central to recent National Development Plans. While these measures have yielded positive results, the informal sector remains substantial, with an estimated 60% of total employment consisting of informal workers. In 2019, CONPES

outlined a strategic direction for reducing informality (Document CONPES 3956), which will require revision in alignment with the priorities of the new National Plan of Economic Development (2022-2026). A recently established public-private technical committee, the *Comité Técnico Mixto de Formalización* (Joint Technical Committee on Formalisation), underscores Colombia's commitment to addressing informality, evident in its 3.69 score for the Measures to Tackle Informal Economy sub-dimension.

The way forward

- Define SME development priorities within the new National Development Plan, translating them into realistic, quantifiable, and time-bound objectives. Establish an effective monitoring and evaluation mechanism, involving private sector representatives in all phases of SME policy, including design, elaboration, implementation, monitoring, and evaluation.
- Consider the establishment of an SME development agency operating under the supervision of the Ministry of Commerce, Industry, and Tourism, but with a large degree of operational autonomy. This agency could oversee conducting entrepreneurial promotion and support programmes, as well as implementing the two main programmes providing SME support: *iNNpulsa Colombia* and *Colombia Productiva*.
- Define the mandate of the newly established *Comité Técnico Mixto de Formalización* and consider developing a comprehensive strategy for the reduction of labour and enterprise informality to be part of the country's national development plan.

Dimension 2. Operational environment and simplification of procedures

The operational landscape for SMEs in Colombia is generally well-functioning, yet there exist areas that have not undergone reform, resulting in complex and time-consuming procedures. Colombia is actively engaged in a regulatory reform policy, incorporating advanced analytical tools. However, the progress of these reforms has been notably hindered by the impact of the COVID-19 pandemic and a phase of political fluctuations post the 2022 presidential election. The overall score for Colombia in this dimension is 3.65, with specific scores of 3.65 in Legislative Simplification and Regulatory Impact Analysis, 3.82 in Company Registration, 3.20 in Ease of Filing Tax, and an exemplary performance in E-government 4.00, ranking among the top with Mexico and Chile.

Colombia initiated a trajectory of legislative simplification and regulatory reforms in 2012, marked by the approval of Decree 019 of 2012, outlining guidelines for legislative review and the elimination of redundant laws. While progress has been significant in some areas, the overall reform process lacks a systematic approach.

The accession to the OECD in 2020 injected momentum into the regulatory reform process, prompting Colombia to enhance its regulatory tools. In 2020, a new Law on Legislative and Regulatory Reform was enacted, introducing tools such as the *Ciclo de Gobernanza Regulatoria*. Regulatory Impact Analysis (RIA), introduced in 2017, is systematically applied, overseen by the DNP. A methodological guide has been developed, and an SME test is now applied when new legislative or regulatory acts are expected to significantly impact SMEs.

The process of starting a business in Colombia is relatively straightforward. The 10-day timeline involves seven mandatory procedures, with the most time-consuming steps related to registration with entities such as the Family Compensation Fund, National Training Service, Colombian Family Welfare Institute, and the Agency for employees for public health coverage.

Through the online platform *Ventanilla Única Empresarial* (One-Stop Business Shop, VUE), new companies are assigned a single identification number *Registro Único Tributario* (Single Tax Register,

RUT) by the tax administration, valid for interactions with all public administration bodies. Company creation and registration procedures can be efficiently completed online through the VUE platform.

The tax filing and payment process in Colombia is comparatively complex. Key challenges include the time required for tax filing and payment, significantly surpassing the OECD average, and a high rate of tax and social contributions on profits (71.2% against an OECD average of 39.9%). The 2018 tax reform introduced measures and incentives benefiting SMEs, along with simplified accounting for micro-enterprises. The electronic platform *Dirección de Impuestos y Aduanas Nacionales* (National Tax and Customs Directorate, DIAN) has further streamlined tax-filing procedures.

Colombia has been proactively implementing its Digital Government Policy, overseen by *the Ministerio de Tecnologías de la Información y las Comunicaciones* (Ministry of Information and Communications Technology, MinTIC). This strategic document aims to provide digital government services for enterprises and citizens, monitored through the *Índice de Gobierno Digital (Digital Government Index)*. The country has already established a commendable array of e-government services for enterprises.

The way forward

- Identify areas of relative weakness in relation to the quality of its business environment reform and resume the process of regulatory reform and legislative simplification. The agenda should conduct an in-depth assessment of the business environment, possibly using the same methodology as the OECD regulatory reform tools.
- Assess the impact of the recently implemented tax reform and monitor the effective tax rate imposed on different typologies of SMEs as a result of the reform.
- Extend the range of available e-government services and implement programmes to promote the uptake of those services by SMEs.

Dimension 3. Access to finance

Colombia achieves an overall score of 3.40 in the Access to Finance dimension, the second highest in the region. Additionally, it scores 3.44 in the Legal, Regulatory, and Institutional Framework sub-dimension, driven by its advancements in the regulation and institutionalisation of tangible and intangible asset registration. The country boasts an accessible online cadastre for the public, documenting ownership of registered pledges. While there is a public registry of security interests in movable assets, it is not available online. However, movable assets are only accepted as collateral by some banks or large borrowers.

Regarding access to financing, legal framework development is propelled by government provisions in the securities market. There is a legal framework for regulating the capital market for SMEs and a separate section in the stock market for these low-capitalisation companies. Nevertheless, there is a lack of a strategy to assist SMEs in meeting listing requirements. Moreover, the country demands a high percentage of collateral for medium-term SME loans, which could affect their access to financing. However, through the National Guarantee Fund, collateral guarantees are provided.

Colombia attains a notable score (4.56) in the sub-dimension of Diversified Sources of Enterprise Finance. Several nationally regulated microfinance institutions are present, along with Bancóldex, the country's business development and import-export bank, the country's business development and export-import promotion bank whose products are widely used by SMEs. Additionally, the National Guarantee Fund, with public and private participation, facilitates SMEs' access to credit by providing bank guarantees when they lack adequate collateral.

Preferential interest rates are offered through rediscount operations for banks that grant loans to SMEs with the aim of passing on part or all of the benefit of the better rate to the end user of the credit, and

several incentive mechanisms of finance access for business development are highlighted, such as the *Emprender* Fund and specific programmes for new sources of financing, such as those offered by the Ministry of Trade, Industry, and Tourism through multiple entities such as Bancóldex, iNNpulsa Colombia and the *Banca de las Oportunidades* (Opportunities Banking) programme.

Furthermore, Colombia boasts diverse alternative financing sources based on assets and private equity investment instruments, including crowdfunding mechanisms, private equity, venture capital funds, and angel investors.

On the other hand, Colombia stands out with a solid score of 3.2 in the Financial Education sub-dimension, thanks to its initiatives and programmes aligned with international best practices. SMEs are identified as a central sector in its *Estrategia Nacional de Educación Económica y Financiera* (National Economic and Financial Education Strategy, ENEEF), with the *Banca de las Oportunidades* programme responsible for promoting financial education for micro-entrepreneurs.

The CONPES 3956 of 2019 on business formalisation entrusted the Opportunities Banking to establish a roadmap for designing, socialising, and implementing methodologies, materials, and content to promote economic and financial education for SMEs within the framework of the ENEEF. Additionally, the Financial Superintendence of Colombia developed the Non-Formal Financial Education Seal, a distinction for entities supervised by the Superintendency and sector guilds committed to activities, campaigns, and programmes that meet requirements of relevance, quality, and suitability. The SMEs Initiative of the Seal defines the requirements to identify institutional strategies that facilitate access to financial education services for them.

Similarly, within the framework of the ENEEF, initiatives were designed that incorporated private sector needs through an advisory committee coordinated by the *Banca de las Oportunidades programme*, as well as business perspectives obtained from the SMEs Grand Survey conducted by the National Association of Financial Institutions (ANIF). Additionally, in 2020, the national government introduced the national policy for inclusion and economic and financial education (CONPES 4005 of 2020). This policy aims to integrate financial services into the daily activities of citizens and SMEs, addressing their needs and creating economic opportunities to foster the country's financial growth and inclusion. It outlines an action plan to enhance the provision of relevant financial services to the entire population, thereby contributing to broader economic development and financial accessibility.

At the same time, the Colombian government offers a variety of programmes aimed at entrepreneurs, such as Bancóldex content on financial, management, and corporate governance topics mainly directed at entrepreneurs. One area of opportunity is to implement surveys to measure the financial capacities of SMEs that allow for diagnoses to guide the ENEEF, as well as the design of financial education programmes. Likewise, establish monitoring, follow-up, and evaluation systems for public policy and programmes.

Colombia obtains a score of 2.40 in the sub-dimension of Efficient procedures for dealing with bankruptcy. Although it has universally applicable regulations based on internationally accepted principles, it lacks early warning systems for insolvency situations and the possibility of resorting to less burdensome out-of-court agreements than declaring bankruptcy.

Details of a company declaring insolvency are available in special publicly accessible records. However, Colombia does not establish a maximum time limit for insolvency nor automatically remove this information from records after said period. Similarly, the country does not provide information or specialised training for those seeking a new business opportunity.

The way forward

- Promote regulation and institutions so that movable assets are accepted as collateral throughout the financial system. Review downward the weighting of collateral for medium-term loans to SMEs.
- Continue the development of the asset register to make systems and information accessible and online and establish a strategy to help SMEs meet listing requirements.
- Implement surveys to measure MSMEs' financial capabilities to provide diagnostics to guide the ENEEF, as well as the design of financial education programmes. Likewise, establish follow-up, monitoring, and evaluation systems for public policy and programmes.
- Develop early warning mechanisms to make out-of-court settlements for bankruptcy less burdensome.
- Promote other out-of-court mechanisms for bankruptcy cases that can be more cost and time efficient.
- Design and implement training programmes for second chances, targeting individuals who have had their businesses go bankrupt.

Dimension 4. SME development services and public procurement

With a total score of 4.71, Colombia performs above the regional average in this dimension (4.18). This represents an improvement compared to the 2019 edition, where the total score was 4.08. Progress was driven by improvements in public procurement, which now scores 4.60, compared to 3.64 in 2019, although Business Development Services (BDS) and services for entrepreneurs also registered progress from 4.35 and 4.07 to 4.63 and 4.89, respectively.

As noted in the analysis of Dimension 1, Colombia has an established SME policy system, framed by the *Sistema de Apoyo a las PYMEs* (National SME Support System) and more recently by the SNCI, with the participation of various government agencies and in consultation with relevant actors, under the leadership of the MINCIT. The national SME policy and consequently its programmes, including BDS and services for entrepreneurs are professedly framed by the National Development Plan 2018-2022, which is being succeeded by a new Development Plan *"Colombia Potencia Mundial de la Vida".*

Within the National Development Plan 2018-2022, the "*Pacto por el emprendimiento, la formalización y la productividad*" focuses on creating a dynamic, inclusive, and sustainable economy through a robust and competitive business sector. The pact aims to foster entrepreneurship and business dynamism, and boost innovation and productive transformation. The design and implementation of business development services for SMEs stem from these strategies.

The main schemes for the provision of BDS in Colombia include *iNNpulsa Colombia*, which focuses on innovation and entrepreneurship, and *Colombia Productiva*, which addresses productivity and competitiveness. These initiatives are overseen by the Vice-Ministry for Enterprise Development, SME Technical Direction. Additionally, the National Tourism Fund (FONTUR) focuses on tourism and is coordinated by the Vice-Ministry of Tourism, while *ProColombia*, which supports foreign investment, tourism, and exports, is coordinated by the Vice-Ministry of Foreign Trade. All three Vice-Ministries are part of MINCIT and in collaboration with chambers of commerce, business associations, universities, and specialised private entities. The principal modality for the delivery of those programmes is that of *convocatorias* or calls for projects, although some support is also provided through *bonos* (vouchers) that are exchanged for services through private suppliers or other suppliers in case of specific needs such as digital solutions, productivity increases, etc. The programmes are evaluated at the end of their periods of implementations and the results are used to decide on adjustments or continuity of support. The evaluations are for internal use and are not publicly available.

In addition, the government provides assistance to business incubators through Law 119 of 1994, which states that the *Servicio Nacional de Aprendizaje* (National Learning Service, SENA), should allocate 20% of its income to the development of competitiveness and productive technological development programmes. This includes funding for business incubators. With the information provided for this assessment, however, it was not possible to ascertain the level of operation of a national system of incubators, beyond the business incubator *Incubar Colombia*.

The public procurement system is governed by Law 80 of 1993 and subsequent regulations, including Law 1150 of 2007 which advanced the introduction of e-procurement through the *Sistema Electrónico para la Contratación Pública* (Electronic System for Public Procurement, SECOP) and Decree 4170 of 2011 which created the National Agency for Public Procurement (*Colombia Compra Eficiente*). The system goals include facilitating the participation of SMEs in public procurement, including through set-asides or quotas for SMEs, pre-qualification procedures allowing SMEs to save time and money when bidding for contracts, and technical assistance through information for SMEs to prepare and submit bids. The system also foresees the possibility, but not obligation, to break tenders above a certain size into smaller lots, allowing SMEs to form consortia for joint bidding, favouring SMEs in case of bidding draws, and establishing timely payments of less than 45 days after the issuance of an invoice. According to the information provided for this evaluation, past efforts have led to an increase in the participation of SMEs in public procurement.

The way forward

- Continuing the strategic approach towards BDS and ensuring that the new national development plan of the Grassroots Economy serves to articulate the supply of development services for SMEs and entrepreneurs of various types.
- Strengthen the delivery of support services for entrepreneurs, including through business incubators and accelerators. Although the responses to the request for information for this assessment show that all boxes are ticked, there is less clear evidence on how effective and extensive the measures are.

Dimension 5. Innovation and technology

The strength of Colombia's institutional framework for supporting SME innovation contributes to a fairly strong overall score of 3.91 in the Innovation and Technology dimension. There are a number of government entities involved in innovation policy in Colombia, including the Ministry of Trade, Industry, and Tourism, the Ministry of Science, Technology, and Innovation, the Ministry of Information Technologies and Communications, Administrative Department for Social Prosperity, and the National Planning Department. The activities of these entities are overseen by a coordinating body, which helps to facilitate synergies and avoid overlap or duplication of efforts. iNNpulsa Colombia, is Colombia's dedicated innovation agency, focusing on supporting high-potential businesses with scaling potential.

Colombia's national innovation strategy places a strong emphasis on innovation within SMEs and start-ups. Among the strategy's goals are facilitating business creation, expanding SMEs' access to markets, improving access to finance for entrepreneurs, and strengthening the entrepreneurial culture. There is a robust system in place for monitoring the implementation of the national strategy, with six-monthly monitoring reports to be developed until the end of the implementation period in 2025. Another strong point is Colombia's engagement with key stakeholders including private sector associations and academics in the design of its innovation strategies and policies. These factors contribute to a score of 4.44 in the Institutional Framework sub-dimension, which is the highest in the LAC region.

There is some room for improvement with respect to the Support Services sub-dimension, where Colombia scored a below-average 3.34. Linkages between SMEs and research institutions are supported by MINCIT

through its national strategy for Science, Technology, and Innovation Parks. These efforts could be complemented by online tools to connect researchers and SMEs, which are currently not available in Colombia. Also, while there are policies in place to support incubators and accelerators, the number of accelerators in the system appears relatively low and many of the incubators offer a relatively basic package of supports without access to specialised equipment.

Turning to financial supports for innovation, *iNNpusla Colombia* implements the *Aldea* and *Aldea Escala* programmes. These provide innovation vouchers to entrepreneurs that satisfy certain criteria. There are also tax incentives to encourage innovation, including VAT exemptions for the importation of research equipment and tax deductions for investors that engage in innovation projects. However, the number of SMEs that benefit from these measures is relatively low. Colombia's score for the Financing for Innovation sub-dimension is 3.95.

The way forward

- Promoting and adapting tax incentives for innovation to make them more relevant and accessible to SMEs.
- Investing in improving the quality of support provided to innovative SMEs through the incubation and acceleration system.

Dimension 6. Productive transformation

Colombia maintains one of the highest performances in the productive transformation dimension among the LA9 countries, with a score of 4.41. This is attributed to its ongoing efforts at both the strategic and programmatic levels, primarily through the sustained implementation of its National Policy for Productive Development 2016-2025 (Document CONPES 3866 of 2016), serving as a guide to propel the country's productive transformation. Although this policy was in its early stages during the 2019 assessment, Colombia has demonstrated strong efforts, especially in monitoring and evaluation, by incorporating a detailed *Plan de Acción y Seguimiento* (Action and Monitoring Plan, PAS) with quantifiable objectives of defined duration. This comprehensive approach is reflected in Colombia's score of 4.85 for the first sub-dimension.

Colombia's score of 4.36 in the sub-dimension of measures to improve productive associations echoes its performance in 2019. The development of clusters in Colombia initially established in 2012 persists as a well-established integral system within the framework of *iNNpulsa Colombia*, under the Competitive Routes programme, which involves creating roadmaps aimed at establishing new clusters or strengthening existing ones.

In 2019, the autonomous entity *Colombia Productiva* was established through the issuance of the National Development Plan 2018-2022 *Pact for Colombia, Pact for Equity* (see Dimension 1. Institutional Framework). Formerly known as the Productive Transformation Programme, *Colombia Productiva* operates under the MINCIT with the mandate to promote productivity, competitiveness, and productive linkages. In 2021, *Colombia Productiva* adopted the Cluster Strategy. This strategic shift led to the creation of the *Clúster Más Pro* initiative within *Colombia Productiva.*

The *Clúster Más Pro* programme aims to provide tools that foster collaborative work among companies, enabling them to enhance their productivity, quality, and sophistication to develop products and services with greater added value. Additionally, the programme seeks to facilitate market expansion or entry, promote the recovery of markets, and generate new public goods.

In addition to this, the Cluster Network Colombia, represented in the form of a website, currently has 148 registered cluster initiatives and 37,728 interconnected businesses. It also serves as a database with information about programmes and calls.

In addition to the *Cluster Más Pro* strategy and the Colombia Cluster Network, the MINCIT, through *Colombia Productiva* and in collaboration with chambers of commerce and public-private partners, has launched the *Fábricas de la Productividad* (Productivity Factories) programme. This initiative contributes to the goal of enhancing productivity, seen as a key driver for accelerating the country's growth.

The programme offers technical assistance and specialised support. The objective of the programme is to address information asymmetry gaps related to enterprise performance and the availability of specialised technical assistance services in the country, which hinder companies from implementing improvements that could enhance their productivity. To this end, the Productivity Factories strategy is built upon three main pillars: (1) provision of support and specialised technical assistance, (2) consolidation of a National Data Base of productivity experts, and (3) development of training activities and personnel. These efforts aim to equip regional personnel with the necessary skills to support companies effectively, while also establishing a network of complementary services provided by public and private partners to further advance the programme's objectives.

Colombia's strong performance in the productive transformation dimension is, to some extent, overshadowed by its score (4.14) in the sub-dimension of integration into global value chains. While the country has developed a supplier development programme that facilitates the inclusion of SMEs in global value chains through call for proposals, similar to those in Uruguay, Chile, and Peru, its design and implementation are hampered by low levels of monitoring and evaluation. These levels lack clear evaluation mechanisms, coupled with a lack of initiatives to raise awareness among SMEs about the potential benefits of participating in global value chains.

The way forward

- Examine the outcomes derived from the monitoring and evaluation mechanisms implemented under CONPES 3866 of 2016-2025. This analysis should serve as a foundation for shaping the new productive development plan, drawing insights and lessons from the experiences and impacts of the existing plan.
- Extend similar monitoring and evaluation endeavours to encompass initiatives focused on integrating SMEs into GVCs. Systematically promote the potential advantages for SMEs associated with participating in GVCs, fostering a comprehensive understanding of the benefits.

Dimension 7. Access to market and internationalisation of SMEs

Colombia achieves an outstanding score of 4.31 in the market access and internationalisation dimension, thanks to its performance in quality standards (4.49), trade facilitation (4.41) and support for internationalisation programmes (4.64). ProColombia, in charge of promoting non-mining energy exports and services, is crucial in this aspect, contributing to sustainable growth and employment generation.

ProColombia has defined six strategic focuses, including capturing new foreign direct investment opportunities and strengthening the tourism sector. In addition, it actively participates in the strategic pillars of the National Development Plan, focusing on investment, entrepreneurship, and institutional strengthening. ProColombia's portfolio of initiatives includes training and support programmes for exporters, such as the "Export Training" and "Export Motivation" programmes. The "Export Accompaniment" programme offers advice to companies in search of new markets, while "Factories of Internationalisation" seeks to increase exports in a competitive and sustainable manner. During 2022,

these programmes provided services to 394 companies, mainly SMEs, with significant results. In addition, digital tools for internationalisation are offered.

On the other hand, Colombia obtained an outstanding score of 4.41 in Trade facilitation, thanks to various initiatives to support exporters. These include export guides provided by MINCIT, ProColombia and *Dirección de Impuestos y Aduanas Nacionales* (National Tax and Customs Directorate, DIAN), as well as export logistics profiles by country. DIAN continues to implement the Authorised Economic Operator (AEO) programme in Colombia, although participation is more difficult for SMEs due to certification requirements. Colombia has also established Mutual Recognition Agreements (MRAs) with several countries and is part of the Regional MRA of the Americas, thus facilitating foreign trade operations.

To streamline trade, Colombia has installed the National Facilitation Committee, which has generated 415 actions in 2022 with a high percentage of compliance. In addition, efforts have been made to strengthen the Foreign Trade Single Windows (VUCE), with 80% progress towards the goal of inter-operability of information systems.

The Export Access project for goods, developed with the IADB, provides information on non-tariff requirements for SMEs, while Export Access Services provides information relevant to the export of services. Colombia also outperforms the Latin American average in the OECD Trade Facilitation Indicators (TFI), with an overall index of 1.638, except for the document's indicator.

Furthermore, Colombia has obtained a solid score of 3.90 in the use of e-commerce. Since 2019, MINCIT has concentrated its efforts on implementing and expanding this trade modality, accelerating this process during the COVID-19 pandemic. Bancóldex has contributed by offering the free course "E-Commerce: Create your online shop".

At the Andean Community level, work has been done on the proposal of a general regulatory framework for e-commerce. ProColombia has facilitated the participation of Colombian companies in marketplaces through its *"Colombia a un Clic"* programme, generating sales of USD 33 million since 2019. On the other hand, the alliance between *Compra Lo Nuestro* and StoreON provides benefits to Colombian SMEs to boost their online sales. In 2020, Decree 1692 was enacted, which regulates low-value payment systems, promoting transparency, innovation, and user protection.

Similarly, Colombia stands out in the quality standards sub-dimension with a score of 4.49. During 2022, significant actions were implemented, such as the "Co-financing Programmes on Quality Certificates for Exporting" and "Training and Technical Support Programme on Quality for SMEs", with an investment of approximately USD 1.9 million, benefiting 1,474 companies. The objective was to strengthen the institutions that form part of the country's quality infrastructure and promote the adoption of the highest quality standards.

Through the "Quality for Export" programme, non-reimbursable co-financing resources were provided to firms and laboratories to obtain international quality certifications. To date, 52 companies have obtained quality certifications required to access international markets, and 5 laboratories have accredited tests required for exporting.The "Quality for Growth" programme, led by MINCIT and Colombia Productiva, launched four calls for proposals that benefited close to 700 companies, including SMEs, productive units and laboratories. These initiatives enabled companies to raise their quality standards, improve their productivity and prepare their offer for the most demanding markets. In addition, through the "Quality Training" project, specialised training and technical assistance was provided to SMEs in strategic sectors, preparing them to meet the quality standards of their industries and compete in international markets. This initiative is supported by the *Instituto Colombiano de Normas Técnicas y Certificación* (Colombian Institute of Technical Standards and Certification, INCOTEC) and the *Subsistema Nacional de la Calidad* (National Quality Subsystem, SICAL).

Finally, in the regional integration sub-dimension, Colombia obtained a score of 3.60 as a result of its integration efforts. Of particular note is the Pacific Alliance's SME Technical Group, which seeks to promote

crowdfunding, encourage trade between creative industries, promote the digitalisation of SMEs, establish a network of business incubators, and strengthen capacities for cross-border e-commerce. In the context of the Andean Community, the creation of the Andean Observatory for the Business Transformation of SMEs was approved and the preparation of a study to diagnose regional value chains was coordinated, with the aim of strengthening productive integration in the region.

The way forward

- Promote the seamless integration of digital platforms and key actors such as AEO in the trade facilitation ecosystem. This will simplify logistical processes and unify information and dissemination of its benefits to SMEs.
- Integrate the e-commerce promotion strategy into SME sector development plans, with quantifiable and measurable objectives, in order to achieve better coordination and monitoring of the policies implemented.
- Enhance the benefits of sub-regional integration through standardised SME trade promotion and internationalisation programmes, with inter-operability between the different export promotion agencies of the Pacific Alliance.
- Strengthen evidence-based decision-making for the design, implementation, and adjustment of public policies, through rigorous monitoring and evaluation. This guideline promotes a more efficient public-private information flow, improves policy outreach, and promotes transparency.

Dimension 8. Digitalisation

Colombia achieves a reasonably robust overall score of 3.96 in the Digitalisation dimension, predominantly attributed to the strength of its National Digitalisation Strategy, although it is somewhat diminished by deficiencies in the digital skills framework.

Colombia's digital transformation journey is guided by a comprehensive National Digitalisation Strategy (NDS), which seeks to utilise technology for economic growth, social development, and innovation. Anchored in the Digital Transformation Framework for the State introduced by the MinTIC, Colombia's NDS prioritises the reimagining of processes, products, and services through digital means. Outlined in the National Development Plan 2022 - 2026, the strategy concentrates on harnessing emerging technologies, bolstering human capital, and cultivating conducive conditions. It promotes digital innovation across public and private sectors, propelling the nation towards a future defined by the Fourth Industrial Revolution. These factors contribute to an impressive score of 4.80 in the National Digitalisation Strategy sub-dimension.

Colombia's score in the Broadband Connection sub-dimension is 3.94. Ambitious connectivity initiatives are outlined in the National High-Speed Connectivity Project, launched in 2022. This project acts as a digital lifeline, connecting 28 municipalities and 19 non-municipalised areas, primarily in the Orinoco, Amazon, and Pacific regions of Chocó. The deployment of high-speed satellite and terrestrial networks has overcome geographical limitations, ensuring that even remote areas are integrated into the digital landscape. Notably, the project integrates various digital access points, including public institutions, digital kiosks, and free WiFi zones, promoting equitable digital access and empowering communities.

There is room for improvement in the Digital Skills sub-dimension, where Colombia scored a below average 3.13. Initiatives such as the ICT Women for Change programme, led by the Ministry of ICTs, exist as catalysts, nurturing women's leadership and entrepreneurial spirit through free training sessions. By offering courses on essential business tools and content creation, it enhances employability, competitiveness, and innovation among women entrepreneurs. Additionally, virtual open courses (MOOC)

are made available to civil servants, fostering a culture of continuous learning and upskilling within the public sector.

The way forward

The government could strengthen support for SME digitalisation by:

- Advocating for the development of a dedicated SME Digitalisation Strategy within the overarching national plan can ensure a more nuanced approach to addressing the unique needs of small businesses. This should involve consultations with diverse stakeholders, both public and private, to gather insights that shape the development of policies supporting SMEs.
- Enhance data transparency and standardisation of indicators to facilitate more accurate and comparable assessments of digitalisation progress across the region.

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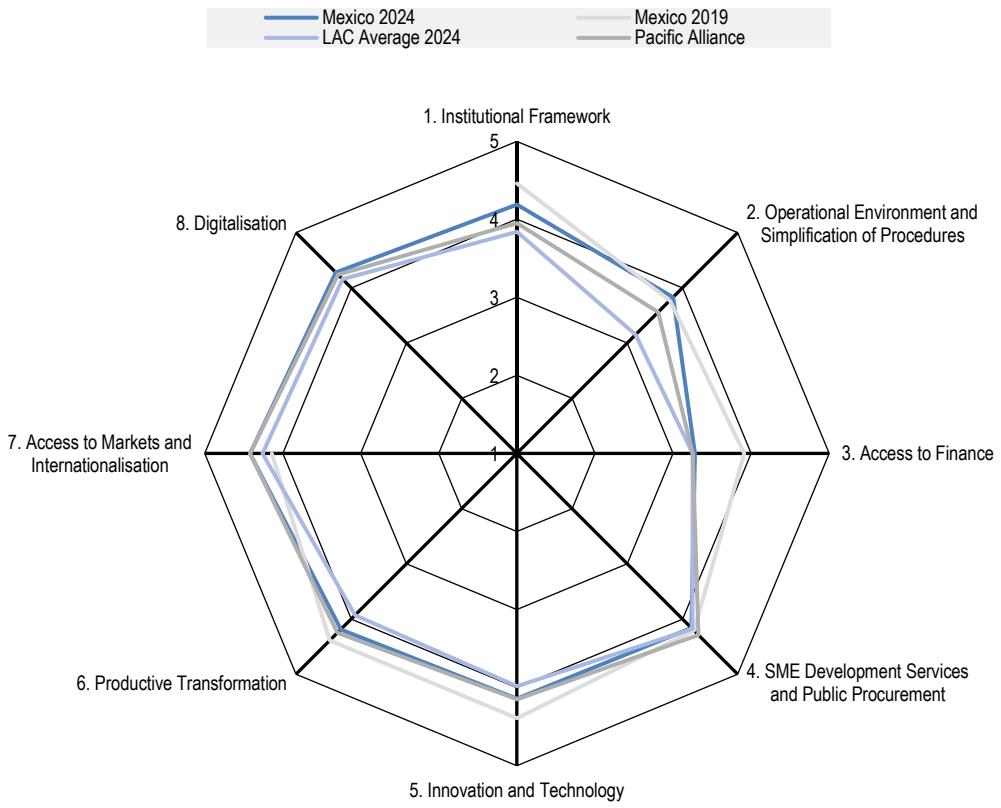
18 Mexico

This chapter provides an assessment of Mexico. It begins with an overview of Mexico's context and subsequently analyses Mexico's progress across eight measurable dimensions. The chapter concludes with targeted policy recommendations.

Overview

Figure 18.1. 2024 SME PI Mexico's score



Note: LAC average 2024 refers to the simple average of the 9 countries studied in this 2024 report. There is no data for the Digitalisation dimension in 2019 as the 2019 report did not include this dimension.

Mexico continues to stand out as a top performer in the SME Policy Index (SME PI) assessment, outperforming the LA9 average across seven of the eight dimensions. However, significant changes have occurred since the 2019 SME Policy Index due to a shift in policy direction under the 2018-2024 administration. The SME policy mandate still falls under the *Secretaría de Economía* (Secretary of Economy, SE), but the previously established SME agency, *Instituto Nacional del Emprendedor* (National Institute for the Entrepreneur, INADEM), created in 2013, has been dissolved. In its place, the Unidad de Desarrollo Productivo, established in October 2019, now assumes its role with a different mandate.

Overall, the new administration, which will begin its mandate in October 2024 directly following the launch of this assessment, can count on a robust institutional framework. This provides an important opportunity to review the impact of the changes in SME policy introduced since 2019 in terms of policy effectiveness and the capacity to reach the targets set in the National Development Plan (2019-2024) and the *Programa Sectorial de Economia* 2020-2024 (Economic Sectoral Programme, PROSECO). By doing so, the administration can continue strengthening the country's strategy on this basis, drawing from the experiences and good practices of the other LA9 countries.

Context

The Mexican economy has exhibited a real GDP average annual growth rate of 2% over the past 30 years. It is the second-largest economy in Latin America, and among the top 15 globally (World Bank, 2022[1]). Despite a 5.8% growth in 2021 following an 8.7% contraction in 2020, the economy slowed to 3.9% in 2022, with services consumption and investment trailing behind despite the growth in non-durable goods consumption (OECD, 2024[2]). Resilient consumption, driven by real wage gains, employment, and lower household savings rates, supported a 3.2% growth in 2023, aided by positive investment performance, particularly in public investment and imported machinery and equipment. The economy is projected to expand by 2.2% in 2024 and 2.0% in 2025 (OECD, 2024[3]).

Headline inflation has eased, and core inflation, while displaying more persistence, has also gradually decreased, albeit with services inflation remaining high. The robust appreciation of the peso has played a role in containing inflation (OECD, 2024[4]).

According to the *Encuesta Nacional de Empleo y Ocupación* (National Employment Survey, ENEO), the unemployment rate decreased to 3.3% in 2022 after reaching 4.1% in 2021. In 2023, unemployment slightly dropped to 2.8% (OECD, 2023[5]), while informality increased to 54.7% of the employed population, a 0.2% rise from 2022 (INEGI, 2023[6]). SMEs, constituting 52% of GDP, were impacted, with 400,000 SMEs permanently closing after the pandemic (INEGI, 2021[7]). Government support was limited, with only 7% of SMEs accessing government support, contrasting with the OECD country average of 33.6% (OECD, 2021[8]).

SMEs play a vital role in the Mexican economy, accounting for 99.7% of firms and 35.6% of total national production (INEGI, 2019[9]). However, productivity challenges persist, with the sector responsible for 71% of employment and 37% of value-added, lagging behind the OECD average (OECD, 2021[8]). Less than 10% of SMEs export, and only 2% invest in innovation (OECD, 2022[10]).

Dimension 1. Institutional Framework

Mexico has established a well-structured institutional framework for SME policy, earning a dimension score of 4.19. However, changes implemented after 2019 have constrained the country's capacity for SME policy implementation, leading to a relative reduction in resources available for SME support. High levels of labour and enterprise informality remain significant challenges for achieving an inclusive and balanced SME policy.

The SME definition in Mexico, scored 4.33, is outlined in the Law for the Development of Competitiveness of Micro, Small and Medium-Sized Enterprises, approved in 2009, and the Operational Regulation of the National Entrepreneurship Fund introduced in 2013. This definition relies on two parameters: employment and annual turnover, differentiated by the type of activity (trade, services, and industry). It is consistently adopted across the public administration.

Significant changes have occurred since the 2019 SME Policy Index due to a shift in policy direction by the 2018-2024 administration. The SME policy mandate still falls under the SE, but the previously SME agency, INADEM, established in 2013, has been dissolved. The *Unidad de Desarrollo Productivo*, established in October 2019, now assumes its role with a different mandate.

Strategic guidelines for SMEs are included in the National Development Plan 2019-2024 and the PROSECO coordinated by the Secretaría de Economía (2020-2024). These plans reflect a shift from promoting entrepreneurship and micro-enterprises to supporting high-impact, high-growth, and innovative firms. In parallel, under the umbrella of this policy, the SE, facilitated by the *Dirección General de Desarrollo Productivo* (General Directorate for Productive Development, DGDP), functions as a coordinating entity

with both public and private entities to initiate actions aimed at benefiting SMEs. These actions are structured around four key axes: institutional, digital, financial, and commercial inclusion.

The *Unidad de Desarrollo Productivo* is responsible for policy implementation, and funds are channelled through the Entrepreneurship Fund managed by the SE. While decentralisation efforts involve local administration, chambers of commerce, sectorial organisations, and NGOs, the shift from in-person services to online platforms like *Plataforma MIPYMES MX* that provide training courses at no charge, video information, and online consultancy services, has led to a reduction in the spend allocated to SME development. Mexico scores 4.09 in the Strategic Planning, Policy Design, and Coordination dimension, reflecting the ongoing changes in the policy landscape.

Furthermore, Mexico has a well-advanced system of Public-Private Consultations (PPCs) as reflected in its 4.60 score, the highest in the region, operating at various levels. Public consultations are conducted before issuing regulations affecting economic or social activity. The *Consejo Nacional para la Competitividad de la Micro, Pequeña y Mediana Empresa* (National Council for the Competitiveness of Micro, Small and Medium-Sized Enterprises, CNCMIPYME) and the *Comisión Nacional de Mejora Regulatoria* (National Commission for Regulatory Improvement, CONAMER) serve as major channels for PPCs, ensuring participation from diverse stakeholders. Convocations are usually published on portals such as the one of the Comisión Federal de Competencia Económica (Federal Economic Competition Commission, COFECE), which also report the results of the consultations.

On another note, in the Measures to Tackle Informal Economy sub-dimension, Mexico scores 3.86. The country faces a large informal sector, estimated at 55% of the labour force, and efforts to combat labour and enterprise informality include programmes like *Crezcamos Juntos* and the *Jornadas De la mano con tu negocio,* fiscal incentives such as the *Régimen de Incorporación Fiscal* (Tax Incorporation Regime, RIF) and the *Régimen Simplificado de Confianza* (Simplified Trust Regime, RESICO). However, there is currently no overall strategy or coordination for addressing informality.

The way forward

- Conduct a review of the impact of the changes in the institutional framework for SME policy introduced since 2019 in terms of policy effectiveness and the capacity to reach the targets set in the National Development Plan (2019-2024) and PROSECO.
- Ensure that the contribution of the SME sector to reaching national development objectives is adequately considered and involve SME representatives in the consultation process for the elaboration of the new National Development Plan, assigning a specific consultative role to the CNCMIPYME.
- Conduct an evaluation of the measures introduced thus far to reduce labour and enterprise informality. Consider the elaboration of a comprehensive strategy for informality reduction within the framework of the new National Development Plan.

Dimension 2. Operational environment and simplification of procedures

Mexico has a longstanding practice of conducting legislative reviews and regulatory reforms, establishing the CONAMER in 2018 to coordinate and monitor regulatory reform efforts. While progress has been uneven, Mexico remains one of the best-ranked countries in the overall dimension with a score of 3.83, excelling in Legislative Simplification and Regulatory Impact Analysis (3.90), E-government (4.77), Company Registration (3.90), and Ease of filing taxes (2.90).

Mexico initiated its regulatory reform process in the late 90s, intensifying after joining the OECD. CONAMER, initially *Comisión Federal De Mejora Regulatoria*, played a crucial role after the General Law

on Regulatory Improvement in 2000. A new regulatory reform plan, *Estrategia Nacional de Mejora Regulatoria* (National Strategy for Regulatory Improvement, ENMR), was launched in 2019, referencing the *Ley General de Mejora Regulatoria* (General Law on Regulatory Improvement, LGMR). Regulatory Impact Analysis (RIA) has been systematically applied, though an RIA SME test is yet to be implemented, monitored by CONAMER. The Starting a business process is relatively complex and costly.

Mexico has established a One-Stop-Shop (OSS) network, facilitating simultaneous registration with the company register and tax administration. Despite the generation of several numbers from the company registration procedures, such as *Registro Federal de Contribuyentes* (Federal Taxpayers Registry, RFC), *Registro Público de Comercio* (Public Register of Commerce, RPC), and *Número de Registro Patronal* (Employer Registration Number), the tax registration number is employed for company identification across all public administration entities. The RPC is managed by the SE, specifically the Directorate General for Trade Regulations, with recent improvements in the registry's functions. Online registration is available through the *TuEmpresa* platform.

However, the tax regime for SMEs in Mexico is relatively complex, involving numerous taxes and time-consuming filing and payment procedures. Significant challenges include the time required for tax-filing and payment procedures, amounting to 241 hours per year, exceeding the OECD average of 158.8 hours. Additionally, the corporate tax rate, other taxes, and social contributions on total profits are high in Mexico, reaching 51.1%, compared to the OECD average of 39.9%.

To address these challenges, the *Servicio de Administración Tributaria* (Tax Administration Authority, SAT) introduced the RESICO to simplify tax-filing procedures for individual entrepreneurs and small-scale enterprises. The simplified regime applies to individual entrepreneurs (*personas físicas con actividad empresarial*) with an annual turnover of less than 3.5 million pesos, with variations depending on the economic activity, up to 35 million pesos. Entities under this regime are subject to a tax ranging from 1% to 2.5% of the total annual turnover, without allowing expense deductions. This regime is estimated to significantly reduce the tax burden on individual entrepreneurs and small-scale enterprises, potentially contributing to a reduction in informality.

Regarding digitalisation, significant progress has been made in developing e-government services. A new *Estrategia Digital Nacional de México* for 2021-2024 aims to further expand digital government tools, enhance digital security, reduce the digital divide, and achieve connectivity for small communities located in remote areas. The platform *MIPYMES MX,* managed by the SE, is designed to support SME digital transformation and improve access to e-government services.

The way forward

- Proceed with the implementation of the ENMR, with a specific focus on areas that were relatively neglected in previous regulatory reform phases.
- Consider applying an SME Test to complement RIA applications and evaluate the impact of new laws and regulations on different types of SMEs.
- Company registration procedures can be further simplified. Promote online registration through the *TuEmpresa* platform, particularly among informal micro-enterprises.

Dimension 3. Access to finance

Mexico scores 3.28 in the Access to finance dimension, slightly above the regional average, and 2.95 in the Legal, Regulatory and Institutional Framework sub-dimension. Regulatory and institutional development in the registration of tangible and intangible assets, with an accessible online cadastre and a public registry of security rights over movable assets, stands out. However, movable assets are only

accepted as collateral by some banks or large borrowers. In terms of access to finance, the country has government provisions on the stock market, specific regulation for the SME capital market and a strategy that allows companies to adopt a less demanding corporate form. Despite this, there is no separate market for small-cap SMEs, and the high percentage of collateral required for medium-term loans is the highest among the countries assessed.

Mexico obtains an outstanding score of 4.51 in the sub-dimension of Diversified sources of enterprise finance. First, the *Banco Nacional de Comercio Exterior* (National Foreign Trade Bank) offers various credit schemes, guarantees and technical assistance for SMEs involved in foreign exchange generating activities. In addition, government entities such as the *Fondo Nacional de Garantías* (National Guarantee Fund, FONAGA), *Fideicomisos Instituidos en Relación con la Agricultura* (Trusts related to agriculture, FIRA) and *Nacional Financiera* (National Finance, NAFIN) provide guarantee coverage services to facilitate access to credit for firms with limited collateral. Second, microfinance institutions, regulated by the *Comisión Nacional Bancaria y de Valores* (National Banking and Securities Commission, CNBV) and the *Comisión Nacional para la Protección y Defensa de Usuarios de Servicios Financieros* (National Commission for the Protection and Defence of Users of Financial Services, CONDUSEF), are present in all regional markets in Mexico. Finally, Mexico excels in alternative sources of financing, with a robust market of asset-based lending (ABL) tools, recognised and regulated by CNBV and CONDUSEF. The Law to Regulate Financial Technology Institutions, in force since 2018, has fostered an enabling environment for the entry of new providers of digital financial products, specifically payment aggregators and crowdfunding institutions, with 7622 platforms authorised by the CNBV, 5219 of which are currently operational.

Mexico has focused its National Financial Education Strategy (NFES) on SMEs, obtaining a score of 3.15 in the Financial Education sub-dimension in this area. The National Banking and Securities Commission (CNBV) conducts the National Survey on Financial Inclusion in collaboration with the National Institute of Statistics and Geography (INEGI), including questions on financial education. This survey identifies business financial planning practices, such as sales forecasting, long-term goal setting and debt management. These results are part of the monitoring system of the National Financial Inclusion Policy (NFIP). Mexico also participated in an assessment of SME financial capabilities developed by the OECD in 2021.

Mexico's NFES focuses on strengthening the financial capabilities of SMEs and entrepreneurs. Efforts are directed towards the promotion of mechanisms that allow better business management, the use of financial products to increase productivity and the inclusion in the digital payment system. In addition, specific guidance programmes are designed for SMEs, providing information on the risks and opportunities of alternative financial products. The implementation of these policies requires a consensual and articulated strategy between public and private institutions. According to the responses obtained for this assessment, the SE is currently developing guidelines to form a working group to promote the financial inclusion of SMEs, which will include financial regulators and representatives of public and private financial institutions.

Finally, Mexico scores 2.52 in the sub-dimension of Efficient procedures for dealing with bankruptcy. This is due to a regulatory framework with universally applicable laws, based on internationally accepted principles, also applicable to state-owned enterprises. In addition, there is an early warning system for insolvency situations and the option of out-of-court settlements that are less onerous than bankruptcy.

However, Mexico does not set a maximum time limit for insolvency and lacks a system for automatic removal of insolvency information from public records after this period. Nor does it offer capacity building programmes for entrepreneurs whose initial projects failed. It does, however, have regulations for secured transactions, allowing for the recovery of assets after a business reorganisation, the prioritisation of payments in the event of liquidation and the option to split tax debts.

The way forward

- Revise downwards the weighting of collateral for medium-term loans to SMEs.
- Promote regulation and institutions so that movable assets are accepted as collateral by the entire financial system.
- Promote a separate securities section or market for small-cap SMEs.
- Improve coordination between the different financial education initiatives of private institutions in order to avoid duplication, as well as strengthen the current system of follow-up, monitoring, and evaluation of the NFES.
- Develop specialised information and training mechanisms for entrepreneurs who went bankrupt in their projects.
- Create an automatic mechanism that removes companies and individuals from the official bankruptcy and insolvency registers when the situation is resolved, in line with international best practices.
- Establish maximum time limits for insolvency (international experience indicates that up to 3 years is a good length of time for such proceedings).

Dimension 4. SME development services and public procurement

With a score of 4.16, Mexico performs above the regional average in this dimension. Furthermore, Mexico has seen its performance decrease compared with the 2019 edition, where the country obtained a total score of 4.21. The area with the highest performance in this assessment is public procurement, with 4.20, followed by business development services at 4.16 and entrepreneurial development services at 4.14.

Since the last assessment, Mexico has witnessed an important reorientation of economic policy, and SME policy and support services for SMEs and entrepreneurs are not the exception. Key developments include the dissolution of INADEM, which was a stand-alone agency in charge of the implementation of SME and entrepreneurship policies. In the current context, SME policy development remains the responsibility of the SE while implementation is under the mandate of the SE's *Unidad de Desarrollo Productivo* (see Dimension 1. Institutional Framework).

The provision of BDS is framed by the *Reglamento Interior de la Secretaría de Economía* (Internal Regulations of the Ministry of Economy, RISE), which is the internal regulation of the SE and establishes the organisation and functions of the Ministry or Secretariat, including its support to SMEs. The RISE, as such, is not the government's national economic development strategy or development plan, but rather a strategic institutional document for the SE. This contrasts with the findings of the 2019 edition of the SME PI, which showed a clear (albeit broad and lacking in detail) link to Mexico's National Development Plan through an SE Innovation and Development Programme. According to the responses to this assessment, the RISE is not based on a thorough analysis of the needs and demands for BDS by SMEs in the country and does not identify quantitative objectives in this area.

The government's national policy for SMEs for 2020-2022 states to pursue a more equitable development and the exploitation of strategic market opportunities, with the aim of revitalising the economy from the perspective of social inclusion. The policy intends to take into account the fact that the Mexican business structure is characterised by a high concentration of small businesses that face a number of challenges that limit their potential for development and growth, especially access to training courses and workshops. Based on that general diagnostic, the flagship initiatives in terms of BDS include a free, virtual self-training platform (*MIPYMES MX*) and the live streaming of digital workshops for entrepreneurs and SMEs on topics related to business development and digitalisation. Services also include free, in-person, and virtual training programmes targeted at specific populations (women, youth, the artisanal and rural community,

and the agro-industrial sector) or that focus on priority topics (business and financial skills, formalisation, digitalisation, e-commerce, exporting, and others) for SMEs and entrepreneurs. However, no programmes are specifically addressed at high potential and high-growth and innovative SMEs and entrepreneurs.

In terms of entrepreneurial development services, the government has created a registry called the *Padrón de Desarrolladoras de Capacidades Empresariales* (Entrepreneurial Capacity Developers, PADCE) to facilitate access to specialised business development services for entrepreneurs and SMEs. The PADCE is designed to help entrepreneurs and SMEs strengthen their business and digital skills and capabilities in order to increase their competitiveness and growth prospects. The PADCE is open to a variety of institutions, including accelerators, incubators, universities, foundations, and consulting firms. To be included in the PADCE, institutions must meet a set of requirements, including having a proven track record of providing quality business development services.

The public procurement system in Mexico is governed by the *Ley de Adquisiciones, Arrendamientos y Servicios del Sector Público* (Law on Public Sector Procurement, Leasing and Services, LAASSP). The LAASSP establishes the principles and procedures for the acquisition of goods, services, and works by federal government entities. As reflected in the 2019 SME PI, the LAASSP does not mandate a requirement to split tenders above a certain monetary value into lots; the possibility to split tenders into lots; the possibility to form consortia or joint bids; and/or quotas for SME participation. On the other hand, the Law specifies that payments for contracts will not exceed 20 days from the moment of the issuance of an invoice, and the effective delivery of the goods or services under the terms of the contract.

The electronic procurement system in Mexico for the Federal Authorities is called *CompraNet* and includes a registry of suppliers that are qualified to do business with federal government entities.

The way forward

Moving forward, Mexico could implement a set of recommendations to improve its performance in this dimension and, more importantly, enhance the policies and programmes for SME support, including by:

- Reinstating an explicit link between the provision of business development services and services for entrepreneurs and the national development plans, beyond the narrower strategic orientations of a specific body of the government.
- In this regard, Mexico could develop a full-fledged SME development strategy based on solid diagnostics and including concrete action plans, targets, expected outcomes and impact. This would also contribute to re-establishing a higher profile or standing to SME policy in the country.
- A greater emphasis on programmes and initiatives to support high potential, high growth, and innovative SMEs and entrepreneurs. This emphasis is not in conflict or at the expense of the government's goal to prioritise social outcomes over purely economic ones.
- A stronger use of public procurement as a tool to foster SMEs and entrepreneurship across the country, including by introducing regulations to facilitate the participation of small firms in this important market and to increase the access to information on procurement opportunities and trainings on how to participate in procurement processes, including through *CompraNet.*

Dimension 5. Innovation and technology

Mexico has an overall score of 4.14 in the Innovation and Technology dimension, which is bolstered by the regular monitoring and evaluation of innovation support activities. Mexico's innovation policy is coordinated by the *Consejo Nacional de Humanidades, Ciencias y Tecnologías* (National Council for Humanities, Science and Technology, CONAHCYT), which also operates a number of innovation support programmes. Mexico's National Innovation Plan (PNI) places a particular focus on the sectors of health,

energy, and human security. It also seeks to stimulate the creation of university spinouts through efforts to streamline regulatory and legal procedures, although the overall emphasis on SME innovation throughout the strategy could be greater. These factors feed into a score of 4.02 in the Institutional Framework sub-dimension.

Mexico has the highest score (4.37) in the LAC region within the Support Services sub-dimension. There are large numbers of incubators, accelerators, technology transfer offices, innovation centres and science and technology parks in Mexico. Prominent examples include the *Parque de Investigación e Innovación Tecnológica* (Research and Technological Innovation Park, PIIT) in the municipality of Apodaca, and the Yucatan Science and Technology Park, which both offer a range of supports to innovative businesses. In addition to hosting its own research centres, CONAHCYT supports other initiatives that foster linkages between SMEs and research institutions, through the provision of technical support, training, coordination with business chambers, and dissemination of information.

Financial supports for SME innovation are slightly less extensive in Mexico. The main financial support available is the *Estímulo Fiscal a la Investigación y Desarrollo de Tecnología* (Tax Stimulus for Research and Technology Development, EFIDT), which is coordinated by CONAHCYT. This scheme provides a tax credit to selected R&D projects, which allows the company to deduct 30% of the R&D expenses from their income tax. The tax credits are available to companies of all sizes that have been carrying out R&D for at least 3 years and are not a bNFESiciary of another CONACYT programme. Mexico's score of 4.04 in the Financing for Innovation sub-dimension is constrained by the absence of more direct financial support for SME innovation, which could take the form of grants or innovation vouchers.

The way forward

Looking ahead, Mexico could consider:

- Developing further financial support for SME innovation, such as innovation vouchers for selected technological investments or public procurement for innovation initiatives.
- Introducing a pillar or section on SME innovation within its innovation strategy, to ensure a cohesive and comprehensive support offering for SMEs can be provided.

Dimension 6. Productive transformation

Mexico achieves an overall score of 4.19, surpassing the regional average, primarily due to the generally well-developed nature of its strategies to enhance productivity. However, its overall score is diminished by low ratings in the measures to improve productive associations sub-dimension, highlighting a significant area for improvement. At the time of this assessment, the PROSECO includes, among its four priority objectives, the promotion of the creation and consolidation of productive SMEs for greater productive inclusion. In addition to this, the *Programa Especial para la Productividad y Competitividad* (Special Programme for Productivity and Competitiveness, PEPC) 2020-2024, derived from the National Development Plan and based on Article 5 of the *Ley para Impulsar el Incremento Sostenido de la Productividad y la Competitividad de la Economía Nacional* (Law to Promote Sustained Growth in the Productivity and Competitiveness of the National Economy, LIISPCEN), functions as a tool to enhance the medium- and long-term capabilities of individuals and businesses in Mexico. The programme comprises five priority objectives, specific actions supporting the implementation of outlined strategies, indicating the responsible department or entity for execution, and well-being goals to monitor programme objectives. Furthermore, in accordance with Article 19 of the LIISPCEN, the Secretariat of Finance and Public Credit (HACIENDA) submits semi-annual reports to the Congress of the Union, providing updates and results on this national policy, which are available to the public. In addition, the Law for the Development of the Competitiveness of Micro, Small and Medium-Sized Enterprises promote the creation of SMEs and the

support for the viability, productivity, competitiveness, and sustainability. Mexico scores 4.33 in the Productivity-Enhancing Measures sub-dimension.

At the time of the 2019 assessment, INADEM managed various calls for SME associativity. Although INADEM did not establish specific outcome indicators for this set of calls, publicly available indicators related to productivity reflected highly positive results, particularly in the increase of total factor productivity and growth in the value of fixed assets. However, with the dissolution of INADEM, as presented in the Dimension 1. Institutional Framework priority has shifted to the strategic public enterprise. This has transferred the responsibility for measures to improve productive associations to the SE, and state laws promoting these efforts. As a result, it receives a score of 4.08 in this sub-dimension, slightly below the LA9 average.

Mexico's overall score is significantly bolstered by its performance in the integration into global value chains sub-dimension, where the country distinguishes itself among the LA9 countries through well-coordinated initiatives concentrated on the *MIPYMES.MX* platform. This platform features specific sections dedicated to capacity building and exporting, including the *ExportaMX* platform, which guides the export decisions of Mexican SMEs aiming to integrate into global value chains. Notable efforts in this domain encompass the Impulso T-MEC programme, executed in collaboration with the *Banco Nacional de Comercio Exterior* (National Bank for Foreign Trade, BANCOMEXT). This programme provides support to SMEs connected to value chains in strategic sectors with export potential, aiming to enhance their productive capacities in the renewed North American Trade Agreement (T-MEC). Another example is the *Jornadas de la mano con tu negocio,* workshops, which offer training, procedural advice, and networking opportunities to integrate SMEs into regional value and supply chains. These workshops facilitate face-to-face business appointments with purchasing companies. Similarly, the Partnering in Business with Germany Programme, previously known as "Fit for Partnership with Germany," aims to enhance export opportunities for Mexican companies by connecting them with German importing companies. These strategic actions align with PROSECO's objective 3, aiming for greater productive inclusion, and result in a notable score of 4.28 in this sub-dimension.

The way forward

- Establish clear initiatives aimed at enhancing productive associations, incorporating time-bound objectives and measurable indicators to ensure effectiveness.
- Enhance the effectiveness of the MIPYMES.MX platform as a comprehensive source of information for productive transformation measures.

Dimension 7. Access to market and internationalisation of SMEs

Mexico obtains a score of 4.42 in the Access to market and internationalisation dimension, mainly highlighting an improvement in the sub-dimension of addressing the benefits of integration in Latin America and the Caribbean (LAC), with respect to the 2019 edition.

Regarding the sub-dimension of policies and programmes to support internationalisation, Mexico showed a good performance, obtaining a score of 4.73. Following the disappearance of ProMéxico and INADEM, their functions and programmes have been taken over directly by the SE. The Undersecretariat of Foreign Trade, in particular, is responsible for the negotiation, administration and defence of international trade and investment treaties and agreements, as well as for establishing policies and measures to facilitate foreign trade. These actions are part of PROSECO, which, in terms of internationalisation, seeks to diversify the destination markets for Mexican exports to reduce vulnerability and take advantage of new trade opportunities.

On the other hand, the *Comisión Mixta para la Promoción de las Exportaciones* (Joint Commission for the Promotion of Exports, COMPEX) plays a crucial role in analysing, evaluating, proposing, and coordinating actions between the public and private sectors in the area of foreign trade in goods and services. This commission is composed of various governmental entities and agencies such as the BANCOMEXT and NAFIN. The SE also offers the National Foreign Trade Information Service (SNICE), which provides tools, programmes, regulations, and guides to support the export and internationalisation process of Mexican SMEs.

In addition, programmes such as the Manufacturing, Maquiladora and Export Services Industry Programme (IMMEX), which allows companies to import goods temporarily and defer the payment of taxes, and "Partnering in Business with Germany", the bilateral cooperation programme between the Ministry of Economy and the Federal Ministry of Economics and Climate Protection, which is established as a bridge of opportunities by fostering solid and strategic business partnerships. Over more than 10 years, leaders of Mexican SMEs with foreign trade potential are prepared to explore new markets through direct business contacts. In early 2024, the programme launched the "Women in Business" edition to align with the objectives of the SME Impulse Policy, which highlights the role of women in the economy and the contribution of women-led SMEs to employment. This edition is the first call exclusively for women and aims to create a space where they can share their experiences while learning from each other.

In terms of trade facilitation, Mexico scored 3.83. In January 2021, it established the National Trade Facilitation Committee to comply with the requirements of the WTO Trade Facilitation Agreement (TFA), following negotiations between 2014 and 2017. This Committee proposes actions to reduce formalities, procedures and requirements, lowering trade costs.

The SE, in collaboration with *ConnectAmericas* and the IADB, launched *ComerciaMx*, a digital platform that helps companies, especially SMEs, to expand internationally. It facilitates interaction with customers, suppliers, partners, and investors, addressing the barriers that companies face when seeking to expand globally: access to reliable contacts, information on international trade, financing, and training. It offers access to foreign trade regulations, financing programmes, business guides, training courses and self-diagnostic tools.

The SE also implements *MujerExportaMx*, a training programme to strengthen and support all MSMEs led by women in their export process, in collaboration with the IADB, provides a platform to carry out a virtual business roundtable that allows these MSMEs to access international markets.

The *Ventanilla Única de Comercio Exterior Mexicano* (Mexican Foreign Trade One-Stop Shop, VUCEM) is a government electronic system to streamline procedures related to foreign trade. It simplifies customs processes, promoting competitiveness. By 2023, it has accumulated more than 300 thousand certificates of origin, more than 200 thousand digitised documents and more than 17 thousand registered applications. In addition, the SAT offers certifications as Authorised Economic Operator (AEO), with more than a thousand companies certified by 2023. On the other hand, Mexico outperforms the average for LAC in all variables of the OECD Trade Facilitation Indicators (TFI), standing out in availability of information and fees and charges.

Mexico scores 4.26 in the e-commerce sub-dimension. This result is due to the strategies and agreements implemented to boost e-commerce, such as the Mexican e-commerce standard (NMX-COE-001-SCFI-2018), which contains provisions to which persons offering, marketing, or selling goods, products or services using electronic, optical or any other technology shall be subject. Although it does not have a comprehensive cybersecurity law, the country has a Basic Cybersecurity Manual for SMEs issued by CERT Mexico, as well as various laws and bodies that address cybersecurity, including the Inter-Ministerial Commission on Information and Communication Technologies (ICT) and Information Security.

Platforms such as *MIPYMES MX* provide tools, content, and training for the development of digital business skills. BANCOMEXT offers financing and training for digitalisation and e-commerce projects. The e-

commerce market in Mexico reached USD 26.2 billion in 2022, with a 23% growth compared to the previous year. In addition, there are 63 million e-commerce users in the country. Social media has a significant influence on online shopping. Initiatives such as the Free Trade Agreement between Mexico and Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, the Mexico-Panama Free Trade Agreement, the Pacific Alliance, the T-MEC and the Trans-Pacific Partnership Agreement (TIPAT) seek to adapt trade regulations to the digital age and encourage e-commerce.

Mexico obtained an outstanding score of 4.61 in the sub-dimension on Quality standards, reflecting a strong institutional framework dedicated to improving the quality standards of goods production. The Economy Sector Programme establishes strategies to strengthen the National System of Standardisation, Conformity Assessment and Metrology, ensuring the safety and quality of products and services. The Mexican Official Standards (NOM) and Mexican Standards (NMX) are key instruments in this process, supported by the Mexican Accreditation Entity (EMA) and the National Metrology Centre (CENAM). The National Laboratory for Consumer Protection (LNPC) conducts quality studies and educates consumers on their rights, contributing to economic development and consumer protection.

Finally, on the sub-dimension on the benefits of LAC integration, Mexico obtained a score of 4.17. The Ministry of Foreign Affairs coordinates the country's participation in the Pacific Alliance, where the SE contributes to the "Technical Group on SMEs". This group focuses on trade facilitation, business development, and public procurement projects, promoting crowdfunding, trade between creative industries, digitalisation of SMEs and cross-border e-commerce. In addition, the Committee on Global Value Chains and Productive Linkages was established to foster productive integration among member countries.

The way forward

The following actions could be considered, in order to improve Mexico's performance in this dimension:

- Improve the monitoring and evaluation of implemented policies and programmes. This will allow for better adjustments and better design of new programmes.
- Keep facilitating SMEs' access to information on administrative and commercial aspects in the country of destination, as well as on the bNFESits of the different programmes available, by improving communication channels with the private sector.
- Foster sub-regional integration and empowerment of SMEs through standardised, collaborative, and inter-operable trade promotion and internationalisation programmes.
- Strengthen private sector understanding of support for existing quality certifications. This can be done through satisfaction and performance surveys targeting enterprises already included in these processes, as well as knowledge and interest surveys for the general population, in order to bring information closer to the smallest entrepreneurs.

Dimension 8. Digitalisation

Mexico attains an overall score of 4.28 in the Digitalisation dimension. The National Digitalisation Strategy (NDS), led by the Coordination of the National Digital Strategy, serves as a comprehensive guide for Mexico's digital transformation. As of January 2023, the formal coordination mechanism in this area is the *Comisión Intersecretarial de Tecnologías de la Información y Comunicación, y de la Seguridad de la Información* (Inter-Ministerial Commission on Information and Communication Technologies and Information Security, CITICSI). CITICSI replaced the Inter-Ministerial Commission for the Development of e-Government. Comprising heads of Information and Communications Technology Units from various governmental agencies, this council convenes at least three times a year, ensuring cohesive efforts in the strategy's development. The EDN focuses on key aspects such as leveraging ICTs to enhance and bring

transparency to government services for citizens. Additionally, it aims to expand internet coverage across the country. The Executive Council meticulously assesses achievements in ICT matters, fostering transparency and accountability. These factors contribute to a commendable score of 4.53 in the National Digitalisation Strategy sub-dimension.

In the Broadband Connectivity sub-dimension, Mexico achieves a score of 4.11. The nation's commitment to narrowing the digital divide is evident through its *Programa Prioritario Internet para todos* (Internet for All Priority Programme), operationalised under the National Development Plan 2021-2024. This programme encompasses the implementation of cellular technology, including towers, antennas, and 4G equipment, along with the establishment of free Internet access points in public spaces across Mexico. Additionally, it involves constructing a National Fiber Optic Network and deploying satellite and microwave technologies. Additionally, partnerships with the private sector facilitate last-mile connectivity, ensuring no area is left underserved. Regular consultations with network operators, consumers, and regulatory authorities guarantee inclusivity and responsiveness to evolving needs. A significant milestone is the promotion of free internet connectivity in public squares, health centres, hospitals, and schools. By deploying the internet to areas lacking coverage, Mexico aims for universal accessibility. To comprehensively assess the digital divide, the government focuses on segments of the population in geographically remote locations.

By integrating e-skills into the national education strategy, and the Digital Education Agenda, Mexico ensures that digital competence is a fundamental part of the curriculum. Initiatives like the Virtual Training System for Public Servants offer continuous training, enhancing the capabilities of public employees. Moreover, the government actively promotes digital skills through non-formal learning initiatives, providing training courses to improve digital literacy. Mexico actively encourages the participation of women in the digital economy through programmes like the Digital Skills Programme for 21st Century Mexican Women, which offers specialised courses, promoting technological literacy among women entrepreneurs. Additionally, with initiatives such as the Get into STEM Mode campaign focusing on encouraging more women to pursue careers in STEM fields and fostering diversity and innovation, Mexico’s score of 4.21 in the Digital Skills sub-dimension is one of the highest in the LAC region.

The way forward

Looking ahead, Mexico could consider:

- Enriching Mexico's National Digitalisation Strategy by incorporating a dedicated SME Digitalisation Strategy. This should outline measurable targets, action plans, responsible entities, budgets, and timelines, ensuring a comprehensive approach to SME digital transformation. Consultations with SME representatives should be integral to the strategy's development, ensuring tailored interventions that address the unique needs of small businesses.

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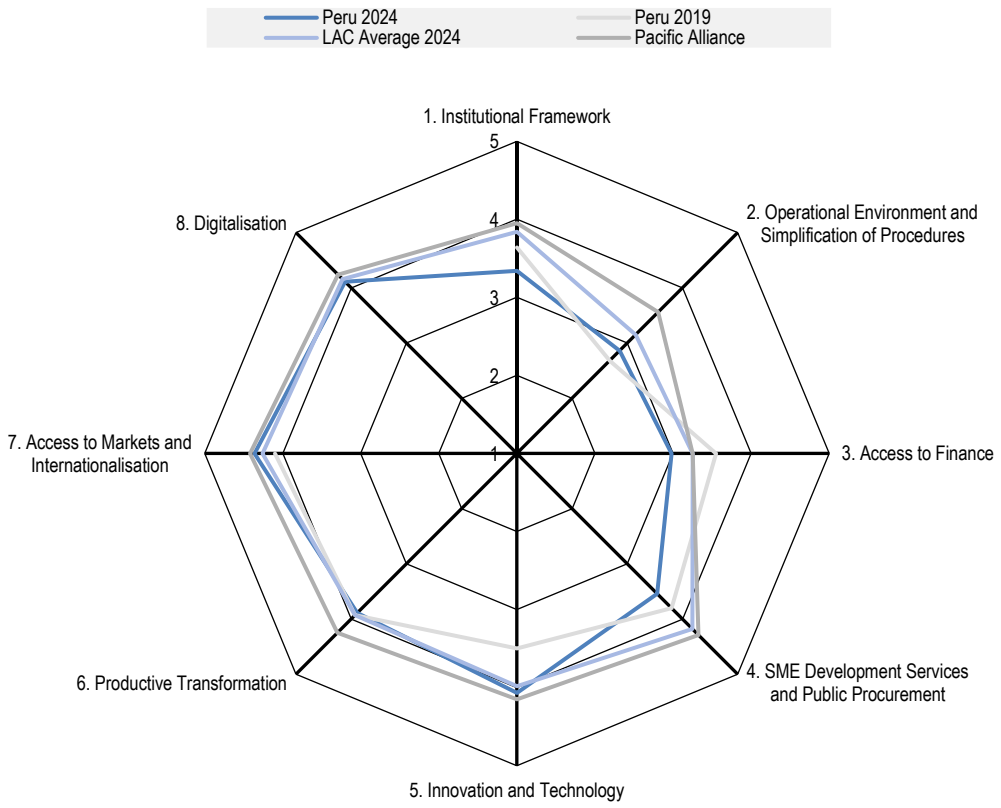
19 Peru

This chapter provides an assessment of Peru. It begins with an overview of Peru's context and subsequently analyses Peru's progress across eight measurable dimensions. The chapter concludes with targeted policy recommendations.

Overview

Figure 19.1. 2024 SME PI Peru's score



Note: LAC average 2024 refers to the simple average of the 9 countries studied in this 2024 report. There is no data for the Digitalisation dimension in 2019 as the 2019 report did not include this dimension.

Peru's performance in the second edition of the SME Policy Index (SME PI) demonstrates the various efforts and programmes the country has in place for SME development. Overall, Peru's performance stands out in the dimensions of Innovation and Technology (Dimension 5) and Market Access and Internationalisation (Dimension 7), where it has improved from the 2019 assessment and scored above the regional average. However, the country still faces particular challenges in the dimension of Operational Environment and Simplification of Procedures (Dimension 2). Although it has improved its score compared to its participation in 2019, mainly due to the development of its e-government services, it is still below the regional average.

Peru has maintained a well-established framework for SME policy and demonstrated commendable practices in medium-term policy planning. The country offers an extensive range of programmes and initiatives to support SME development, often featuring clear and time-bound objectives. However, challenges remain in the implementation and monitoring of these policies and programmes, making it difficult to assess the overall impact of SME support measures.

Looking ahead, as further detailed in this chapter, Peru could build on the foundation of the *Plan Estratégico de Desarrollo Nacional – Perú 2050* by developing a medium-term strategy for SME development. This strategy could be formulated in consultation with private sector representatives and international organisations. The plan could benefit from the incorporation of realistic and quantifiable

objectives while strengthening the implementation mechanisms of its various SME support programmes, ensuring their alignment with strategic orientations.

Context

The Peruvian economy faced an 10.8% contraction due to the pandemic in 2020, followed by a recovery of 13.3% in 2021, driven by domestic demand, growth in productive sectors, and increased current income. By 2022, the economy slowed to 2.7%, (OECD, 2024[1]). Factors such as social conflicts, political uncertainty, and adverse weather conditions affected business confidence and slowed private investment in non-mining sectors, while mining investment contracted due to the absence of new large-scale projects (BCRP, 2022[2]).

Various factors, including weather disruptions and supply shocks, led to a peak inflation rate of 8.8% in June 2022. In response, the *Banco Central de Reserva del Perú* (Central Reserve Bank of Peru, BCRP) increased the benchmark interest rate by 500 basis points throughout 2022, reaching 7.5% (BCRP, 2022[2]). By end 2023, the inflation rate returned to a level within the inflation target, reporting 3.1%. The decline was driven by the rapid reversal of the impact of supply shocks on food prices observed in the second half of the year. The fiscal deficit, after reaching 1.7% of GDP in 2022, increased to 2.7% in 2023 (BCRP, 2023[3]).

In terms of employment, national formal jobs and the wage share increased in 2023 compared to 2022 (INEI, 2023[4]). However, there is a marked downward trend in job growth rates due to the fall in employment in the agricultural sector affected by El Niño (BCRP, 2023[3])).

Furthermore, Peruvian SMEs, constituting 99.5% of all firms and generating 90% of the economically active population in the private sector, were significantly impacted by the 2020 crisis. The number of formal enterprises contracted by 25.1% in 2020. To address this, the government launched financing programmes to help SMEs cope with the liquidity crisis. In 2023, the business fabric reached 3.2 million; however, there were more divestitures than additions during this year (INEI, 2023[5]). Trade and services activities account for 86.5% of SMEs, while manufacturing, construction, mining, and agricultural activities make up the remaining 13.5% (INEI, 2023[5]). Peru has 24 trade agreements in force with major partners such as China, the United States, South Korea, Canada, and Japan (MINCETUR, n.d.[6]).

Dimension 1. Institutional Framework

Until recently, Peru has upheld a reasonably well-established framework for SME policy and exhibited commendable practices in medium-term policy planning. However, persistent political instability has disrupted the planning and implementation of policies, while limiting the frequency of Public-Private Consultations (PPCs). Additionally, the expansion of the already large informal sector has posed challenges to the effectiveness of SME policies, resulting in a score of 3.34 for the Institutional Framework dimension.

Peru's SME definition (score: 3) relies on a singular criterion: total sales. These values are converted into *Unidades Impositivas Tributarias* (Tax Units, UIT) and are adjusted to account for inflation. This definition is universally adopted by all public entities and has remained unchanged since 2013. During this period, the inclusion of a second parameter—total employment—was discontinued due to challenges in collecting reliable employment data. Micro and small enterprises are mandated to register with the national *Registro Nacional de Micro y Pequeñas Empresas* (Register of Micro and Small Enterprises) to access public-sector support programmes and benefits.

Peru's score for the sub-dimension of Strategic Planning, Policy Design, and Coordination which scores 3.01 is below the average of LA9. The SME policy mandate in Peru is entrusted to the *Ministerio de la Producción* (Ministry of Production, PRODUCE), specifically under the purview of the *Dirección General de Desarrollo Empresarial* (General Directorate of Entrepreneurship Development, DGDE). The institutional framework for SME policy is defined by DS 013–2013 of the *Ley de Impulso al Desarrollo Productivo Crecimiento Empresarial* (Law for the Promotion of Productive Development Business Growth).

As of now, Peru lacks a medium-term SME Development Strategy. The strategic guidelines and objectives for SME policy until 2021 were outlined in the *Plan Estratégico de Desarrollo Nacional* (Strategic National Development Plan, PEDN), which implicitly addressed aspects relevant to SMEs. Additionally, the *Plan Estratégico Sectorial Multiannual* (Multiannual Strategic Sector Plan, PESEM) was formulated and supervised by PRODUCE. The *Centro Nacional de Planeamiento Estratégico* (National Centre for Strategic Planning, CEPLAN) was responsible for overseeing the plan's implementation.

In 2022, the government approved a long-term development plan, the *Plan Estratégico de Desarrollo Nacional–Perú 2050*, created by CEPLAN. This plan outlines strategic directions for the country's social and productive transformation, including aspects related to competitiveness, innovation, and digital transformation that indirectly impact SME policy. The absence of a medium-term plan, coupled with persistent political instability, has led to the introduction of ad hoc measures by the DGDE in response to specific policy issues.

The coordination and consultation of SME policies in Peru are overseen by the *Consejo Nacional para el Desarrollo de la Micro y Pequeña Empresa* (National Council for the Development of Micro and Small Enterprises, CODEMYPE). This council comprises representatives from different ministries (Economy, Agriculture, Production, Foreign Trade, Tourism, among others), local governments, and private sector associations. However, its influence and coordination capabilities have been relatively weak.

Other institutions involved in the implementation of SME policies include the *Instituto Tecnológico de la Producción* (Technological Institute of Production), specifically through the CITES. Key programmes, such as the *Programa Nacional Tu Empresa*, *Proinnóvate*, and the *Programa Nacional de Diversificación Productiva*, are designed with a focus on micro and small-scale enterprises. Nevertheless, current financial and human resources allocated to these programmes are considered insufficient to meet the needs of the SME sector.

Peru receives a score of 3.82 in the PPCs sub-dimension. While the country has had a programme for general citizen consultation since 2009, focusing on the development of new legislative and regulatory acts as part of the government's transparency policy, the standard consultation period lasts for 30 days, and there is no centralised portal for collecting citizen views. Micro and small enterprises are engaged in consultations during various phases of legislative and regulatory act development, with PRODUCE extending invitations for feedback. The primary consultation channel, CODEMYPE, previously organised regular meetings supported by a secretariat within the DGDE, but political instability has disrupted this process.

Furthermore, Peru faces a significant challenge with a large informal sector, as reflected in its score of 3.86 in the Measures to Tackle Informal Economy sub-dimension. Recent data from PRODUCE indicates that enterprise informality is as high as 86.5%. Despite positive employment data, the informal sector has increased, especially during the COVID-19 pandemic. The government's focus is primarily on reducing labour informality, with specific programmes implemented by the *Ministerio de Trabajo y Promoción del Empleo* (Ministry of Labour and Employment Promotion, MTPE), supported by international organisations like the International Labour Organization (ILO). The main instrument to address enterprise informality is the *Programa Nacional Tu Empresa* of PRODUCE. However, limited funding and coordination with other institutions pose challenges.

The way forward

- Enhance the SME definition by incorporating additional parameters, such as employment and total assets. Improve the exchange of data between the tax administration, the MTPE, and PRODUCE to obtain reliable information on firm size.
- Develop a medium-term strategy for SME development within the framework of the *Plan Estratégico de Desarrollo Nacional – Perú 2050,* in consultation with private sector representatives and international organisations. The plan should incorporate realistic and quantifiable objectives, include a section on monitoring and evaluation, and address the reduction of enterprise informality.
- Resume and institutionalise PPCs through the CODEMYPE system. Ensure that consultations are open to all categories of SMEs.
- Evaluate the measures implemented so far for reducing informality and elaborate a comprehensive medium-term plan for the reduction of labour and enterprise informality, considering the results of the evaluation exercise.

Dimension 2. Operational environment and simplification of procedures

SMEs operating in Peru encounter a challenging operational environment, as indicated by the overall dimension score of 2.86. The complexity of procedures, especially in starting a business (Company Registration 2.89) and filing and paying taxes (Ease of filing taxes 2.33), contributes to the difficulties faced by businesses. The regulatory reform process has faced challenges in recent years, experiencing a slowdown. However, there is progress in the provision of e-government services, reflected in the E-government score of 3.88.

Peru scores 2.60 in the Legislatives Simplification and Regulatory Impact Analysis sub-dimension. SMEs operating in Peru encounter a relatively complex and restrictive environment with a high administrative burden.

While the government states the presence of a regulatory reform plan, it could benefit from more clearly defined objectives, priorities, and a well-structured implementation timeline. Additionally, less than 25% of legislation related to private sector enterprise activities has been revised so far. Regulatory Impact Assessment (RIA) has been adopted since 2017, with each line ministry responsible for conducting RIA during the legislative and regulatory elaboration phase. The *Comisión Multisectorial de Calidad Regulatoria* (Multisectoral Regulatory Quality Commission, CMCR) oversees the application of RIA, and all RIA analyses are made publicly available.

For the registration process, it involves the intervention of a notary, as the business founder must sign the deed of incorporation before a Public Notary. This step significantly increases the overall cost of the process. Additionally, obtaining a *Certificado de Inspección Técnica de Seguridad en Edificaciones* (Technical Inspection Certificate for Safety in Buildings, ITSE) and obtaining the operating license from local authorities takes a considerable amount of time (14 days).

An enterprise in Peru is assigned two identification numbers for interactions with the public administration. The first is the registration number issued by the *Superintendencia Nacional de los Registros Públicos* (National Superintendency of Public Registries, SUNARP), and the second is issued by the tax administration upon registration of the enterprise in the *Registro Único del Contribuyente* (Single Taxpayer Register, RUC). While there is no One-Stop-Shop (OSS) in place, the *Centro de Mejor Atención al Ciudadano* (Centres Improved Citizen Services, MAC) offers orientation services and assistance to new entrepreneurs. To enhance its services, SUNARP has introduced the *Registro Centralizado de Reclamos* (Centralised Complaints Registry) to address dysfunctions in the registration procedures and improve the monitoring of the company registration process.

Regarding taxes, as highlighted in the 2019 SME PI report, the main issue is the time required for tax filing, which is 260 hours per year, well above the OECD average of 158.8 hours. No new tax reform has been introduced since 2019. Instead, the tax administration has increased actions directed at providing assistance to taxpayers and applying risk management techniques.

In a positive development, Peru has made considerable progress in developing e-government services. The country launched its first initiative to promote digital government in 2014 with the Cero Paper Initiative and established the *Secretaria de Gobierno y Transformación Digital* (Secretary of Government and Digital Transformation).

The digitalisation of public services remains one of the main government objectives. Over the period 2021-26, the government intends to accelerate the digital transformation of the public sector by upgrading the technology and improving the governance system. In 2022, Peru transitioned from high to very high in the UN Electronic Government Development Index. The country ranked 59 out of 193 countries surveyed.

The way forward

- Clarify the objectives of its current regulatory reform plan and focus on areas of relative weakness. Simultaneously, it should take steps to introduce an SME RIA test to evaluate the impact of new laws and regulations on different classes and typologies of SMEs.
- Take action to further simplify the company registration process and reduce associated costs, eliminating the need for notary services wherever possible.
- Implement measures to simplify tax declaration and tax payment procedures and expand its online services.

Dimension 3. Access to finance

Peru achieves an overall score of 2.98 in the Access to Finance dimension. In the Legal, Regulatory, and Institutional Framework sub-dimension, it scores 4.13, surpassing the regional average. This success is primarily attributed to advancements in securities market regulation, the development of the asset register, and a strong focus on collateral. Notably, Peru has minimal regulation on the percentage of collateral required for medium-term loans to SMEs.

While Peru shows progress in the regulation and institutionalisation of the asset registry, there are areas for improvement. The cadastre and the registry of collateral rights over movable assets are available online, but their overall functionality is limited. Furthermore, the ownership of pledges is not adequately documented, and the acceptance of movable assets as collateral is selective, limited to large borrowers and some banks.

The development of the legal framework in terms of access to finance benefits from government provisions on the securities market. Although there is no specific regulation for SMEs in the capital market, there is a separate segment for small-cap companies with strategies designed to facilitate their compliance with listing requirements. Peru scores 3.24 in the sub-dimension of Diversified sources of enterprise finance. However, it faces significant challenges in the sub-sub-dimension of bank credit and traditional debt products, which affects its overall rating. The absence of export finance systems available to SMEs is a critical factor, despite plans to implement such facilities in the future.

In terms of guarantees, Peru has the presence of FOGAPI, which aims to facilitate access to credit by providing guarantees to financial intermediaries when entrepreneurs lack sufficient assets as collateral. The country also has several microfinance savings and credit institutions operating nationwide. Additionally, the Peruvian government promotes other financing mechanisms for SMEs, such as crowdfunding, regulated through the *"Reglamento de la actividad de Financiamiento Participativo*

Financiero y sus sociedades administradoras." However, the current regulation presents barriers that discourage the creation of new crowdfunding companies and platforms, including a lengthy registration process, high minimum equity requirements, and funding thresholds that could be more flexible. Improving regulation to allow new institutions to enter the market and expand the range of services offered would particularly benefit the SME sector.

In the Financial Education sub-dimension, Peru scores 2.40. Although the country has conducted measurements of the financial capabilities of the general population, most assessments have not specifically focused on the knowledge of microentrepreneurs. Peru conducted financial capability surveys in 2012, 2019, and 2023, supported by CAF and in collaboration with the Superintendency of Banks, Insurance, and Pension Fund Administrators, using the OECD's established methodology. Additionally, the financial literacy of school-age youth (15 years old) has been measured as part of the OECD's PISA assessments.

Peru has integrated Financial Education and entrepreneurship programmes as compulsory subjects in the secondary school curriculum. The country has defined indicators for the follow-up, monitoring, and evaluation of financial education programmes for SMEs, alongside a detailed monitoring strategy that discloses the results of available baselines. Impact evaluations of financial education programmes have been conducted, led by the Ministry of Education and the Superintendency of Banks of Peru (SBS), with results helping to adjust ongoing programmes.

In the sub-dimension of effective procedures for handling bankruptcy or insolvency situations and mechanisms to facilitate the productive reintegration of affected entrepreneurs, Peru scores 2.15. The country has a regulatory framework with universally applicable laws, based on internationally recognised principles, extending even to state-owned enterprises. Additionally, there is a public register of insolvent and bankrupt companies, an early warning system for insolvency situations, and the possibility of resorting to out-of-court settlements that are less burdensome than declaring bankruptcy.

Peru also has regulations for secured transactions, prioritising payments when the assets of the bankrupt company are liquidated. However, improvements are needed in allowing secured creditors to seize their collateral after reorganisation and imposing restrictions, such as requiring creditor consent when filing for reorganisation. Post-bankruptcy, there is no maximum time limit for insolvency, nor an automatic system for removing this information from insolvency and credit record registers once the period has elapsed. Additionally, there is no capacity-building programme for entrepreneurs whose businesses have failed, although a corrective regime known as the surveillance regime exists in collaboration with the SBS.

The way forward

- Strengthen the cadastre to make it functional, publicly accessible, and online, make the registry of security rights in movable assets accessible and online, and ensure that ownership of pledges is documented.
- Develop special capital market regulation for SMEs and strengthen the strategy to help SMEs meet listing requirements.
- Develop export finance systems with a specific focus on SMEs.
- Promote the implementation and start-up of alternative financing mechanisms for SMEs. Crowdfunding, for example, although regulated, is difficult to implement in practice due to a lengthy process, high minimum equity requirements and funding limits that could be more flexible.
- Conduct regular financial capability surveys for SMEs in order to have updated information for the design of financial education programmes, as well as design and implement a follow-up, monitoring and evaluation system for both policy and programmes.

- Strengthen the system for handling bankruptcy through a capacity-building mechanism for entrepreneurs whose businesses have failed, and allowing secured creditors to seize collateral after reorganisation.
- Create an automatic mechanism that removes companies and individuals from official bankruptcy and insolvency registers when the situation is resolved, in line with international best practices.
- Establish maximum time limits for insolvency (international experience indicates that up to 3 years is a good length of time for such proceedings).

Dimension 4. SME development services and public procurement

The total score of Peru in this dimension is 3.54, which is below the regional average of 4.18. The highest performance is in the sub-dimension of Business Development Services (BDS), with 3.73, followed by public procurement with, 3.60 and entrepreneurial development services, with 3.29. This represents a fall in performance with respect to the 2019 SME PI, when Peru registered a total score of 3.80.

As noted in Dimension 1. Institutional Framework, Peru does not have a medium-term SME development strategy, which hampers the strategic orientations and coordination efforts for BDS and entrepreneurship support. The Strategic Plan for National Development - Peru 2050 contains the broad economic and social development priorities, including on competitiveness, innovation, and digitalisation, but does not comprise direct or explicit links to SME policy and hence business development services. According to the information provided for this assessment, the strategic directions for BDS are framed by the Strategic Institutional Plan of PRODUCE, which is an institutional document and not an SME development plan or strategy. Furthermore, there are no up-to-date analyses of the demand and supply for the provision of BDS in the country.

The information on the BDS available is scarce. The only reference provided in the questionnaire for this assessment is the Programme Proinnovate, which provides co-financing for innovation, productive development, and entrepreneurship. The website of PRODUCE provides information on other projects and programmes, including access to markets (*Articulando Mercados*), innovation (*ProInnóvate*), digitalisation (*Kit Digital*), business planning and technology transfers (*Procompite*), management (*Tu Empresa*), entrepreneurship (*Startup Perú*), etc. According to the responses to the questionnaire, the financial resources available for those programmes are not enough for the needs of SMEs in the country.

Public procurement is governed by Law 30225, which includes a few items on the participation of SMEs, including the possibility to form consortia and establishing a time limit of up to 15 days to pay for goods and services. Law 31535, amends Law 30225 to incorporate the cause of "impact on productive or supply activities due to health crises" as a criterion for reducing penalties for micro and small enterprises that have not been able to carry out their activities as a result of COVID-19. No other information or programmes are available on public procurement and SMEs.

The scarcity of content in the responses to this assessment and the limited and scattered availability of public information concerning this dimension indicate that there is ample margin for Peru to increase its performance in BDS, services for entrepreneurs and public procurement.

The way forward

Some key points going forward include:

- Considering the strategic policy orientations for the provision of BDS and services for entrepreneurs and startups, including by linking small business support to the wider national development plan and devising concrete measures, targets and expected outcomes. Such a

strategic approach goes beyond the current practice of linking BDS strategy to the institutional plan of PRODUCE only.

- Expanding the offer of BDS, particularly those addressed to entrepreneurs and start-ups, which are much more limited than the support provided to the general SME population. Peru could also consider providing more structured and detailed information on the services available and undertake updated studies on the needs of small businesses and entrepreneurs.
- Introducing more explicit support measures for SMEs to participate in public procurement. The existing framework comprises very few precepts to facilitate and encourage this.

Dimension 5. Innovation and technology

Peru has seen a notable improvement in the Innovation and Technology dimension, with its score rising from 3.50 in 2019 to 4.07 in 2023. This marks the largest increase in the LAC region. The major driver of this trend is the Institutional Framework sub-dimension, the score for which rose from 2.98 in 2019 to 4.21 in 2024.

The *Consejo Nacional de Ciencia, Tecnología e Innovación Tecnológica* (National Council of Science, Technology and Technological Innovation, CONCYTEC) is the governing body for Peru's *Sistema Nacional de Ciencia, Tecnología e Innovación Tecnológica* (National System of Science, Technology and Technological Innovation, SINACYT). SINAYCT also comprises a range of other entities from the public, private and academic sectors, including the *Consejo Consultivo de Investigación y Desarrollo* (National Advisory Council for Research and Development, CONID), public research institutes, and public entities that provide funding or incentives for innovation. Peru has shown progress since 2019 in the institutional framework of the Innovation System, with ProInnóvate and ProCiencia representing a redefinition of entities fostering and supporting innovation. ProInnóvate has a mandate to implement initiatives to support innovation, technological development, productive development, and innovative entrepreneurship, with the aim of creating a more consolidated framework for innovation support, while ProCiencia is considered the entity linked to the promotion of R&D.

There are a range of supporting instruments available to SME innovators in Peru, contributing to an above average score of 3.94 in the Supports Services for Innovation sub-dimension. Publicly funded science parks, innovation centres, incubators, and accelerators all form part of Peru's innovation strategy, laws, or policies. Innovative SMEs can also benefit from an online database of researchers, which can be used as a tool for forming collaborative research initiatives. Furthermore, *ProInnóvate Programa de Apoyo a Clusters* (Cluster Support Programme) aims to strengthen interrelationships between companies in the same geographical area or value chain by awarding co-financing for selected cluster initiatives.

Peru's scores 4.06 in the Financing for Innovation sub-dimension. There are numerous sources of financial support to help SMEs to conduct innovation. These include ProInnóvate's direct co-funding supports – which target high-growth enterprises and women entrepreneurs as some of its strategic lines of action– as well as the tax incentives contained within Law No. 30 309. Moreover, there is currently a proposal for the introduction of a public procurement for innovation scheme, as a demand side support for SME innovation. However, Peru's score in this sub-dimension is reduced by the relatively low uptake of R&D tax incentives by SMEs, as well as weaknesses or gaps in the monitoring and evaluation of financing for innovation programmes.

The way forward

Going forwards, Peru could consider:

- Identifying and addressing barriers to SMEs' uptake of R&D tax incentives.

- Conducting reliable impact evaluations of ProInnóvate's major programmes, including its provision of financial supports for SME innovation.

Dimension 6. Productive transformation

Peru continues to make evident efforts to enhance the productivity and competitiveness of SMEs, resulting in a slightly decreased score of 3.89 in the productive transformation dimension. This decline is largely attributed to methodological changes when compared with the assessment conducted in 2019. Currently, the strategic directions for the country's productive and social transformation are outlined in the Strategic Plan for National Development - Peru 2050, as detailed in Dimension 1. Institutional Framework. Simultaneously, the Budgetary Programme 00993 for the Productive Development of Enterprises stands out as a budgetary instrument that enables the coordination of spending within the Production sector to deploy services for the benefit of SMEs. Additionally, the National Competitiveness and Productivity Plan 2019-2030 has a persistent influence that cuts across various aspects, including its impact on SMEs. The combination of all these efforts, together with their detailed action plans outlining specific objectives and time-bound quantifiable targets, is reflected in the 4.00 score for the Strategies to Enhance Productivity sub-dimension.

Peru continues its active involvement in the Cluster Support Programme, an initiative operated by ProInnóvate. This commitment is reflected in a score of 3.99 for the Measures to Encourage and Support Productive Associations sub-dimension. This programme functions as a call for proposals and involves co-financing with non-refundable resources. Structured in two sequential components, the first component, Dynamisation of Selected Cluster Initiatives, focuses on mapping, diagnosis, and strategic planning activities. The second component, Implementation of Competitiveness Strengthening Plans, centres on the development and implementation of prioritised sub-projects. Despite the 2019 assessment lacking data on the monitoring and evaluation aspects of the programme due to its recent nature, there remains a noticeable absence of publicly available records regarding monitoring mechanisms. This signifies a significant area for improvement in tracking and evaluating the programme's impact. Nonetheless, the results of the calls for proposals are accessible on the programme's official website.

In terms of industrial parks, including the national system, PRODUCE is the governing body in this area, responsible for coordinating with competent entities at all levels of government. Presently, Peru's national parks feature a One-Stop Shop for user services, as well as innovation and technology transfer services provided by ProInnóvate and the *Instituto Tecnológico de la Producción* (Technological Institute of Production, ITP). Within the National Competitiveness and Productivity Plan, Objective 6 of the nine outlined objectives incorporates fourteen measures, with 6.3 titled "National Strategy for the Development of Industrial Parks." This measure aims to ensure the implementation of a network of industrial parks at national level. Presented in 2020, this strategy encompasses a dedicated section that delineates strategic objectives, guidelines, lines of action, and a matrix of indicators and targets, contributing to the monitoring and evaluation section. This reflective approach underscores a policy characterised by well-coordinated elements in this area.

Peru's efforts in performance in the Integration into Global Value Chains (GVC) sub-dimension (3.80) are currently guided by the National Export Plan - PENX 2025. Among its pillars, the Internationalisation of companies takes precedence, specifically in line 1.3, addressing the Insertion in GVCs. This involves various activities, including mapping, monitoring, and systematisation of GVCs established in international markets. Additionally, the plan emphasises the formation of strategic alliances with commercial partners for the development of joint supply projects for multi-regional and global companies. Furthermore, it underscores the measurement and monitoring of Trade in Value Added (TiVA) indicators, following the OECD methodology. An element to highlight in this plan is that it drew from the lessons learned in the previous plan, incorporating new mechanisms for monitoring and evaluation, as well as fostering

interaction with various stakeholders through dialogue forums. Simultaneously, Peru had a Supplier Development Programme that followed similar schemes to those in other countries in the region. However, at the time of this evaluation, there is no information available regarding its continuity, with the last recorded call being in 2019.

The way forward

- Establish monitoring and evaluation mechanisms for the Cluster Support Programme to effectively track and assess its impact.
- Continue the Supplier Development Programme, incorporating lessons learned from the previous call and making information publicly available.

Dimension 7. Access to market and internationalisation of SMEs

Overall, Peru registers a good performance in the Access to market and internationalisation dimension, with a score of 4.36. Heterogeneous results stand out in the sub-dimensions, especially in support programmes for internationalisation and trade facilitation.

In terms of Support programmes for internationalisation, Peru achieved a score of 4.91 thanks to the implementation of a solid strategy led by the Commission for the Promotion of Peru for Exports and Tourism (PromPerú), an autonomous entity of MINCETUR. PromPerú's actions are aligned with the National Strategic Export Plan (PENX 2025) and the National Competitiveness and Productivity Plan 2019-2030, both developed with the broad participation of public and private actors.

PromPerú offers various support programmes for exporting SMEs through tools on its website, such as market intelligence, specialised advice, training, and trade events. It is worth highlighting the "Export Route" programme, designed to strengthen export capacities, with active participation in 2022, benefiting 7,107 SMEs.

In addition, Peru has Special Economic Zones (SEZs) that offer incentives for the installation of national companies, facilitating industrial, logistics and service activities. In terms of financing, the country has a diverse ecosystem that includes traditional financing, government funds through the Development Finance Corporation (COFIDE), and programmes such as the *"Fondo Crecer",* which benefited 7,107 SMEs in 2022. Also noteworthy is the Internationalisation Support Programme (PAI), which co-finances projects of Peruvian companies to strengthen their internationalisation process.

In the Trade facilitation sub-dimension, Peru obtained an outstanding score of 4.72. The country offers a wide range of documentation and guides aimed at facilitating the export process for entrepreneurs, including specific information according to the destination of the goods or services, as well as a financial guide for exporters, which clarifies the financial instruments associated with international trade. In addition, Peru has tools and programmes designed to simplify trade, such as PeruExpert, an advanced platform for the internationalisation of Peruvian companies that facilitates the commercial connection between the supply of services and specialised niches in the target market.

MINCETUR administers the Foreign Trade Single Windows (VUCE), which facilitate trade operations. As of the first half of 2023, 227,623 operations had been carried out in the Restricted Goods component of the VUCE, approximately 48% of the annual target. In addition, the National Superintendence of Customs and Tax Administration (SUNAT) offers certification as an Authorised Economic Operator (AEO) to companies, with 376 companies registered to date. There is a solid regulatory framework governing AEOs. In the OECD Trade Facilitation Indicators (TIF), Peru outperforms the Latin American average in all categories, with an overall index of 1,568. This reflects the country's efforts to improve the availability of

information, simplify tariffs and charges, and streamline documents and procedures related to international trade.

On the other hand, in the e-commerce sub-dimension, Peru obtained a score of 3.57. Although there is extensive regulation on e-commerce, it is scattered in several laws, such as the Law on the Protection of Personal Data and its Regulations, the Law on Digital Signatures and Certificates, and the Code of Consumer Protection and Defence. INDECOPI is the government agency in charge of protecting consumer rights and competition.

PromPerú implements the e-commerce programme, training and advising SMEs to reduce their digital gap and compete in the global market. It offers benefits such as distribution centres for e-commerce through Peru's Commercial Offices abroad and preferential rates for courier shipments. In addition, PRODUCE and PromPerú have made efforts to promote e-commerce, participating in international fora such as the Asia-Pacific Cooperation Forum. However, these initiatives lack the backing of a national strategic plan with measurable objectives and indicators.

In the quality standards sub-dimension, Peru obtained a score of 4.10. Quality is a fundamental aspect in various export promotion and internationalisation programmes, such as the PNCP 2019-2030 and the PENX-2025, which seek to develop an exportable supply of quality goods and services. The National Quality Institute (INACAL) plays a crucial role in granting certifications, training, and guiding entrepreneurs to comply with standards, including technical norms, quality management, and metrology.

The *Innóvate Peru* programme, restructured as the National Programme for Technological Development and Innovation (Proinnovate) in 2021, drives technological innovation, development, and entrepreneurship to generate new products, services, and sustainable processes. In 2023, Proinnovate financed more than a thousand innovation projects with a budget of more than USD 40 million, including financing projects to improve productivity and access new markets by obtaining management, process, or product system certifications. Although PromPerú does not offer specific training programmes to improve quality standards, it integrates them transversally in other training programmes such as *RutaExportadora*. It also participates in, and organises, national and international fairs where the improvement of quality standards is promoted.

Finally, in terms of the benefits of regional integration efforts, Peru achieved a score of 3.58. As a member of the Pacific Alliance (PA), Peru actively participates in the PA SME Technical Group. In the framework of the II Meeting of the PA SME Exporters, a Public-Private Dialogue was held to develop a Public-Private Roadmap, with the objective of promoting the growth, development, and competitiveness of SMEs in the economies of the member countries of the Pacific Alliance.

For its part, in the Andean Community, in 2021, the creation of the Andean Observatory for the Business Transformation of MSMEs was approved, with the aim of socialising business strengthening policies, taking advantage of the Andean market, encouraging the use of information and communication technologies, and monitoring economic performance indicators. In addition, in the same year, CAMIPYME coordinated the preparation of the Study for the Diagnosis of Regional Value Chains in the Andean Community with the collaboration of the IADB/INTAL, to select and prioritise the chains with potential to strengthen their productive integration.

The way forward

- Enhance and consolidate e-commerce support programmes and data collection, through a comprehensive, inter-ministerial digital transformation strategy with a dedicated system to facilitate monitoring and evaluation.

- Conduct an impact assessment of the various existing support mechanisms for SMEs, with an emphasis on those related to quality certificates, to better inform the design of new policies; as well as to understand the mix of programmes to which a given SME has access.
- Improve information and programmes around Authorised Economic Operators, providing specific benefits to those SMEs that obtain this certification.
- Strengthen sub-regional integration and SME empowerment through standardised and collaborative trade promotion and internationalisation programmes. The importance of standardising programmes among Pacific Alliance export promotion agencies is highlighted, ensuring coherence, and facilitating SME participation.

Dimension 8. Digitalisation

Peru boasts a Digitalisation dimension score of 4.11, underpinned by an above-average score of 4.60 for its National Digitalisation Strategy. The country's National Digital Strategy is an integral component of the National Digital Transformation System and is governed by the Digital Government Law. However, the Digital Government Plan 2023-2025 (Peruvian Digital Agenda), aimed at enhancing ICT adoption to boost SME competitiveness, lacks an independent strategy. The coordination of the National Digital Transformation System involves key stakeholders, with the Secretariat of Government and Digital Transformation of the Council of Ministers at the helm, ensuring collaboration with state entities and other actors. Each entity has designated roles, and monitoring occurs through institutional management documents and, at a macro level, via the digital indicators' platform.

In the Broadband Connectivity sub-dimension, Peru receives a less robust score of 3.44. This is attributed to Law 29904, the Promotion of Broadband and Construction of the National Fiber Optic Backbone Law (2012-2032). The Peruvian Digital Agenda outlines two key actions: firstly, driving widespread broadband adoption through a fibre optic backbone network, and secondly, promoting business connectivity, particularly for SMEs, by facilitating access to high-speed internet.

The availability of various digital skills support initiatives for SMEs contributes to Peru's above-average score of 4.27 in the Digital Skills sub-dimension. The National Digital Talent Strategy (2021-2026) and the National Digital Talent Platform address prioritised challenges, including the training of micro, small, and medium-sized enterprises across all productive sectors to ensure they possess the essential digital skills for their digital transformation processes. Within this framework, the National Programme *Tu Empresa* forges strategic alliances to cultivate and enhance the digital skills of entrepreneurs and micro-entrepreneurs.

The way forward

Going forward, Peru could consider:

- Promote inclusive broadband access for SMEs, ensuring that they benefit from the ongoing efforts to drive widespread broadband adoption.
- Facilitate public-private partnerships to enhance digital infrastructure, fostering collaboration for the benefit of SMEs and promoting data transparency with standardised indicators for more accurate assessments of progress.
- Develop and integrate a dedicated SME Digitalisation Strategy within the existing National Digital Transformation System.

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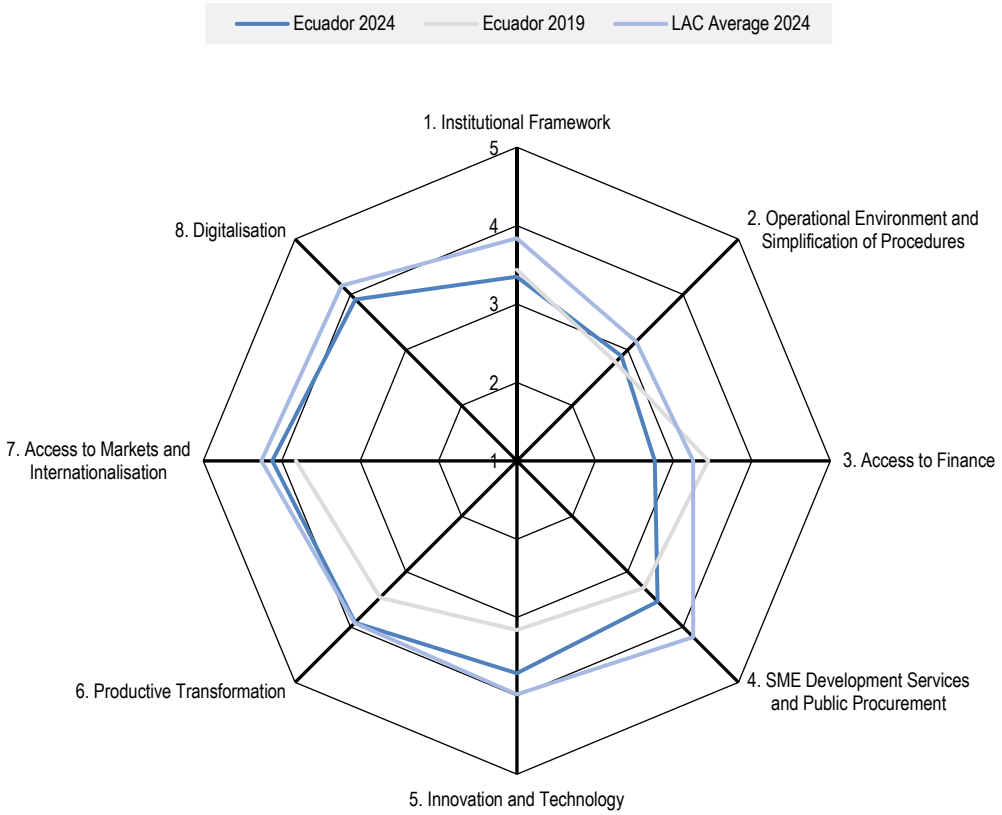
20 Ecuador

This chapter provides an assessment of Ecuador. It begins with an overview of Ecuador's context and subsequently analyses Ecuador's progress across eight measurable dimensions. The chapter concludes with targeted policy recommendations.

Overview

Figure 20.1. 2024 SME PI Ecuador's score



Note: LAC average 2024 refers to the simple average of the 9 countries studied in this 2024 report. There is no data for the Digitalisation dimension in 2019 as the 2019 report did not include this dimension.

Ecuador continues to make significant efforts in developing policies aimed at SMEs, as evidenced by the improved scores in several of the eight evaluated dimensions compared to its 2019 performance (see Figure 20.1): Operational Environment and Simplification of Procedures (Dimension 2), SMEs Development Services and Public Procurement (Dimension 4), Innovation and Technology (Dimension 5), Productive Transformation (Dimension 6), and Access to Market and Internationalisation (Dimension 7). However, the previous policy focus on entrepreneurship and micro-enterprises has faced disruption due to macroeconomic challenges and political instability, impacting primarily its Institutional Framework (Dimension 1) and Access to Finance (Dimension 3).

Developing a new SME development strategy with realistic, quantifiable, and time-bound objectives, and setting targets for reducing enterprise informality, while carefully choosing policy tools that take into account budget and operational constraints, could provide the country with the necessary tools to further strengthen SME development policies.

As noted in the previous assessment, the current lack of a comprehensive SME development strategy hinders the optimisation of synergies and spillover effects among existing actions. Moreover, operational complexities, particularly in starting a business, pose significant hurdles with lengthy and relatively costly procedures. Nonetheless, there is optimism driven by the government's commitment to legal simplification and regulatory reforms. The prioritisation of the simplification of procedures and the competitiveness

agenda culminated in the introduction of the Ecuador Competitiveness Strategy in 2022, representing an ambitious action plan encompassing three key areas: *Ecuador Productivo, Ecuador Global, and Ecuador Innova.*

Going forward, Ecuador could benefit from increasing direct financial support for SME innovation, including performance-oriented key performance indicators (KPIs) to monitor existing policies, and using online platforms to provide comprehensive explanatory information for current programmes. This would facilitate access for relevant stakeholders, including the SME population.

Context

In 2020, Ecuador faced severe economic repercussions from the COVID-19 pandemic, experiencing a contraction of 7.8%. This decline was attributed to various factors, including reductions in gross fixed capital formation, household and government consumption, and a slowdown in exports (BCE, 2021[1]). To mitigate the impact, measures were implemented to alleviate financial and tax obligations, support employment, and enhance access to credit (Heredia and Dini, 2021[2]).

By 2021, the economy rebounded with a 4.2% growth, driven by global recovery, successful vaccination efforts, and improved employment indicators. Despite this recovery, GDP did not reach pre-pandemic levels (BCE, 2022[3]). In 2022, facing international challenges and disruptions, Ecuador's economic growth slowed to 2.9%, influenced by health measures and the vaccination rollout (BCE, 2023[4]). In the last quarter of 2023, the Ecuadorian economy contracted by 1.3% compared to the previous quarter (BCE, 2023[5]).

In 2022, the global economy faced an inflationary crisis as a consequence of the significant rise in international and energy prices, intensified by Russia's war of aggression against Ukraine. This was compounded by the progressive global economic recovery, led by household consumption and fiscal stimulus. In Ecuador, the expansion of demand and the paralysis during June, which caused disruptions in local supply chains and generated an immediate rise in food prices, pushed inflation to 3.5% at the end of the year; it should be noted that, among the economies of the region, Ecuador's inflation was among the lowest (BCE, 2023[4]).

Regarding the labour market, Ecuador's employment indicators showcase a distinctive aspect among Latin American countries, as the deterioration is reflected more in the quality of employment than in the unemployment rate. In 2021, only 33.7% of the economically active population (EAP) had adequate employment[1], a figure higher than in 2020 (29.1%) but still below pre-pandemic levels (around 40%). Consequently, the quality of employment in Ecuador declined, with under-employment reaching 23.5% (BCE, 2022[3]), while informality stood at 50.6%. In 2022, the overall participation rate reached 65.7%, the employment rate increased to 96.2%, under-employment decreased to 20.8%, and informality reached 53.4%. Unemployment decreased to 3.8% in the fourth quarter of 2022 (BCE, 2023[4]). In 2023, the unemployment rate remained relatively stable at 3.8%, with an informality rate of 54.4%, under-employment at 20.0%, and the overall participation rate closing the year at 65.6%.

Furthermore, Ecuador has made progress in international trade integration, particularly with Latin American and European countries. The country has 11 trade agreements with these regions, with its primary export destinations being the United States, China, and Panama (Ministry of Production Ecuador, n.d.[6]). Major exports include crude oil, bananas, and aquaculture products. Despite these advancements, there are considerable areas for improvement in regulatory simplification and ease of tax filing. Ecuador has also seen progress in e-government, facilitated by electronic signatures and the digitalisation of various

[1] According to the National Institute of Statistics and Census (INEC), people with adequate employment refer to those who have an income equal to, or higher than, the minimum wage and work 40 hours or more per week.

government services. In terms of access to credit, Ecuador performs similarly to other countries in the region but exhibits shortcomings in mechanisms for dealing with business insolvency (OECD, 2019[7]).

Finally, according to the *Instituto Nacional de Estadística y Censos of Ecuador* (National Institute of Statistics and Census of Ecuador, INEC), by 2022, a total of 863,681 companies were registered in Ecuador. This included 810,691 micro companies (93.86%), 38,291 small companies (4.43%), 6,065 medium-sized companies "A" (0.70%), 4,197 medium-sized companies "B" (0.49%), and 4,437 large companies (0.51%). These businesses operated in various economic sectors: 44.78% in Services, 34.50% in Commerce, 9.24% in Agriculture, 8.15% in Manufacturing, 3.14% in Construction, and 0.19% in Mining. SMEs accounted for 99.54% of the business landscape and represented 56.18% of national employment (INEC, 2022[8]).

Dimension 1. Institutional Framework

Ecuador scores a total of 3.35 in the first dimension, reflecting its relatively well-established institutional framework for SME policy. The country has adopted an operational SME definition and defined institutions for policy elaboration, implementation, monitoring, and evaluation. The previous policy focus on entrepreneurship and micro-enterprises has faced disruption due to macroeconomic challenges and political instability. The large informal sector remains a significant challenge, affecting the effectiveness of SME policy, reflected in sub-dimension scores of 4.33 for SME Definition, 3.09 for Strategic Planning, Policy Design and Coordination, 3.52 for Public-Private Consultations, and 2.71 for Measures to Tackle Informal Economy.

The SME definition is set by the *Código Órganico de la Producción, Comercio e Inversiones* (Production, Trade and Investment Code) based on employment and annual turnover parameters, categorising enterprises into micro, small, and medium-sized. To benefit from public support and a favorable tax regime, SMEs must register with the *Registro Único de MIPyMES* (Single Registry of MSMEs, RUM). The Ministry of Production, External Trade, Investment, and Fishery, specifically the Sub-secretariat of SMEs and Crafts is responsible for SME policy elaboration and implementation.

Legislative acts such as *Código Órganico de la Producción, Comercio e Inversiones*, *Ley Orgánica de Emprendimiento e Innovación* (Organic Law on Entrepreneurship and Innovation), and *Código Orgánico de la Economía Social de los Conocimientos, Creatividad e Innovación* (Organic Code of the Social Economy of Knowledge, Creativity, and Innovation) shape the SME policy framework. Strategic guidelines are found in planning documents like the *Plan de Desarollo 2030* (Development Plan 2030), Industrial Policy for Ecuador 2016-2025, and the completed *Plan Toda la Vida (*2017-2021).

Until the presidential elections of May 2023 Ecuador have pursued a policy trying to match industrial policy objectives with measures to promote a more equitable and socially oriented economic system, with a focus on local development, entrepreneurship promotion and micro-enterprises. However, due to the economic impact of the COVID-19 pandemic, a worsening of the macro-economic conditions, increased political instability and a deterioration of the internal security situation, policy implementation has been disrupted.

The new government, installed after the May 2023 presidential elections, has initiated consultations for the development of new strategic guidelines for SME development. However, no comprehensive strategic plan is currently in place. The Ministry of Production has been adopting ad-hoc measures in response to economic conditions through executive decrees.

Ecuador has developed a specific methodology for monitoring publicly funded programmes, known as *Gobierno por Resultados* (Government by Results). The application of this methodology is coordinated by the National Secretary of Planning and Development. In the specific case of each Ministry, monitoring and evaluation mechanisms are managed in accordance with the current technical regulations.

Furthermore, the Law on Efficiency and optimisation of procedures requires institutions engaged in norm preparation to publish text consultation with the population for at least a week. The *Consejo Nacional de Competitividad, Emprendimiento y Innovación*, established in 2022, introduces a new public-private consultation table with private sector representatives and relevant ministries for SME policy.

On another note, Ecuador grapples with a substantial informal sector, ranking among the largest in Latin America. Informal employment is estimated to exceed 52% of total employment, according to a labour survey conducted by the national statistical office in 2022. This informality is notably concentrated among self-entrepreneurs and micro-enterprises.

Currently, there is no specific strategy in place to address labour and enterprise informality. However, the *Ministerio de Producción, Comercio Exterior, Inversiones y Pesca* (Ministry of Production, Foreign Trade, Investment and Fisheries, MPCEIP) has introduced incentives to facilitate registration in various regulatory bodies, including the *Registro Único de Contribuyente* (Registro Único de Contribuyente, RUC), the *Registro Único Artesanal* (Single Register of Crafts, RUA), the RUM, and the *Registro Nacional de Emprendedores* (National Register of Entrepreneurs, RNE).

The way forward

- Develop a new SME development strategy with realistic, quantifiable, and time-bound objectives. Set targets for reducing enterprise informality and carefully choose policy tools, taking into account budget and operational constraints.
- Engage the newly established *Consejo Nacional de Competitividad, Emprendimiento e Innovación* in the strategy elaboration. Strive to forge a pro-development pact with the private sector, mitigating the negative impact of criminal and informal sector activities. Identify short and medium-term measures to support legal and productive activities.
- Elaborate a comprehensive strategy to reduce labour and enterprise informality through a broad public debate involving private sector representatives, local authorities, labour and SME development experts, and international organisations. Given the absence of pre-defined solutions for dealing with d informality, embrace experimentation to identify effective policy actions. Organise calls for proposals to select and test projects aimed at reducing informality at the local level, monitor their implementation, and learn valuable lessons on effectively addressing diffuse informality.

Dimension 2. Operational environment and simplification of procedures

SMEs in Ecuador face a challenging operational environment. While operational complexities, especially in starting a business, pose hurdles with lengthy and relatively costly procedures, there is optimism fuelled by the government's commitment to legal simplification and regulatory reforms. Despite the limited progress due to the impact of the COVID-19 pandemic and broader macro-economic challenges, the ongoing initiatives signal an area of opportunity for improvement and enhanced business facilitation.

Ecuador's overall score in this dimension is 2.89, with specific scores of 3.12 for Legislative Simplification and Regulatory Impact Analysis, 2.70 for Company Registration, 2.40 for Ease of Filing Tax, and 3.40 for E-government, reflecting advancements made during the 2019 assessment.

In 2018, Ecuador initiated regulatory simplification through the approval of Executive Decree 372, directing the Ministry of Telecommunications to establish an electronic platform cataloguing all administrative regulations. Concurrently, the Inter-institutional Committee for Regulatory Simplification was formed. The Law on Efficiency and optimisation of procedures ratified in the same year, mandates public institutions to institute programmes for regulatory simplification when regulations affect private enterprises. Despite these efforts, the regulatory reform lacks a systematic approach, and there is currently no comprehensive plan

for legislative simplification. The Organic Law for Entrepreneurship supports a similar approach. Although ad-hoc interventions are in place, the establishment of an Interinstitutional Committee for Regulatory Simplifications, associated with the E-Government programme, is a positive step. The application of Regulatory Impact Analysis (RIA) is still in its early stages.

Furthermore, the procedures of starting a business in Ecuador are complex. For incorporated companies, standard procedures involve registration in three different registries: the Register managed by the Superintendence of Companies, the Register at the Mercantile Registry Office (company's charter and resolutions, name of the company's legal representatives) and the RUC requiring legal and notary services. While online registration is available, there is no One-Stop-Shop, and procedures must be completed sequentially. Nevertheless, Ecuador's new Organic Law on Entrepreneurship and Innovation, passed in 2020, established the Simplified Joint Stock Company. This type of company facilitates simpler and more economical management, making it easier to start or grow a business.

Ecuador's corporate tax regime is costly, with a heavy administrative burden. The country ranks 147/190 in the Paying Taxes dimension of the Doing Business 2020, with a performance index of 58.6/100. While the number of yearly tax payments is better than the regional average, the time required for these payments is exceptionally long (664 hours per year), more than double the average time for the region. Corporate taxes and social contributions amount to 34.4% of total profits. A simplified tax regime *Régimen Simplificado para Emprendedores y Negocios Populares* (Simplified Regime for Entrepreneurs and Popular Businesses, RIMPE) is in place for enterprises with an annual turnover between USD 20,000 and 300,000, aiming to combat informality.

Furthermore, Ecuador launched its first National E-Government Plan in 2018, covering the period 2018-2021, and is implementing its *Política Ecuador Digital*. The policy aims to promote digital transformation across enterprises, citizens, and public administration, addressing the digital gap and enhancing public administration efficiency. The *Política Ecuador Digital* is supported by a legal and regulatory framework, including the Organic Law on Telecommunications, The Organic Law for the Optimisation and Efficiency of Administrative Procedures, the General Law on Civil Registration, Identification and Identification Cards, the Organic Law on Transparency and Access to Public Information, and Law 067 on Electronic Commerce.

The way forward

- Ecuador could consider resuming the 2018 legislative simplification and regulatory reform. It should strengthen the role of the Inter-institutional Committee for Regulatory Simplifications and elaborate a medium-term plan, identifying the reforms that may be achieved in a relatively short term, have contained implementation costs, but are expected to have a significant impact on the improvement of the business environment, while contributing to rebuilding the private sector's confidence in governmental action.
- Steps should be taken towards the application of RIA on the most relevant new legislative and administrative acts. In order to proceed in this direction, the government should give a mandate to a public institution to form a team of RIA specialists and to act as a supervisor of RIA applications.
- Simplify company registration procedures by establishing a network of OSS, combining national and local registration procedures, and developing online registration, with an initial focus on individual entrepreneurs and micro-enterprises.
- Simplify tax declaration and payment procedures. Additionally, it should calculate the effective tax rate imposed on SMEs following the introduction of the RIMPE and examine potential distorting effects on enterprise growth.

Dimension 3. Access to finance

Ecuador obtains an overall score of 2.76 in the Access to Finance dimension. It also achieved a score of 2.94 in the Legal, Regulatory and Institutional Framework sub-dimension, standing out mainly for a good score in the weighting of guarantees for SMEs and progress in the development of securities market regulation. In access to finance, there is a legal framework for the regulation of the capital market for SMEs, including a separate market for these small-cap companies. However, there is a lack of strategies to help SMEs comply with listing requirements.

On the other hand, regulation on the percentage of collateral required for medium-term loans to SMEs is low. However, the overall score is negatively affected by the under-developed regulation and institutionalisation of the registration of tangible and intangible assets. Despite the existence of a cadastre, it is neither fully functional nor accessible to the public online, and the absence of a registry of security rights over movable assets.

In terms of the availability of diversified sources of Enterprise Finance, Ecuador scores 4.33, slightly above the average (4.32). It stands out positively for the presence of numerous microfinance institutions with national coverage. In addition, the country offers export financing schemes and credit guarantee tools for SMEs that lack assets to meet the collateral demands of commercial banks.

Despite these advances, Ecuador does not have private sector participation in the management of public credit guarantee schemes, nor are there any mutual or private credit guarantee schemes in the country. In addition to these schemes, Ecuador has other asset-based financial tools, such as factoring, which are adequately regulated. It has also sought to promote other capital instruments, such as crowdfunding, regulated through the Organic Law on Entrepreneurship and Innovation of 2020. However, the effectiveness of these tools remains low due to the early stages of their development.

In the Financial Education sub-dimension, Ecuador scores 2.40. The country has a *Estrategia Nacional de Educación Financiera* (National Financial Education Strategy, NFES), aligned with the *Política Nacional de Inclusión Financiera* (National Financial Inclusion Policy, PNIF), published in September 2023. The ENEF's vision is to enhance the economic development and well-being of individuals and SMEs through the sustainable provision of quality financial products and financial user empowerment. In this strategy, SMEs are considered as a priority segment. In addition, Ecuador has carried out financial capability surveys using the OECD methodology, although these are mainly targeted at individuals and are conducted in collaboration with local supervisory institutions, such as the Superintendency of Banks and the Central Bank, with the support of CAF.

Ecuador's biggest challenges are in the sub-dimension of Effective procedures for handling bankruptcy or insolvency, where the country scores 1.35 points. Ecuador still has much potential for improvement in the design and performance of procedures for handling insolvency and bankruptcy situations, as well as for facilitating the productive reinsertion of entrepreneurs whose previous ventures were unsuccessful.

Although Ecuador has a regulatory framework and some procedures for insolvent companies, these lack many of the elements necessary to achieve the objectives of protecting and developing the skills of entrepreneurs, as well as protecting creditors and the state. Despite these shortcomings, the presence of early warning systems to detect companies at risk of bankruptcy was identified. In addition, the existence of regulations for secured transactions was validated, including provisions that prioritise secured creditors in the liquidation processes of bankrupt companies, as well as the priority of tax debts over other debts in such processes. Furthermore, in July 2023, the President of the Republic of Ecuador issued the decree of the Organic Law on Corporate Restructuring. This law aims to protect credit, preserve viable companies and sources of employment, as well as to liquidate unviable companies in an orderly manner.

The way forward

- Establish a strategy to support SMEs comply with stock market listing requirements.
- Strengthen the cadastre to make it functional, publicly accessible and online. Additionally, create the registry of security rights over movable assets, documenting ownership of registered pledges, and make it publicly accessible online.
- Promote the development of credit guarantee systems, while encouraging private sector participation in its management of public credit guarantee systems.
- Conduct regular financial capability surveys for SMEs in order to have updated information for the design of financial education programmes, as well as design and implement a follow-up, monitoring and evaluation system.
- Strengthen the existing regulatory framework related to bankruptcy and insolvency policies and develop specialised information and training mechanisms for entrepreneurs in search of a new opportunity.
- Promote other out-of-court mechanisms for bankruptcy cases that can be more cost and time efficient for the parties.
- Create an official bankruptcy and insolvency register, which should be open to the public with the possibility of removing companies and individuals from such registers when the situation is resolved, in line with international best practices.

Dimension 4. SME development services and public procurement

Ecuador's scores in this area show that there is important room for improvement. The overall result for the dimension is 3.54, below the regional average and behind the majority of countries assessed. The results for public procurement are the most solid, at 4.20 (an improvement from the past assessment); yet entrepreneurship development services lag well behind, at 3.00, followed by business development services at 3.61. Despite these challenges, there is an overall improvement compared to the 2019 SME PI, reflecting the positive direction the country is heading in this regard.

As noted in Dimension 1, Ecuador has a relatively established institutional and strategic framework for SME policy, under the responsibility of the MPCEIP for policy design, and implementation through the Sub-Secretariat of SMEs and Crafts. The strategic guidance for SME policy and therefore for the provision of BDS and services for entrepreneurs is somehow fragmented, with strategic guidelines in the National Development Plan 2030, and the Industrial Policy 2016-2025, as well as the new orientations yet to be provided by the new administration.

The Sub-secretariat of SMEs and Crafts is responsible for the development, strengthening, and training of SMEs, artisanal production branches, and entrepreneurship. Among its responsibilities are the planning and development of programmes and projects to support SMEs, artisanal production branches, and entrepreneurship, establishing the application of business tools for competitiveness development, such as associativity processes, excellence management, value chains, and economic agglomerations. To carry out these responsibilities, the Sub-secretariat offers a portfolio of services that includes technical assistance, counselling, and entrepreneurship development. These services are available to SMEs from the idea phase to the inclusion of their products in the market. Specific services include business planning, marketing and sales, financial management, product development and innovation and access to markets and financing assistance.

According to the responses of the authorities and independent evaluators to the questionnaires for this assessment, the design of BDS is not based on thorough diagnostic studies of the needs of SMEs and their objectives are not explicitly linked to the national strategies mentioned above. Hence, the supply of

BDS is rather disperse and, according to the conversations of the independent evaluators with small business associations, the perception is that the offer of BDS is not enough and there is a lack of information on them. In addition, there seem to be no programmes for the specific support of high growth and high potential enterprises, and there is no solid information regarding the support to business incubators, accelerators or other services aimed at entrepreneurs and start-ups.

In terms of the resources available, 62% of the budget for the provision of BDS comes from government sources, 35% from international development banks, and the rest from other organisations. According to the evaluation, the resources available are not enough to cover the needs of the SME population.

The public procurement regime in Ecuador is provided by the *Ley Orgánica del Sistema Nacional de Contratación Pública*, (Organic Law of the National System of Public Procurement, LOSNCP). As noted in the 2019 edition of the SME PI, the LOSNCP includes the intention to facilitate the participation of SMEs in public procurement, although no details on how to achieve this are explained in the law. According to the responses to the questionnaire for this assessment, the procurement regime includes the possibility, but not an obligation, to break tenders above a certain size in lots, the possibility for SMEs to form consortia for joint bidding, and preference margins and set aside for SMEs in public procurement. Furthermore, article 101 of the LOSNCP establishes penalties and dismissal for government officials in charge of procurement payments who "unduly withhold or delay payments," however, it does not specify payment deadlines or sanctions to institutions. According to the independent evaluation, SME business associations representatives state that in practice, the participation of SMEs in public procurement is not facilitated since, for example, technical specifications are difficult to meet and administrative burdens are put in place.

The *Servicio Nacional de Contratación Pública* (National Service for Public Contracting, SERCOP) is the authority in charge of public procurement and manages the electronic procurement portal, which can handle all steps in the procurement process. In addition, Ecuador has a *Registro Único de Proveedores* (Unified Registry of Suppliers, RUP), which serves to facilitate the future participation of suppliers in procurement processes.

The way forward

As in the 2019 assessment, Ecuador has ample scope for improving in this dimension, by:

- Preparing thorough diagnostics about the different needs of SMEs and entrepreneurs, so that policies and programmes can better respond to their priorities.
- Addressing the fragmentation of the provision of BDS for SMEs and support for entrepreneurs, including by linking the national development strategy to specific SME development policies and programmes.
- Expanding the offer of BDS and entrepreneurial development services, including by establishing support for high growth and innovative SMEs and start-ups, as well as strengthening a national system of business incubators and accelerators.
- Improving the measures to facilitate SME access to public procurement, including by specifying concrete actions currently absent in the LOSNCP and by further clarifying payment deadlines and introducing measures addressed to institutions, instead of relying on sanctions only to individuals.
- Addressing the concerns of SME business associations regarding the difficulties and technical specifications (if needed) to facilitate access to public procurement.

Dimension 5. Innovation and technology

Ecuador has a score of 3.71 in the Innovation and Technology dimension, boosted by particularly high scores in the Institutional Framework and Support Services sub-dimensions. Innovation policy in Ecuador

is overseen by the *Consejo Nacional de Competitividad, Emprendimiento e Innovación* (National Council for Entrepreneurship and Innovation, CONEIN), which was established under the 2020 Law on Entrepreneurship and Innovation. The Council is chaired by the President (or a delegate) and has representatives from key government ministries, as well as business associations and research institutions. This represents an effective mechanism for inter-ministerial collaboration and private sector engagement. The government has recently adopted a national innovation strategy, although its implementation has not yet begun. While the private sector was consulted during the design of the strategy, there would be scope to increase the level of consultation with SMEs specifically to ensure that the particular needs of this group are addressed in future innovation policies. Ecuador has a score of 3.96 in the Institutional Framework sub-dimension, reflecting the strong co-ordination and consultative mechanisms that are in place.

There are innovation centres and technology parks in Ecuador, such as the *Universidad Técnica Particular de Loja* (UTPL) Science and Technology Park, that connect SMEs with research institutions. Ecuador also has some incubators and accelerators, which are often private sector or university initiatives. Ecuador's score for the Support Services sub-dimension (3.81) could be improved by strengthening monitoring and evaluation practices, for example by reliably evaluating the impacts of innovation support programmes on SME performance.

Ecuador performs slightly worse in the Financing for Innovation sub-dimension, with a score of 3.36. Financial support options for innovative SMEs are less extensive in Ecuador than in other LAC countries, and available grants for SMEs do not appear to place a strong emphasis on innovation. However, the Law on Entrepreneurship and Innovation does include provisions to strengthen innovative SMEs' and entrepreneurs' access to finance.

The way forward

In the future, Ecuador could consider:

- Increasing direct financial supports for SME innovation, including through innovation vouchers or grants.
- Strengthening public support for the incubator and accelerator system.

Dimension 6. Productive transformation

Ecuador's endeavors in productive transformation persist under the framework of the Industrial Policy 2016-2025, obtaining a score of 3.92 in this dimension. Introduced during the 2019 SME PI, this policy encounters challenges parallel to those faced by other strategies in LA9, primarily due to its lack of quantifiable objectives, making it difficult to instrument progress as its completion approaches. Despite their ongoing efforts, Ecuador is yet to make substantial progress towards attaining the overarching goals set for 2025. These goals encompass a 10-percentage-point increase in GDP, a reduction of the trade deficit by $10.2 million, the creation of 251,000 new jobs, and a $13.6 million increase in investment — highlighting the implementation problems the policy has faced. However, in 2021 with Executive Decree No. 68, the facilitation of trade and production, the simplification of procedures and the competitiveness agenda were declared as priority public policy, which culminated with the introduction of the Ecuador Competitiveness strategy in 2022 representing an ambitious action plan encompassing three key areas: *Ecuador Productivo, Ecuador Global,* and *Ecuador Innova*. Oversight of this strategy falls under the purview of the MPCEIP, in collaboration with an Inter-ministerial Commission dedicated to its effective implementation. For its elaboration, a participatory process was carried out through 60 workshops with companies and trade unions. Ecuador scores 4.39 in the Productivity-Enhancing Measures sub-dimension.

Measures to encourage and support productive associations in Ecuador took a positive turn with Executive Decree No.68, which also includes cluster initiatives reflected in the score of 3.72 for this sub-dimension. This initiative assigns the MPCEIP the responsibility to provide technical and financial assistance to SMEs wishing to form or join a cluster and implements a number of actions framed in three factors: (1) generation and promotion of productive clusters, (2) promotion of entrepreneurship and SMEs, and (3) promotion of a quality ecosystem in the local market. Although there is no information available on the development of the action plan for the implementation of the initiative, as of the date of the assessment, there are 20 initiatives underway in the sectors of logistics, agriculture, industry, technology, finance, and real estate development, with a budget of USD 340,000 for the first phase and USD 385,134.13 for the second phase of its implementation. Finally, as a continuation of the current Industrial Policy 2016-2025, the eight projects established in basic industries were implemented, but there is no monitoring or evaluation data available, reflecting the lack of monitoring on the implementation of the policy.

Similar to most Latin American countries assessed, Ecuador's score is, to some extent, affected by its performance in the sub-dimension of integration into global value chains, particularly in the monitoring and evaluation section, resulting in a score for the entire sub-dimension of 3.77. At the time of the first assessment, the *ENCADENA* programme, which included several components such as an industrial cadastre update, the establishment of an inter-ministerial information and support platform for Ecuadorian industry, diagnostic studies of priority value chains, and support to large companies for supplier development, had reached its conclusion and encountered issues in its deliverables and implementation. However, the competitiveness strategy under the key area of *Ecuador Global* aims to replace these efforts by providing technical assistance, though currently there is no additional data on key actions to enable this. Conversely, ongoing initiatives such as the Supplier Development programme with UNDP, continue to work with large companies and their suppliers in value chains.

The way forward

Although Ecuador has initiated a new strategy to enhance productivity, the lack of consolidated and accessible information poses a challenge for effective engagement. To address this, Ecuador could:

- Enhance the transparency of ongoing implementation efforts by increasing the availability of information to external stakeholders, including SMEs.
- Develop a website specifically designed to offer more comprehensive details on the key actions and initiatives embedded in the strategy and to track and communicate the progress of the strategy. Drawing inspiration from successful examples in other LA9 countries, such as Mexico and Chile, can provide valuable insights into designing an effective platform.

Dimension 7. Access to market and internationalisation of SMEs

Ecuador obtained a score of 4.12 in the market access and internationalisation dimension. Its good performance in the sub-dimensions related to Support Programmes for Internationalisation, as well as Trade Facilitation, stands out.

In terms of the sub-dimension of Support Programmes for Internationalisation, Ecuador achieved a score of 4.46. The internationalisation and export promotion policy are developed and implemented by the MPCEIP, through the Coordination of Export and Investment Promotion Abroad (VPEI). The overall strategy is defined by the Plan for the Creation of Opportunities 2021-2025 and, more recently, by the Development Plan for the New Ecuador 2024-2025. Both plans include objectives and strategies aimed at increasing productivity and creating better conditions for foreign trade, with the purpose of improving the country's participation in international trade. Thus, for example, the Development Plan for the New Ecuador establishes as a policy to "Increase trade openness with strategic partners and with countries that

constitute potential markets", which in turn is accompanied by a strategy with measurable objectives and goals. In this context, the VPEI has the ProEcuador agency, which is responsible for implementing the country's export and investment promotion policies and regulations to promote Ecuador's products and markets.

The MPCEIP promotes the country's commercial insertion in the international market, supported by national and international organisations. Within this framework and in collaboration with the European Union, the MPCEIP is carrying out the training programme "Internationalisation of Ecuadorian companies, technical obstacles and access barriers for their exports to the European Union market". The programme, distributed in 11 workshops until 29 November, is aimed at companies registered in the ProEcuador route for exports, with the objective of increasing productivity and quality-related services, as well as increasing the degree of commercial openness, promotion, and non-oil productive-export diversification.

Ecuador scored 4.65 in the Trade Facilitation sub-dimension. In this regard, the Ecuadorian Single Window (VUE) is an electronic tool through which all foreign trade operators submit the requirements, procedures and documents needed to carry out foreign trade operations. Approximately 200 applications are received daily, and although the law currently stipulates a processing time of 5 days, thanks to the improvements implemented, applications are processed in an average of 2.13 days. To promote the use of this tool, ProEcuador has carried out introductory training on foreign trade at the national level, including a training module in "*Exporta Fácil"* since 2011, as well as linking its users to trade promotion events abroad and export training projects and adaptation of the exportable supply.

The main objective of *Exporta Fácil* is to facilitate and promote the export of small and medium-scale Ecuadorian products to other countries. To achieve this, it simplifies customs and logistics procedures, reduces costs, and offers a more efficient shipping process for exporters. This programme is the result of collaboration between the MPCEIP, ProEcuador, the public postal company Correos del Ecuador and SENAE, with the aim of providing a practical and specialised service. Another outstanding programme is *"Exporta País"*, developed by the MPCEIP and ProEcuador, which focuses on generating new exporters and strengthening existing ones by diversifying markets.

In addition, the National Customs Service offers certification as an Authorised Economic Operator (AEO) and promotes its use; however, SME participation needs to be enhanced. Ecuador also provides companies with a detailed guide with the steps to export. However, according to the OECD Trade Facilitation Indicator (TFI), Ecuador is below average in all variables considered, with the largest growth gaps in documents (LAC: 1,591; ECU: 1,111) and availability of information (LAC: 1,467; ECU: 1,200).

In the e-commerce sub-dimension, Ecuador scored 3.90. Although the country has a solid legal framework for e-commerce, there are still opportunities to improve the training, adoption, and promotion of e-commerce in the country. Ecuador's e-commerce legislation is based on the Law on Electronic Commerce, Electronic Signatures and Data Messages, the Production, Commerce and Investment Code, and the Organic Law on Communication. These laws regulate various areas related to electronic transactions, online consumer protection and digital communication.

The MPCEIP, together with the Ministry of Telecommunications and the Information Society, the private sector and academia, have developed the *Estrategia Nacional de Comercio Electrónico* (National Electronic Commerce Strategy, ENCE) to encourage the use of e-commerce through information and communication technologies. This approach seeks to support innovation, productivity, and competitiveness. Promotion and training programmes, mainly aimed at SMEs, are implemented by these ministries.

For the quality standards sub-dimension, Ecuador obtained a score of 3.57. The country has the Organic Law of the Ecuadorian Quality System, which establishes a comprehensive framework for quality assurance in Ecuador. The *Servicio Ecuatoriano de Normalización* (Ecuadorian Standardisation Service, INEN) is the institution responsible for metrology, standardisation, accreditation, and conformity

assessment in the country. INEN offers an extensive training programme in standardisation, regulation, metrology, validation, and certification, accessible to all citizens free of charge. In addition, INEN carries out an annual "Metrologist Training Programme", which is highly valued by both the public and private sectors. The National Standardisation Strategy 2023-2025 reflects international support and cooperation, establishing strategic objectives to promote a culture of quality in the country, aligned with global trends and committed to stakeholders. This strategy links with several national frameworks and policies, including the National Plan for the Creation of Opportunities 2021-2025, the Industrial Policy of Ecuador 2016-2025, and the Ecuador Competitiveness Strategy.

Finally, in the sub-dimension on the benefits of regional integration, Ecuador obtained a score of 3.47. In order to boost the business landscape of SMEs in the Andean Community, the creation of the Andean Observatory for the Business Transformation of MSMEs has been approved. This initiative, accompanied by a diagnostic study of regional value chains, seeks to strengthen productive integration in the region. In addition, the Andean Community is working on strengthening value chains in member countries through studies carried out by CAMIPYME with the support of the IADB/INTAL.

The way forward

- Strengthen and expand public sector support for quality certifications for Ecuadorian SMEs, capitalising on existing efforts and programmes.
- Consolidate the future of Andean SMEs: capitalising on CAMIPYME's research and establishing a solid and measurable development strategy. This will strengthen sub-regional integration that will result in specific benefits for SMEs.
- Strengthen and promote e-commerce as a strategic tool for the internationalisation of Ecuadorian SMEs, highlighting the positive impact that e-commerce can have on Ecuadorian exports, such as expansion to new markets, cost reduction and improved competitiveness.
- Improve the monitoring and evaluation of the different SME support programmes, as well as the channels of communication with the private sector, in order to facilitate the continuous improvement and adaptation of the programmes.

Dimension 8. Digitalisation

Ecuador achieves a score of 3.91 in the Digitalisation dimension, propelled by commendable performance in the National Digital Strategy and Digital Skills sub-dimensions. The nation is actively embracing digital advancement through the National Digital Transformation Agenda, spearheaded by the Ministry of Telecommunications and Information Society. This agenda champions digitalisation to enhance competitiveness and innovation across various societal domains. At its core is the Digital Transformation Agenda 2022-2025, delineating Ecuador's digital objectives. It underscores the development of digital skills and a digital culture while integrating emerging technologies. Collaboration between ministries, such as Education and Health, ensures a cohesive approach to Ecuador's digital transformation, reflected in a robust score of 4.33 in the National Digitalisation Strategy sub-dimension, highlighting effective coordination and consultative mechanisms.

Ecuador aspires to ensure universal internet access, with a specific focus on underserved regions and SMEs through its Digital Transformation Agenda. While lacking a dedicated law, the agenda strongly advocates for widespread broadband access. The pivotal role of public-private partnerships and international collaborations is underscored in enhancing connectivity infrastructure and delivering high-speed internet services. This comprehensive initiative guarantees inclusivity and accessibility nationwide, enabling seamless participation in the digital ecosystem for all citizens and businesses, irrespective of location or size. Improving Ecuador’s score in the Broadband Connectivity sub-dimension, currently at

3.17, below the regional average, could significantly enhance the overall digitalisation score, recognising access to infrastructure as a prerequisite for SME digitalisation.

Ecuador excels in the Digital Skills sub-dimension, securing a score of 4.23. The nation's approach to cultivating digital skills is a multifaceted initiative spanning various educational tiers and societal segments. At its core is the Digital Education Agenda intricately woven into the broader Digital Transformation Agenda. This educational blueprint serves as the cornerstone for instilling digital skills, commencing from primary education and extending through higher education. Ecuador is steadfast in equipping its students with fundamental Information and Communication Technology (ICT) knowledge, ensuring their proficiency in essential digital competencies.

The way forward

In the future, Ecuador could consider:

- Allocate funds for the development of digital infrastructure in underserved regions, with a specific focus on improving broadband connectivity. This could include investments in laying down internet infrastructure and upgrading existing networks.
- Develop a comprehensive training and consultation programme aimed at enhancing the digital skills of SME owners and employees. This could include workshops, seminars, and one-on-one consultations to address the specific needs and challenges faced by SMEs in Ecuador.

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SME Policy Index

Latin America and the Caribbean 2024

TOWARDS AN INCLUSIVE, RESILIENT, AND SUSTAINABLE RECOVERY

This report assesses and monitors progress in the design and implementation of SME policies in the Latin America and the Caribbean (LAC) region. It was developed as part of the OECD LAC Regional Programme, in co-operation with CAF-Development Bank of Latin America and the Caribbean and the Latin American and Caribbean Economic System (SELA). The 2024 report tracks progress made since 2019 across eight policy dimensions and presents the latest key findings on SME development and related policies. It identifies emerging challenges impacting SMEs in the region and provides recommendations for governments to build a successful SME sector. The 2024 edition, the second in the series, benefits from an updated methodology that analyses SME digital transformation support policies, introduces a green economy pilot dimension, and incorporates a cross-cutting gender approach. This edition extends the coverage by introducing two new countries (Brazil and Paraguay) to the already seven participating countries (Argentina, Chile, Colombia, Ecuador, Mexico, Peru and Uruguay), guaranteeing the inclusion of all members of the Pacific Alliance and Mercosur.

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