
SME Policy Index: Latin America and the Caribbean 2019

Policies for Competitive SMEs in the Pacific Alliance and Participating South American countries

This document provides a summary of the key messages of the first OECD SME Policy Index series study in the Latin American and Caribbean (LAC) region. This study is the result of a period of more than two years of collaboration between the OECD, the Development Bank of Latin America (CAF), and the Latin American and Caribbean Economic System (SELA), in response to strong demand from policy makers in the LAC region for assistance in better leveraging SME policy as a tool for sustainable economic development. This first application of the Index methodology in the LAC region covers seven countries, including the four members of the Pacific Alliance (Chile, Colombia, Mexico, Peru), as well as Argentina, Ecuador and Uruguay.

The SME PI framework aims to provide an independent and rigorous assessment of the policy environment for SMEs across a number of policy areas, to benchmark policy efforts against international good practice, and to provide guidance for policy reform and implementation on the basis of these findings.

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Executive Summary

SME development is a marked priority for policy makers across Latin America and the Caribbean, including the seven economies assessed within this study (Argentina, Chile, Colombia, Ecuador, Mexico, Peru and Uruguay). This is not surprising, as the vast majority (99.5%) of firms in the region are SMEs, with almost 9 out of 10 classified as micro-enterprises, and SMEs are important generators of regional employment (60% of formal productive employment). However, while it is a normal global phenomenon for SMEs to display lower productivity levels than large firms, Latin American SMEs have a particularly significant productivity gap, being responsible for only a quarter of the region's total production value. This difference is particularly large for companies at the end of the size spectrum: Latin American microenterprises account for about 3.2% of production, while in Europe they contribute 6 times more (20% of GDP) even though they have a similar participation in the labour force. Furthermore, all countries covered in the report have to cope with the presence of a large informal sector as an integral part of the economic structure, and SME sector, with wide implications for the social and economic development of the region.

Accordingly, all of the seven countries have identified economic growth, formalisation, and diversification as primary SME policy objectives in recent years, in alignment with overall national development plans. This is becoming more pertinent as incomes rise and trade barriers are lowered, opening up new opportunities to produce goods and services. However, other objectives, such as generating jobs and reducing poverty and inequality, are also relevant, necessitating an SME policy framework that targets different segments of the SME population through various initiatives.

Against this backdrop, this report reviews the policy landscape for SME development, identifying potential gaps and offering recommendations. Despite notable heterogeneity, detailed in each of the country profiles, each of the seven countries have accumulated significant SME policy experience and established highly articulated institutional frameworks. Further, they have developed strategic SME policy orientations with regard to medium-term productive development and competitiveness plans, as well as operational SME policy institutions with both horizontal and targeted directives. On the horizontal side, they have prioritised measures to cut red tape and simplify administrative procedures, including through the widespread use of e-government services. On the targeted side, they have focused on measures to enhance productivity and innovation, with the overall objectives of reducing dependence on the commodity/oil sector, developing advanced manufacturing and service activities, and promoting technological upgrades, and further integrating into regional and global value chains.

Although the strategic approach is sufficiently articulated, when it comes to implementation the sophistication of delivery mechanisms varies and overall policy targets are often quite ambitious in relation to the tools at the disposal of responsible institutions. Furthermore, measuring effectiveness through monitoring and evaluation is a particularly weak area. While overall objectives have often been clearly stated, the implications for policy in terms of specific objectives and measurable targets have not always been fully developed. This is particularly important because, while the SME Policy Index scores demonstrate a solid level of policy implementation, the actual impact of these programmatic efforts remains to be seen in many cases.

Based on these findings, the report makes the following key overall recommendations to strengthen SME policy-making as a tool for sustainable economic growth and productive development:

- **Ensure an integrated approach to SME policy - whereby interventions are strategic, sequenced and coherent - to increase the impact of interventions and programmes.** Most countries pursue a mix of competitiveness and social policy objectives in their SME policy. Striking an effective balance will require the design and implementation of programmes

targeting different segments of the SME population – as well as managing a wider range of initiatives, investing more resources, and engaging in a broader dialogue with various categories of SMEs. If oriented towards productive transformation, targeted typologies of enterprises, sectors and productive areas should also be identified. Feedback and co-ordination mechanisms between local and central government could also be enhanced in many countries, as this may clarify objectives and facilitate implementation.

- **Pay attention to good policy-making practices throughout the policy cycle - from design, adoption and implementation through to monitoring and evaluation - to help ensure that support remains responsive to firms' needs.** This will require the development of more robust inter-ministerial action plans linked to strategic documents and the introduction of performance-oriented indicators. This recommendation is particularly important as many countries are entering a phase of strategic planning or review; priority should be given to defining the policy co-ordination mechanisms; assuring coherence between objectives, policy tools and budget allocations; and integrating impact assessment schemes from the outset. Systematic impact evaluations can help ensure that public resources are used efficiently and can inform the design of future policies. Public-private consultations should also be institutionalised throughout the policy cycle, and private sector representation could be significantly enlarged in most cases, so that organisations representing the whole spectrum of the SME population are included.
- **Strengthen delivery mechanisms for more direct engagement with targeted segments of the SME population.** This should include a review of the widely used system of calls for proposals (*convocatorias*), including its procedures and implementation mechanisms, and experimentation with more direct systems of managing public support programmes, including the development of public-private partnerships. Institutional arrangements should also be reviewed to more clearly define and separate policy design and implementation responsibilities; this could lead to the creation of specialised SME development agencies that may be more effective in communicating with the enterprise sector and have more operational flexibility than ministerial departments.
- **Pair targeted SME support with continued improvements to the general business environment.** The assessment results for this policy dimension are relatively weak in comparison with those of other dimensions. Overall, this means that the targeted support that is provided to SMEs in other areas (such as innovation, associativity, internationalisation) functions within a sub-optimal general business environment, with significant barriers to enterprise entry and competition. Notably, regulatory reform and the establishment of one-stop shops are still in an early phase, and procedures for starting a business and filing taxes remain problematic. It is important that countries consider this overall picture and find the optimal policy mix between improving the general business environment and providing continuous, targeted support to enterprises with high growth potential.
- **Increase the availability of consolidated, easily accessible information to enhance stakeholder awareness and understanding of the existing support offer.** In general, a rich variety of programmes are available for different types of entrepreneurs and SMEs, but the availability of useful information on these programmes (including description of activities/objectives, how to apply, and results) varies greatly and information is often scarce or incomplete. When high-quality information does exist, it is often scattered among various websites, which is an understandable challenge due to the large number of public actors in areas relevant to SME policy. The creation of online platforms dedicated to communicating the comprehensive public support offer for SMEs, as well as the expansion of regional offices with print materials and staff dedicated to this same objective, could be useful mechanisms to increase the uptake and impact of the existing wide range of public SME support available.

Overview of Key Findings

LA7 countries (Argentina, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay) devote significant efforts to SME policy and private sector development, identifying these as crucial areas for sustainable and inclusive growth and employment. In particular, they have made notable efforts to build up an institutional framework for SME policies, establish a rich variety of business and entrepreneurial development services, and harness SMEs in productive transformation efforts. The results of the assessment suggest LA7 countries redouble their efforts in this regard, while stepping up their policy efforts to seize the opportunities of increasing regional integration, large domestic markets, young populations and an emerging middle class. The redoubling of efforts is also important to respond to the pervasive challenges of low productivity and high informality among SMEs (especially the smallest firms), high levels of inequality and the need to shift to higher value added activities.

LA7 SMEs operate mainly in traditional service sectors, with high levels of informality and a significant productivity gap

As detailed in Chapter 1, household surveys demonstrate in Latin American and Caribbean (LAC) show that the productivity gap between SMEs and large enterprises is significant: although they represent 60% of formal productive employment in the region, they are responsible for only a quarter of the total production value. This difference is particularly large for companies at the end of the size spectrum: Latin American microenterprises account for about 3.2% of production whereas in Europe they contribute 6 times more (20% of GDP) even though they have fairly similar levels of labour force participation.¹

Services account for most of SME employment in the LA7 countries, and a greater share than that of large companies (with the exception of finance and utilities), with SMEs especially active in wholesale and retail trade and food and accommodation. As discussed in Chapter 1, most LA7 SMEs participate in sectors with low aggregate levels of value added and low levels of human capital, competing in markets with poorly differentiated products (such as retail trade and agriculture). These firms are therefore highly exposed both to operating at low rates of return and to being displaced by larger firms (which are able to benefit from economies of scale, lower production and distribution costs, and the diffusion of key and new technologies). In contrast, only a small proportion of SMEs are integrated into value chains – either by providing specialized goods and services according to the specific requirements of their clients, or by providing intermediate goods and services to larger firms.

All LA7 countries must cope with the presence of a large informal sector. High levels of informality are present in most emerging economies, but in the LAC region, (including its upper middle-income countries, such as the LA7) informality is an integral part of the economic structure, with wide implications for the region's social and economic development. Indeed, the large majority of SMEs operating in the LA7 are microenterprises that are family-based, engaged mostly in traditional service sectors, and managed largely by subsistence-driven entrepreneurs. These types of enterprise are more likely to operate in the informal sector as a response to unemployment and/or refuge from the regulations, complexities, and difficulties of the formal labour market.²

SME policy priorities and strategic frameworks are broadly aligned across the LA7, having recently evolved to focus on productive transformation

Over the last decade, in response to the global financial crisis (2008-2010) and the end of the commodity super-cycle (2014-2015), most of the LA7 countries have identified SME policy as means of spurring economic and employment growth, driving productive transformation and promoting technological upgrading of the enterprise sector.

Accordingly, all the LA7 countries pursue a pro-active SME development policy. In doing so, rather than developing standalone mid-term SME strategies, LA7 countries have included strategic SME policy orientations in other mid-term strategic documents; these are generally focused on the subjects of productive development and competitiveness, and aligned with the country's overall national development plan. The exception is Argentina, which, during the period of this study, focused on deploying a number of new SME support initiatives, in many cases linked to simplification of the business environment and productive transformation, and is currently working on a law that will provide a formal strategic framework going forward. The overall objective of this approach has been to reduce the country's dependence on the commodity/oil sector, develop advanced manufacturing and service activities, and further integrate into regional and global value chains. Yet although this productive transformation³ is often the *primary* objective of SME policy, it is not the only one. Other objectives, such as generating jobs and reducing poverty and inequality, are also relevant.

The great challenge is therefore how to structure an SME policy that supports and promotes productive transformation while also addressing the issue of informality and responding to the basic needs of the vast microenterprise population. As discussed in the previous section, the main actors of the productive transformation are opportunity-driven enterprises, with considerable growth potential and good management, representing a small share of the entire SME population. Striking an effective balance will thus require the design and implementation of programmes targeting different segments of the SME population – as well as managing a wider range of initiatives, investing more resources, and engaging in a more extensive dialogue with various categories of SMEs.

The sophistication of delivery mechanisms varies; most LA7 countries utilise passive call-for-proposals processes rather than more direct engagement at enterprise level

Although the strategic approach in the LA7 is sufficiently articulated, when it comes to implementation, tools are relatively weak. This is due to the limited reliance on quantitative objectives, the relative absence of robust action plans and limited inter-ministerial coordination. Furthermore, while all countries have established specialised departments or agencies dealing with SME policy under the responsibility of a vice-minister or undersecretary, the dividing line between policy design and policy implementation is not always clearly defined. Only two countries (Chile and Mexico) have established SME development agencies; in all other cases, the general directorate for SME policy is in charge of managing the entire policy cycle – from policy elaboration through to implementation and monitoring and evaluation (M&E) – with the support of a number of detached agencies and bodies. This may create potential confusion of roles and conflicts of interest. Ministry officials are often better versed in dealing with legal, budget and general economic issues than in interacting with small-scale enterprises. Specialised agencies may be more effective in communicating with the enterprise sector and have more operational flexibility than ministerial departments.

Across all LA7 countries, a standard approach to policy implementation is to organise policy actions through periodic calls for proposals (*convocatorias*). The main role of the body in charge of policy implementation is to define the objective of the policy intervention, elaborate the terms of reference and eligibility criteria and run the call for proposals. In many cases, policy implementation is de facto delegated to intermediary institutions, such as chambers of commerce, producers' associations, local development agencies, private consultants and enterprise networks. This system allows for the containment of operational costs, while at the same time promoting the creation of enterprise support networks at the national and local levels. However, it also distances the main body in charge of SME policy implementation from a continuous dialogue with target enterprises and limits the exchange of information between SMEs and the public bodies in charge of SME policy at the central level.

Weak or non-existent monitoring and evaluation (M&E) efforts complicate policy-makers' ability to make performance-based decisions

Across all LA7 countries, evaluation is a particularly weak area, with only Chile consistently engaged in conducting impact evaluations for specific SME support programmes. While overall objectives have often been clearly stated, the implications for SME policy in terms of specific objectives and measurable targets have not always been fully developed, and the introduction of key performance indicators (KPIs) tracking progress in strategy, and even programme, implementation remains very limited.

When it comes to overall SME statistics, data collection in the LA7 is relatively good, with all countries regularly collecting SME data related to employment and turnover by class of enterprises. Some LA7 countries also collect data on value-added, though only in the cases of Mexico and Peru is it disaggregated by enterprise class and sector. Survey-based statistics are complemented by data from a more exhaustive census conducted at regular intervals (on average every five years) in all LA7 countries. However, the high incidence of informality makes it more complex to collect comprehensive data, particularly for the microenterprise segment. Household and labour force surveys, as well as census data, provide indications on the extent of informality, with a specific focus on labour informality.

Key findings by dimension

Dimension 1: Institutional framework

Policy makers in all the LA7 countries have accumulated significant experience in the area of private sector development, including SME policy, and all have established highly articulated institutional frameworks. On average, SME policy institutions have been set up and are operational, the strategic directions have been identified, and the co-ordination and consultation mechanisms have been put in place. However, the LA7 countries still face major challenges in terms of further mainstreaming SME policy into their wider country strategies for economic and social development, making co-ordination and consultation mechanisms more effective, and improving monitoring mechanisms and conducting impact evaluations at both policy and programme level. The LA7 countries also face a major challenge in securing a consistency between the overall policy targets, which are often quite ambitious, and the tools at the disposal of the institutions in charge of policy implementation.

Furthermore, the presence of a large informal sector in most of the LA7 countries undermines the governments' ability to conduct inclusive SME policies and to reach the

most vulnerable segments of the SME population. All LA7 countries have been particularly active in pursuing policies aiming at reducing informality, and in many cases they have been at the forefront in devising and testing new policy approaches. However, current efforts often focus on specific issues and lack a comprehensive strategy operating on various fronts (labour legislation, tax legislation, legislative simplification, local regulations, etc.).

Dimension 2: Operational environment/simplification of procedures

The LA7 assessment results for this policy dimension are relatively weak in comparison with those of other dimensions. Overall, this means that the targeted support provided to SMEs in other areas (such as innovation, associativity, and internationalisation) functions within a sub-optimal general business environment, with significant barriers to enterprise entry and competition. It is important that LA7 countries consider this overall picture and find the optimal policy mix between improving the general business environment and providing continuous, targeted support to enterprises with high growth potential.

Regulatory reform is still at an early phase. The LA7 countries, with the exceptions of Chile and Mexico, have not yet conducted systematic reviews of legislation and regulations pertaining to enterprise activity and have not fully applied regulatory impact assessment (RIA). Procedures for starting a business and filing taxes in the LA7 countries also remain problematic – even though tax administration reform is a priority for most LA7 countries, particularly in relation to the fight against informality. None of the LA7 countries appears in the upper-third tier of the 2019 *Doing Business* indicator for “starting a business”, which covers a total of 190 economies. The establishment of one-stop shops is still at a very early phase, though several countries are introducing electronic portals that include online company registration facilities.

In contrast, e-government initiatives have been developed in all LA7 countries and online tax filing services are fully operational and widely used by enterprises. Data interoperability varies greatly, with most LA7 countries having introduced partial interoperability.

Dimension 3: Access to finance

Most LA7 countries have a robust regulatory and institutional framework and a diversified environment of financing opportunities conducive to the financial inclusion of SMEs. This does not imply that there is no room for improvement with respect to the legal framework, but it does underscore the relatively favourable environment existing in the region.

Particular challenges remain concerning financial education strategies for SMEs and the enhancement of legal procedures to deal with bankruptcy. Regarding the former, LA7 countries should focus efforts on developing a unified strategy - correctly implemented at different levels of influence and supported by an adequate evaluation framework - to promote the universalisation of basic financial knowledge and allow SMEs to make better business decisions. Regarding the latter, there is a pressing need to address lengthy and costly bankruptcy procedures through such measures as the improvement of the regulatory framework for secured transactions, the creation of insolvency registers and the improvement of procedures to allow entrepreneurs to restart their business activities after unsuccessful initiatives.

Dimension 4: Business development services (BDS) and public procurement for SMEs

In general, the LA7 countries have an established system of BDS for SMEs and entrepreneurs. There is a rich variety of programmes available for different types of entrepreneurs, in some cases provided through specialised agencies supporting specific beneficiaries. What is still missing, however, is a more coherent, *strategic* approach to targeted SME programmes, in this case BDS. This is important given (a) the diversity of SMEs and entrepreneurs; (b) the variety of support programmes and support agencies; and (c) the array of government priorities identified in national development plans or economic agendas, which range from the general (e.g. economic diversification and increasing productivity) to the relatively specific (e.g. increasing exports, business linkages, innovation in firms). In all cases, there is a weak link between the use of BDS as a policy tool and overall strategic objectives; notably, none of the LA7 countries has explicit details on the impact their planned BDS actions will have in terms of productivity, economic sophistication, diversification or other strategic objectives stated in their economic and competitiveness plans.

Regarding public procurement, all the LA7 countries have laws and regulations that facilitate the participation of SMEs in this important market by (with variations from country to country) cutting tenders into smaller lots, allowing the formation of consortia for joint bids, and ensuring that payments are made in time, among other things. All countries also have e-procurement systems and electronic registries of suppliers. However, not all of the e-procurement platforms handle the entire procurement process. Furthermore, only a few countries have in place direct support programmes to help SMEs take advantage of public procurement opportunities.

Dimension 5: Innovation and technology

Promoting innovative SMEs and entrepreneurship is a priority for all countries in the region and an important policy component to address the challenges of increasing productivity and competitiveness. Although national innovation systems are in place in most of the LA7 countries, there is no concrete evidence that the systems include elements specific to the promotion of innovation in SMEs and start-ups; notably, there are no specific SME and entrepreneurship committees focusing on this important policy area. The analysis points to an extensive offer of services covering support for incubators, accelerators, technology transfer offices, access to finance for innovative ventures, R&D incentives, and so on. Yet, the availability and accessibility of information on these schemes, including M&E, is often scattered and at times limited. LA7 countries could thus consider developing specific mechanisms to promote (a) innovative SMEs and entrepreneurship within their national innovation systems and (b) a more structured approach to disseminating information on innovation support programmes, including through online platforms.

Dimension 6: Productive transformation

As noted earlier in this chapter, over the last decade, most of the LA7 countries have identified SME policy as a crucial means of driving productive transformation for their economies, often identifying this as the primary objective of their SME policy efforts. Accordingly, LA7 governments have clearly invested significant efforts to facilitate productive transformation by identifying barriers to competitiveness, growth, and access to information, and by putting in place corresponding policy and programmatic measures. During the past five years, these efforts have included an increasing amount of targeted

measures focused on various segments of the SME population, and often designed to encourage associativity and facilitate inclusion in value chains. This demonstrates policymakers' understanding that trade and investment liberalisation efforts alone are not sufficient; rather, policies designed to promote economic diversification, build productive capacities and develop new comparative advantages in the manufacturing and service sectors are necessary to broaden and deepen trade flows and enable a more active role for SMEs.

The pilot or relatively new nature of many of the current LA7 programmes in this area underscores the importance of M&E systems; while the SME PI results demonstrate a solid level of policy implementation, the actual impact of these programmatic efforts remains to be seen. Putting in place robust M&E mechanisms that measure outcomes and impact, in contrast to a narrow focus on outputs, will be an important and necessary step for governments and stakeholders as they assess the performance of their strategies and corresponding programmatic efforts, informing future policy-making cycles.

Lastly, it is important to re-emphasise here that using SME development as an industrial policy tool requires a selection of and focus on the segment of the SME population that is most able to contribute to and advance the productive diversification of the country, obtain efficiency gains from participation in value chains, and succeed in export activities. It is this prioritisation that, while often present in specific programmes, is less clear at a strategic level in LA7 countries. Establishing priority areas for productive transformation at a strategic level (along with corresponding action plans), even while maintaining flexibility for future adjustments, could help policymakers to more clearly separate between general SME development measures relevant to the entire SME population and more specific interventions in priority sectors related to the process of productive transformation.

Dimension 7: Access to market and internationalisation

Overall, the LA7 countries are relatively well advanced in the areas covered by this dimension, demonstrating a solid level of policy implementation, though somewhat less so in terms of regional integration. One can typically find robust policy support for export promotion, which is targeted at SMEs via training and, to a lesser extent, subsidised financing support; a solid trade facilitation infrastructure in place, with specific programmes to lessen the burden on small exporters; targeted support for SMEs to incorporate e-commerce into their operations and adhere to quality standards; and SME development agendas that are aligned with regional integration efforts. Indeed, regarding the latter point, over the past decade each of the main regional trade blocs to which the LA7 countries belong (Pacific Alliance, Southern Common Market, Andean Community) have developed institutional frameworks with specific programmes to support SME development. However, the LA7 countries still tend to fall short when it comes to the M&E of these efforts, and should prioritise the creation of, or strengthening of existing, M&E systems in order to effectively measure these policies' impact and ensure the effective use of public funds in supporting SMEs' international market access.

SME Policy Index 2019 Scores for the LA7

Table 0.1 presents the 2019 assessment scores for each LA7 country, as well as for the LA7 and Pacific Alliance (PA). It is broken down by dimension, sub-dimension and thematic block, as well as the overall mean, standard deviation (StD) and weights used for each element. Scores range between 1 and 5, with a higher score indicating a more advanced

level of policy development and implementation. For the detailed methodology of the assessment, please see Chapter 2.

Table 0.1. LA7 2019 SME PI scores

Dimension /sub-dimension / thematic block	Weight	ARG	ECU	URU	CHI	COL	MEX	PER	Avg. LA7	Avg. PA4	StD
1. INSTITUTIONAL FRAMEWORK		3.47	3.44	3.74	3.86	4.05	4.46	3.64	3.81	4.00	0.33
1.1 SME Definition	20%	5.00	4.33	5.00	3.67	4.33	4.33	3.00	4.24	3.83	0.66
Thematic Block 1: Planning & Design	100%	5.00	4.33	5.00	3.67	4.33	4.33	3.00	4.24	3.83	0.66
1.2 Strategic Planning, Policy Design and Co-ordination	40%	2.98	3.19	3.59	4.06	4.00	4.77	3.75	3.76	4.15	0.55
Thematic Block 1: Planning & Design	35%	1.48	2.92	3.37	4.55	3.37	4.48	3.22	3.34	3.90	0.96
Thematic Block 2: Implementation	45%	4.00	3.00	3.67	3.67	5.00	5.00	4.17	4.07	4.46	0.68
Thematic Block 3: Monitoring & Evaluation	20%	3.30	4.07	3.79	4.11	2.85	4.78	3.73	3.80	3.87	0.57
1.3 Public-Private Consultations	20%	2.62	3.50	2.92	3.43	3.76	4.26	3.67	3.45	3.78	0.50
Thematic Block 1: Frequency and Transparency	35%	2.41	4.29	3.51	3.67	4.06	4.68	3.59	3.74	4.00	0.67
Thematic Block 2: Private Sector Involvement	45%	3.20	4.00	2.13	3.73	3.87	3.60	4.33	3.55	3.88	0.66
Thematic Block 3: Monitoring & Evaluation	20%	1.67	1.00	3.67	2.33	3.00	5.00	2.33	2.71	3.17	1.23
1.4 Measures to Tackle the Informal Economy	20%	3.76	3.01	3.61	4.07	4.16	4.17	4.04	3.83	4.11	0.39
Thematic Block 1: Planning & Design	35%	3.01	1.78	3.39	3.89	4.83	3.84	4.72	3.64	4.32	0.97
Thematic Block 2: Implementation	45%	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	0.00
Thematic Block 3: Monitoring & Evaluation	20%	3.40	1.80	2.00	3.40	2.20	4.00	1.80	2.66	2.85	0.85
2. OPERATIONAL ENVIRONMENT / SIMPLIFICATION OF PROCEDURES		2.50	2.78	2.92	3.21	2.90	3.77	2.68	2.96	3.14	0.39
2.1 Legislative Simplification and Regulatory Impact Analysis	30%	1.63	2.14	1.76	2.98	2.33	3.80	2.33	2.42	2.86	0.69
Thematic Block 1: Planning & Design	35%	1.50	2.75	1.25	3.50	1.75	4.25	2.50	2.50	3.00	1.02
Thematic Block 2: Implementation	45%	2.00	2.17	2.50	1.67	3.17	3.50	2.00	2.43	2.58	0.62
Thematic Block 3: Monitoring & Evaluation	20%	1.00	1.00	1.00	5.00	1.44	3.67	2.78	2.27	3.22	1.47
2.2 Company Registration	25%	2.65	2.64	3.51	3.13	3.28	3.93	2.98	3.16	3.33	0.43
Thematic Block 1: Planning & Design	35%	3.40	3.60	3.60	3.40	3.80	4.80	3.20	3.69	3.80	0.49
Thematic Block 2: Performance	45%	2.80	2.40	3.00	3.20	3.00	3.00	2.80	2.89	2.90	0.24

Dimension /sub-dimension / thematic block	Weight	ARG	ECU	URU	CHI	COL	MEX	PER	Avg. LA7	Avg. PA4	StD
Thematic Block 3: Monitoring & Evaluation	20%	1.00	1.50	4.50	2.50	3.00	4.50	3.00	2.86	3.12	1.25
2.3 Ease of Filing Tax	25%	2.33	2.33	2.33	3.22	2.33	2.78	2.33	2.52	2.67	0.32
Thematic Block 1: Performance	100%	2.33	2.33	2.33	3.22	2.33	2.78	2.33	2.52	2.67	0.32
2.4 E-government	20%	3.84	4.46	4.64	3.63	3.98	4.76	3.26	4.08	3.91	0.52
Thematic Block 1: Planning & Design	35%	5.00	5.00	5.00	3.67	5.00	5.00	5.00	4.81	4.67	0.47
Thematic Block 2: Implementation	45%	4.20	3.80	4.20	3.00	4.07	4.47	2.47	3.74	3.50	0.68
Thematic Block 3: Monitoring & Evaluation	20%	1.00	5.00	5.00	5.00	2.00	5.00	2.00	3.57	3.50	1.68
3. ACCESS TO FINANCE		4.17	3.44	3.30	3.74	4.26	3.91	3.55	3.77	3.86	0.34
3.1 Legal, Regulatory and Institutional Framework on Access to Finance	25%	4.60	4.07	4.25	3.48	3.96	4.73	4.29	4.20	4.11	0.39
3.1.1 Banking Regulations	25%	5.00	4.20	4.20	1.00	1.00	5.00	5.00	3.63	3.00	1.70
Thematic Block 1: Planning & Design	100%	5.00	4.20	4.20	1.00	1.00	5.00	5.00	3.63	3.00	1.83
3.1.2 Legal Regulatory Framework for Commercial Lending	25%	3.40	2.07	3.47	3.57	4.85	4.57	2.17	3.44	3.79	0.98
Thematic Block 1: Creditor Rights (World Bank Indicators)	50%	2.00	1.33	2.33	2.33	5.00	4.33	3.33	2.95	3.75	1.23
Thematic Block 2: Tangible and Intangible Assets Register	50%	4.80	2.80	4.60	4.80	4.70	4.80	1.00	3.93	3.83	1.37
3.1.3 Credit Information Bureau	25%	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	0.00
Thematic Block 1: (World Bank Indicators)	100%	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	0.00
3.1.4 Stock Market Operations and Facilities for SMEs Listing	25%	5.00	5.00	4.33	4.33	5.00	4.33	5.00	4.71	4.67	0.33
Thematic Block 1: Planning & Design	100%	5.00	5.00	4.33	4.33	5.00	4.33	5.00	4.71	4.67	0.36
3.2 Diversified Sources of Enterprise Finance	25%	4.91	4.53	4.18	4.61	4.63	4.83	3.65	4.48	4.43	0.40
3.2.1 Bank Credit or Loans	65%	4.87	4.89	4.47	4.87	4.47	4.89	4.23	4.67	4.61	0.26
Thematic Block 1: Bank products	50%	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	0.00
Thematic Block 2: Credit Guarantee Schemes	50%	4.56	4.64	3.22	4.56	3.22	4.64	2.42	3.90	3.71	0.85
3.2.2 Microfinance	10%	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	0.00
Thematic Block 1: Planning & Design	100%	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	0.00
3.2.3 Alternative Sources of Enterprise Finance	25%	5.00	3.40	3.11	3.80	4.91	4.60	1.62	3.78	3.73	1.11
Thematic Block 1: Asset-Based Finance	40%	5.00	4.33	4.78	3.00	4.78	5.00	2.56	4.21	3.83	0.93
Thematic Block 2: Crowdfunding	30%	5.00	2.33	1.67	3.67	5.00	3.67	1.00	3.19	3.33	1.46
Thematic Block 3: Equity Instruments	30%	5.00	3.22	2.33	5.00	5.00	5.00	1.00	3.79	4.00	1.52

Dimension /sub-dimension / thematic block	Weight	ARG	ECU	URU	CHI	COL	MEX	PER	Avg. LA7	Avg. PA4	StD
3.3 Financial Education	25%	4.10	3.05	1.91	2.86	4.28	3.33	3.08	3.23	3.39	0.74
Thematic Block 1: Planning & Design	35%	3.08	2.75	2.58	4.25	4.25	3.75	2.50	3.31	3.69	0.71
Thematic Block 2: Implementation	45%	5.00	4.20	1.80	2.60	5.00	3.40	4.20	3.74	3.80	1.12
Thematic Block 3: Monitoring & Evaluation	20%	3.86	1.00	1.00	1.00	2.71	2.43	1.57	1.94	1.93	1.02
3.4 Efficient procedures for dealing with bankruptcy	25%	3.05	2.13	2.86	3.99	4.17	2.75	3.16	3.16	3.52	0.66
Thematic Block 1: Design & Implementation	50%	3.77	2.58	3.05	4.32	4.34	1.83	3.32	3.32	3.45	0.85
Thematic Block 2: Performance	50%	2.33	1.67	2.67	3.67	4.00	3.67	3.00	3.00	3.58	0.78
4. SME DEVELOPMENT SERVICES AND PUBLIC PROCUREMENT		4.14	3.29	4.39	4.75	4.08	4.21	3.80	4.09	4.21	0.42
4.1 Business Development Services	40%	4.03	2.85	4.65	4.78	4.35	4.59	4.13	4.20	4.46	0.61
Thematic Block 1: Planning & Design	35%	3.00	3.00	4.50	4.50	4.75	4.50	4.00	4.04	4.44	0.69
Thematic Block 2: Implementation	45%	5.00	2.67	5.00	5.00	4.33	4.67	4.33	4.43	4.58	0.77
Thematic Block 3: Monitoring & Evaluation	20%	3.67	3.00	4.11	4.78	3.67	4.56	3.89	3.95	4.22	0.55
4.2 Entrepreneurial Development Services	35%	4.17	3.41	4.37	4.68	4.07	3.86	3.50	4.01	4.03	0.42
Thematic Block 1: Planning & Design	35%	3.40	3.40	4.20	4.20	4.20	4.20	3.40	3.86	4.00	0.40
Thematic Block 2: Implementation	45%	5.00	4.09	4.82	5.00	4.45	4.27	4.09	4.53	4.45	0.37
Thematic Block 3: Monitoring & Evaluation	20%	3.67	1.89	3.67	4.78	3.00	2.33	2.33	3.10	3.11	0.93
4.3 Public Procurement	25%	4.27	3.83	3.99	4.79	3.64	4.11	3.69	4.05	4.06	0.37
Thematic Block 1: Planning & Design	35%	4.80	2.80	4.00	4.40	3.00	3.60	4.60	3.89	3.90	0.72
Thematic Block 2: Implementation	45%	4.43	5.00	4.43	5.00	4.43	5.00	3.29	4.51	4.43	0.57
Thematic Block 3: Monitoring & Evaluation	20%	3.00	3.00	3.00	5.00	3.00	3.00	3.00	3.29	3.50	0.70
5. INNOVATION AND TECHNOLOGY		3.21	3.16	3.79	4.45	3.78	4.39	3.50	3.75	4.03	0.48
5.1 Institutional Framework	33%	3.23	2.54	4.10	4.75	4.63	4.53	2.98	3.82	4.22	0.83
Thematic Block 1: Planning & Design	35%	2.79	1.88	4.14	4.66	4.89	4.03	3.13	3.64	4.18	1.01
Thematic Block 2: Implementation	45%	3.67	3.44	4.56	5.00	4.56	5.00	3.44	4.24	4.50	0.65
Thematic Block 3: Monitoring & Evaluation	20%	3.00	1.67	3.00	4.33	4.33	4.33	1.67	3.19	3.67	1.11
5.2 Support Services	33%	2.39	3.73	3.32	3.91	2.79	3.75	3.27	3.31	3.43	0.51
Thematic Block 1: Planning & Design	20%	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0.00
Thematic Block 2: Implementation	60%	3.32	4.65	3.97	4.52	2.87	4.47	3.45	3.89	3.83	0.64

Dimension /sub-dimension / thematic block	Weight	ARG	ECU	URU	CHI	COL	MEX	PER	Avg. LA7	Avg. PA4	StD
Thematic Block 3: Monitoring & Evaluation	20%	1.00	3.67	3.67	5.00	4.33	4.33	5.00	3.86	4.67	1.27
5.3 Financing for Innovation	33%	4.00	3.21	3.95	4.70	3.94	4.88	4.24	4.13	4.44	0.51
Thematic Block 1: Planning & Design	35%	4.33	3.00	4.67	5.00	4.67	4.67	4.33	4.38	4.67	0.60
Thematic Block 2: Implementation	45%	4.00	4.00	4.00	4.50	4.50	5.00	4.00	4.29	4.50	0.36
Thematic Block 3: Monitoring & Evaluation	20%	3.40	1.80	2.60	4.60	1.40	5.00	4.60	3.34	3.90	1.34
6. PRODUCTIVE TRANSFORMATION		3.78	3.47	3.62	4.50	4.39	4.39	3.93	4.01	4.30	0.39
6.1 Productivity-enhancing measures	33%	3.05	3.85	3.29	4.52	4.37	4.55	4.08	3.96	4.38	0.55
Thematic Block 1: Planning & Design	35%	2.57	3.93	4.14	4.29	4.36	4.36	4.71	4.05	4.43	0.64
Thematic Block 2: Implementation	45%	3.40	3.40	3.00	5.00	4.60	5.00	4.20	4.09	4.70	0.76
Thematic Block 3: Monitoring & Evaluation	20%	3.10	4.71	2.43	3.86	3.86	3.86	2.71	3.50	3.57	0.74
6.2 Productive Association-enhancing measures	33%	4.57	2.85	3.68	4.62	4.43	4.49	3.68	4.04	4.30	0.61
Thematic Block 1: Planning & Design	35%	5.00	4.56	5.00	5.00	4.56	5.00	3.22	4.62	4.44	0.60
Thematic Block 2: Implementation	45%	4.33	2.20	2.73	4.60	4.60	4.60	4.33	3.91	4.53	0.93
Thematic Block 3: Monitoring & Evaluation	20%	4.33	1.33	3.50	4.00	3.83	3.33	3.00	3.33	3.54	0.91
6.3 Integration to Global Value Chains	33%	3.74	3.70	3.89	4.37	4.38	4.13	4.04	4.04	4.23	0.26
Thematic Block 1: Planning & Design	35%	4.75	4.75	4.63	4.75	4.75	4.50	4.63	4.68	4.66	0.09
Thematic Block 2: Implementation	45%	4.17	3.50	4.00	4.17	5.00	4.50	4.50	4.26	4.54	0.44
Thematic Block 3: Monitoring & Evaluation	20%	1.00	2.33	2.33	4.17	2.33	2.67	2.00	2.40	2.79	0.87
7. ACCESS TO MARKET AND INTERNATIONALISATION		3.71	3.82	4.36	4.33	4.43	4.14	4.10	4.13	4.25	0.26
7.1 Support Programmes for Internationalisation	40%	3.91	4.02	4.78	4.49	4.74	4.53	4.54	4.43	4.58	0.31
Thematic Block 1: Planning & Design	35%	3.60	5.00	5.00	4.20	4.80	4.20	5.00	4.54	4.55	0.51
Thematic Block 2: Implementation	45%	4.84	3.49	4.63	4.71	4.92	4.92	4.43	4.56	4.74	0.47
Thematic Block 3: Monitoring & Evaluation	20%	2.38	3.50	4.75	4.50	4.25	4.25	4.00	3.95	4.25	0.74
7.2 Trade facilitation	15%	4.25	4.33	4.25	4.67	4.67	3.58	4.67	4.35	4.40	0.36
Thematic Block 1: Trade Facilitation Indicators	25%	4.00	3.33	4.00	4.67	4.67	4.33	4.67	4.24	4.58	0.46
Thematic Block 2: Planning & Design	25%	4.00	5.00	4.00	5.00	5.00	1.00	5.00	4.14	4.00	1.36
Thematic Block 3: Transparency and Predictability	25%	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	0.00

Dimension /sub-dimension / thematic block	Weight	ARG	ECU	URU	CHI	COL	MEX	PER	Avg. LA7	Avg. PA4	Std
Thematic Block 4: Simplification of Procedures	25%	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	0.00
7.3 Use of E-commerce	15%	4.08	4.30	4.33	4.39	4.66	4.25	2.79	4.11	4.02	0.57
Thematic Block 1: Planning & Design	35%	4.00	5.00	5.00	5.00	5.00	4.00	2.50	4.36	4.13	0.87
Thematic Block 2: Implementation	45%	5.00	4.20	4.20	4.60	5.00	5.00	3.80	4.54	4.60	0.45
Thematic Block 3: Monitoring & Evaluation	20%	2.14	3.29	3.43	2.86	3.29	3.00	1.00	2.71	2.54	0.80
7.4 Quality Standards	15%	1.95	3.71	3.87	4.79	4.42	4.48	4.41	3.95	4.53	0.89
Thematic Block 1: Planning & Design	35%	1.00	5.00	3.50	5.00	5.00	4.50	5.00	4.14	4.88	1.38
Thematic Block 2: Implementation	45%	2.60	3.40	4.60	4.60	4.60	5.00	4.20	4.14	4.60	0.78
Thematic Block 3: Monitoring & Evaluation	20%	2.14	2.14	2.86	4.86	3.00	3.29	3.86	3.16	3.75	0.89
7.5 Taking Advantage of the Benefits of Regional Integration	15%	4.02	2.41	3.87	3.03	3.15	3.20	3.33	3.29	3.18	0.50
Thematic Block 1: Planning & Design	35%	3.75	2.00	3.75	2.88	3.69	3.38	4.19	3.38	3.53	0.67
Thematic Block 2: Implementation	45%	4.50	3.00	4.17	3.33	3.33	3.33	3.33	3.57	3.33	0.50
Thematic Block 3: Monitoring & Evaluation	20%	3.40	1.80	3.40	2.60	1.80	2.60	1.80	2.49	2.20	0.67

Note: For further information on how scores were calculated, please see Chapter 2.

Notes

¹ See Figure 1.1 in Chapter 1 for more detailed information.

² See Chapter 1 for more detailed information. It is also important to note here, as stated in Chapter 1, that it would be erroneous to conclude that most entrepreneurs in the region operate in the informal sector, since the reality in the region is the opposite: the number of microentrepreneurs formalized is higher than those who remain in an informal condition.

³ For a further explanation of this concept, see <https://www.caf.com/en/topics/p/productive-transformation/>; <https://www.ilo.org/employment/areas/industrial-policy/lang--en/index.htm>; and (UN-Habitat, 2015^[1]). Overall productive transformation aims to create jobs and foster sustainable growth through sectoral transformation from agriculture to manufacturing and service sectors; diversification into new economic activities and into increasingly complex products across sectors; and technological change within sectors.

Key Findings by Dimension: Regional Level

Institutional framework (Dimension 1)

Table 0.2. Dimension 1: Policy recommendations

Policy Area	Challenges/ Opportunities	Policy recommendations
SME definition	The SME definition sets the scope of SME policy; it is important that it is consistently used across the public administration and well-understood by the enterprise population.	<ul style="list-style-type: none"> • Base the SME definition on criteria that are easy to measure and verify, avoiding complex, sector-specific definitions. To avoid any possible interpretation issues, the definition should, for instance, clarify the status of the self-employed and introduce an independence clause. Employment is considered a good proxy for enterprise size, but the employment criterion is not widely used across the LA7. Wide consultations should be conducted within the public administration and with the private sector to ensure that the definition is applicable across various policy areas and well understood by the enterprise sector. • Move towards a co-ordinated SME definition within the regional trading blocs and in particular within the Pacific Alliance. As regional economic integration is progressing, it is important that SME definitions converge at regional level.
Strategic planning, policy design and co-ordination	SME policy is most effective when is organised around a medium-term strategy, contains measurable targets and is anchored in the country's wider economic development strategy. Many LA7 countries are entering a phase of new strategic planning or are reviewing current development strategies.	<ul style="list-style-type: none"> • Make sure that SME policy is fully integrated in new strategic development plans. The plans should be based on solid, evidence-based analysis and include a set of SME policy-related objectives that are at the same time realistic, measurable and relevant. If oriented towards productive transformation, the strategic plans should also identify the targeted typologies of enterprises, sectors and productive areas. Attention should be placed in defining the policy co-ordination mechanisms and in assuring a coherence between objectives, policy tools and budget allocations. • Review the results achieved during the implementation of any current plans relevant to SME development and incorporate lessons learned into the new strategic plans. As strategic plans in several LA7 countries near completion, it is important to conduct a comprehensive review of the plans' achievements and failures and take stock of the lessons learned. • Elaborate detailed action plans and introduce key performance indicators (KPIs) to keep track of strategy implementation. Action plans are crucial instruments in strategic plan implementation, as they specify the concrete actions that will be undertaken to meet the plan's objectives, identify the responsibility at institutional level, and allocate budgets. KPIs are essential to track implementation progress and react with the introduction of corrective measures in case of disruptions. • Review the system of calls for proposals (<i>convocatorias</i>). Conduct a review of the current call for proposal procedures and implementation mechanisms and experiment with more direct systems of public support programme management, including the development of joint public-private partnership projects. • Introduce a separation between the policy planning, implementation and M&E functions and consider the establishment of specialised government agencies in charge of SME development, if they do not already exist. • Improve strategy/programme monitoring systems and establish the basis for conducting impact evaluations for the most important SME programmes. The LA7 countries generally devote too few resources to M&E, missing the opportunity to adjust and improve the quality of their policy interventions. The obligation to conduct M&E functions should be clearly specified in the SME

Policy Area	Challenges/ Opportunities	Policy recommendations
Public-private consultations (PPCs)	In many LA7 countries, the main PPC channel is through private sector participation in consultative councils.	<p>strategic plans, while timing and resources should be included in the actions plans.</p> <ul style="list-style-type: none"> • Significantly enlarge private sector representation in relevant consultative councils, so that organisations representing the whole spectrum of the SME population are included. It is important that consultative council representation is not entirely captured by the organisations representing the larger and more established enterprises. • Establish an open and transparent system of PPCs by opening up new channels for consultations using a range of modalities such as blogs, digital platforms, focus groups and informal meetings. The SME population is under constant transformation and public institutions must have an understanding of the ongoing changes in order to design suitable policies. • Use PPCs not only to solicit private sector support, but also to build public-private partnerships. PPCs should cover all the phases of the policy cycle and encourage public and private institutions to move towards the development of joint projects, where public support is conditional on direct engagement by the private sector.
Measures to tackle the informal economy	LA7 countries are stepping up efforts to bring down their levels of informality, but they often focus on specific issues (labour informality, tax evasion) and lack a comprehensive strategy.	<ul style="list-style-type: none"> • Develop a comprehensive mid-term plan to tackle the various aspects of informality at the same time, including the definition of realistic and measurable targets. Informality is a complex phenomenon with extensive social and economic implications. It requires operating on various fronts (labour legislation, tax legislation, legislative simplification, local regulations, etc.) and the creation of synergies among the different measures and incentives, while at the same time strengthening enforcement mechanisms. • Build a wide alliance against informality by bringing together representatives of the enterprise sector, trade unions, local authorities and central administration institutions. Joint actions are often more effective than uncoordinated ones, as informal enterprises are quick to spot loopholes and regulatory inconsistencies. While at enterprise level informality may bring short-term gains, particularly for traditional microenterprises, there are clear collective gains from reduction of informality. A wide alliance will allow for an effective exchange of data and points of view and may contribute to reducing the public level of tolerance towards informality.

*Operational environment/simplification of procedures (Dimension 2)***Table 0.3. Dimension 2: Policy recommendations**

Policy Area	Challenges/Opportunities	Policy recommendations
Regulatory reform and administrative simplification	A systematic approach to regulatory reform is missing in most LA7 countries, even if in several cases regulatory reform and legislative simplification is one of the priority areas identified in strategic development plans.	<ul style="list-style-type: none"> • Elaborate a mid-term regulatory reform plan, based on the result of a comprehensive regulatory review and inputs from private sector associations and stakeholders. Regulatory reform is a complex undertaking. It requires careful planning, as it may entail legislative changes and the identification and review of redundant regulations. The plan must be complemented by an action plan and policy co-ordination mechanisms. It must also focus on the areas where regulatory restrictions and overall administrative burden are the highest.
RIA application	The application of RIA improves the quality of a country's regulatory environment and reduces the risk of introducing new unnecessary regulatory restrictions and of further increasing the administrative burden imposed on the SME sector.	<ul style="list-style-type: none"> • Introduce mandatory RIA, if not done yet, for the most relevant legislative and regulatory acts affecting economic and enterprise activity. A number of steps have to be completed to achieve a smooth and effective introduction of RIA. Those steps include identifying the body or bodies responsible for applying the RIA, defining the RIA scope and legislative framework, elaborating the application guidelines, and training civil servants.
Company registration and starting a business procedures	Complex company registration and starting a business procedures act as entry barriers to new enterprises, distort the allocation of resources in the initial phase of enterprise activity, and may contribute to push new enterprises towards informality.	<ul style="list-style-type: none"> • Review current procedures for company registration and starting a business and identify the main procedural barriers. In many cases, the main costs and delays involved in starting a business stem from the need to obtain notary certification of the registration documents and notify and register the new company with different public institutions. These requirements can often be greatly simplified without compromising the quality of the registration process. • Introduce one-stop shops (OSSs) across the country and strengthen orientation and advisory services for new entrepreneurs. OSSs can significantly reduce the time required to complete registration procedures, but they require active co-ordination by the various institutions involved. • Extend online registration facilities. Advances have been made in introducing online registration procedures in several LA7 countries, but the projects are mostly still in a pilot phase and it is seldom that the entire procedure can be completed online.
Tax filing	Tax filing in most of the LA7 is complex and time consuming.	<ul style="list-style-type: none"> • Review tax-filing procedures, particularly those related to VAT refunding and post-filing company auditing by tax authorities.
e-Government services	The introduction of e-government services through digital platforms could potentially improve access to government services and reduce significantly the time and cost associated with the completion of regular administrative procedures.	<ul style="list-style-type: none"> • Facilitate the access of SMEs to e-government services through better communication with the enterprise community and the provision of orientation courses and assistance services. The LA7 are making good progress in diversifying the range of e-government services, including spreading the adoption of the electronic signature and other types of digital identification. It is therefore important that SMEs are well informed about the opportunities offered by government digital platforms and are in a position to take full advantage of e-services.

*Access to finance (Dimension 3)***Table 0.4. Policy recommendations**

Sub-dimension	Challenges/opportunities	Policy recommendations
Regulatory framework	<p>The regulatory framework for secured transactions must be aligned to international standards.</p> <p>Land records, as well as real and personal property, could be updated and modernized.</p>	<ul style="list-style-type: none"> • Creditors' rights: Adapt the regulatory framework to strengthen the rights and prerogatives of creditors involved in transactions secured by collateral. This should allow the use of fixed and movable assets, without prejudice to the descriptions included in the agreements and whose obligations are derived from the agreements reached by the parties. This legal framework should ensure that creditors of secured debts have priority to take possession of assets placed as security in the event of insolvency and liquidation. The regulatory changes made by Colombia during the last five years in this section may reveal lessons for other countries in the region. • Asset registry: Consider the creation of comprehensive, unified and freely accessible registers of land and movable assets. In some cases these systems are managed by sub-national entities. The unification, homogenization and periodic publication of this information contributes to reducing asymmetries of information regarding the availability of collateral that all companies can use to access financing sources.
Sources of financing	<p>The ecosystem of financing opportunities in the LA7 has expanded in recent years, but lacks an appropriate regulatory framework that identifies the rights and obligations of the different parties involved.</p>	<ul style="list-style-type: none"> • Crowdfunding: While collective financing mechanisms are still incipient in the region, a set of rules designed for this segment could increase confidence, and thus the penetration of such schemes.
Financial education	<p>Several countries in the region have a financial education strategy or are developing it, but they do not usually identify SMEs as a key group.</p> <p>Financial education strategies can take advantage of the knowledge of the private sector to define priorities and match policies to the needs of the local market.</p> <p>Engaging in financial literacy with the population from an early age can allow them to make more profitable financial decisions throughout their lives.</p> <p>Developing methods for M&E initiatives framed in national financial education strategies would allow for the scrutiny of the population, as well as the re-design of policies to improve their</p>	<ul style="list-style-type: none"> • Improve the support offer for SMEs: Identify SMEs as part of the financial education strategy with products aimed at this segment, including advisory and accompaniment programs designed with SMEs' needs in mind. This can be complemented with lines of action defined for the other target groups defined in the strategy, for example, heads of family, youth or women, among others. Offer recommendations concerning the basic competencies that should be incorporated into the specific financial education programmes for SMEs. • Inclusion of the private sector: Involve the needs of the private sector in the national financial education strategy. In particular, large financial institutions and others specialized in providing services to small entrepreneurs can provide suggestions on the type of content to be included in financial training programmes. Other private sector organizations and education service providers can be included in periodic consultations. • Financial education in schools: Incorporate business development and personal finance issues as part of the mandatory secondary school curriculum, although these issues can also be included in multiple stages of the educational process. In cases where educational institutions have curricular independence, as in the case of Colombia, governments can still offer and develop tools that can be utilised and modified by particular institutions. • M&E: Develop performance indicators for the different financial education initiatives that allow for monitoring the progress made with respect to the goals and objectives identified. These performance indicators should be collected and published

Sub-dimension	Challenges/opportunities	Policy recommendations
	implementation and effectiveness.	periodically and transparently, in order to allow the different stakeholders to follow up and make recommendations to adjust the implemented programs. These indicators can gather information regarding the financial knowledge of the beneficiaries and the impact on the results obtained by their entrepreneurial initiatives. The pilot programmes developed by BCRA through randomised controlled trials can serve as an example of good practice in assessing the impact of these initiatives.
Bankruptcy proceeding	<p>Complement the regulatory framework of insured transactions to include prerogatives to creditors in case of insolvency.</p> <p>Most LA7 countries lack a unified and accessible registry of insolvent companies.</p> <p>The average cost and duration of bankruptcy proceedings remain costly and prolonged.</p>	<ul style="list-style-type: none"> • Secured transactions: Expand the regulatory framework for secured transactions to include elements that inform creditors of insolvency situations, allow them to have priority to recover their claims, and recover their assets even after business re-organization. • Bankruptcy and exoneration registry: Develop a unified and freely accessible register of companies in a state of insolvency. This must be integrated with a regulatory framework that allows for the elimination of restrictions imposed on insolvent entrepreneurs after a prudential period (usually less than 3 years) after which the registries of their insolvency situations should be automatically excluded. • Cost and duration of bankruptcy proceedings: Some legal and regulatory efforts have been made to reduce the periods of insolvency and judicial liquidation, as well as the associated costs. However, bankruptcy proceedings are still extensive and burdensome and need to be simplified.

SME development services and public procurement (Dimension 4)

Table 0.5. Dimension 4: Policy recommendations

Policy Area	Challenges/Opportunities	Policy recommendations
Business development services for SMEs and entrepreneurs	There is in general a rich offer of BDS for SMEs and entrepreneurs across the LA 7 countries; however, information on BDS is in many cases limited and fragmented. In addition, there is ample scope to make better strategic use of the rich BDS market to achieve national economic and social objectives.	<ul style="list-style-type: none"> • The LA7 countries could include more complete and concrete BDS actions in their national economic agendas or strategies. By complete we mean the countries should first assess the variety of BDS already existing through different suppliers, and then introduce services for which there is demand and no supply. By concrete we mean the description of specific actions (e.g. types of BDS), responsible parties (i.e. public or private actors), resources available (human, financial and technical), targets (e.g. number of beneficiaries of BDS) and expected impact (e.g. increased employment, sales, productivity). • As an alternative to the previous point, the LA7 countries could develop (a) explicit SME strategies with horizontal actions to improve the business environment and (b) targeted programmes to provide direct support to specific SMEs and entrepreneurs. Those strategies could be connected to the national economic plans. The design of those strategies should be informed by detailed diagnostics of the needs of SMEs and entrepreneurs (which already exist in most LA7 countries) and by analyses of the current supply of BDS (which exists only in Colombia).

Policy Area	Challenges/Opportunities	Policy recommendations
Public procurement	Facilitate SME access to public procurement while keeping the efficiency and competition of public markets.	<ul style="list-style-type: none"> • Developing and implementing a strategic document governing the provision of BDS (and SME policy in general) would also help improve assessments of programme effectiveness. Currently, most countries monitor and evaluate their BDS programmes at the individual or bundle level. However, they are not evaluated at the wider policy level. Such an evaluation might assess, for example, the effectiveness of support given to actors in the entrepreneurial ecosystem in actually increasing the number of dynamic and innovative projects, and the extent to which “graduation” from the incubator or accelerator stage occurs and contributes to higher productivity in the economy. • The LA7 countries could also increase their efforts to facilitate access to information on the various BDS programmes available to SMEs and entrepreneurs. The creation of online information platforms such as those operating in Mexico and Uruguay – and to a lesser extent in Argentina, Chile and Peru – could be of inspiration. • Develop e-procurement systems and implement virtual and physical training to teach suppliers how to take advantage of those systems. • Introduce specialised BDS to encourage SMEs to participate in public procurement. Those could include supplier development programmes, initiatives to help SMEs to form consortia, training in selling to the State, and others.

Innovation and technology (Dimension 5)

Table 0.6. Dimension 5: Policy recommendations

Policy Area	Challenges/Opportunities	Policy recommendations
Institutional framework for innovation policy	Some countries <i>are implementing</i> productive transformation and development agendas that include innovation as an important policy element. Other countries <i>are developing</i> national innovation strategies.	<ul style="list-style-type: none"> • Develop new strategic plans for innovation policy for SMEs and entrepreneurs in those countries that have finished implementing their multiyear agendas in 2018. • Establish innovation components in economic agendas or pass the draft innovation agendas in countries that do not yet have a strategy in this area. • Consider whether the level of detail in the innovation pillars and actions identified in the agendas is sufficient. This assessment does not aim to determine how appropriate and complete the innovation actions in the agendas are. However, in some cases the diagnostics sections of the innovation performance of the private sector appear as too narrow. More importantly, there appears to be no straightforward link between the diagnostics and the actions. In some other cases, the diagnostics sections are more detailed, but there is also an apparent absence of a link between diagnostic and priority actions. • Develop or strengthen national innovation systems, including by specifying explicit roles and coordination mechanisms among actors. Include SME innovation committees in those systems to facilitate a strategic approach in this area.

Support services and financing for innovation	Most countries implement a wide variety of support programmes for innovation, including financing for innovation. However, information for entrepreneurs on those programmes is often disperse. Furthermore, evidence on M&E results is often absent.	<ul style="list-style-type: none"> • Promote a more structured approach to disseminating information on innovation support programmes, including through online platforms. • Better track and publish information on the impact of innovation support, both at the programmatic and policy levels.
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Productive transformation (Dimension 6)

Table 0.7. Dimension 6: Policy recommendations

Policy Area	Challenges/ Opportunities	Policy recommendations
Productivity-enhancing strategies	<p>Current strategies do not go beyond a collection of lines of action/project fiches to include a robust action plan with corresponding quantifiable, time-bound, performance-oriented targets.</p> <p>While current strategies are used to guide SME productive development efforts, they do not include targeted objectives related to the relevant SME population.</p> <p>Current strategies generally lack established priority sectors; at the programmatic level, selection of priority sectors is sporadic or non-existent.</p>	<ul style="list-style-type: none"> • Align productive transformation strategies with robust action plans, including measurable, time-bound indicators that go beyond the measurement of process to capture performance. Here, Colombia's CONPES 3866 (and its corresponding action plan) and Peru's Competitiveness Agenda 2014-2018 are instructive examples, though even these could be further bolstered in terms of performance-related indicators. • Incorporate targeted key performance indicators (KPIs), measuring SME performance, into strategic action plans and/or productive observatories. Here, Peru's Competitiveness Agenda 2014-2018 is a good example of how to incorporate targeted objectives for specific programmes and/or SMEs within a wider agenda. These programmatic targets should be complemented by macro-level targets related to SME productivity in high-priority sectors. • Establish high-priority sectors for SME productive transformation at strategic level, while maintaining flexibility for future adjustments. This could help policymakers to more clearly distinguish between general SME development measures relevant to the entire SME population and more-specific interventions in priority sectors related to the process of productive transformation. Transversal actions (such as those related to associativity and value chains) could be targeted to these priority sectors, or specific sectoral action plans could be developed, in alignment with general transversal priorities. In either case, this would help to ensure that government support, across various ministries and programmes, is directed towards the segment of the SME population most able to contribute to the transformation of the country's productive structure.
Productive association-enhancing measures & integration into global value chains	In general, associativity and value-chain support programmes are recent or pilot in nature, and limited to the support of selected projects via calls for proposals.	<ul style="list-style-type: none"> • Building on pilot programmes, which generally use passive "call for proposals" mechanisms, mobilise wider public-private partnerships and inter-ministerial government support for cluster and value-chain initiatives. Mapping existing clusters and developing a consolidated database of existing public support mechanisms (as well as commercial intelligence on key value chains) could serve to mobilise a wider support ecosystem for the development of clusters and value chains, building on current pilot initiatives. Various LA7 cases are instructive here, such as the "Executive Roundtables for Productive Transformation" conducted by Argentina; the tripartite "public-private-academia" nature of Chile's "Strategic Programmes of Intelligent Specialisation"; and Colombia's "REDCluster" mapping and database.

Policy Area	Challenges/ Opportunities	Policy recommendations
	<p>Detailed M&E efforts tend to exist only at project level, without publicly available information.</p> <p>M&E efforts are generally limited to reporting on <i>output</i> indicators (number of participants, amount of funding provided) and do not provide information on <i>outcomes</i> or impact</p>	<ul style="list-style-type: none"> • Set KPIs at the programme/call-for-proposals level. While detailed evaluation of individual projects is important, it fails to capture the overall programme/call-for-proposals impact and is often too difficult/diverse to report publicly. These KPIs should go beyond measuring participation/funding, and instead seek to capture real-world impact (increase in cluster sales, etc.). They should be published as part of the programme/call for proposal information, at its time of establishment. • Incorporate outcome indicators related to satisfaction. In some cases, this is already practiced by the LA7 countries via surveys. All LA7 countries should consider: <ul style="list-style-type: none"> ○ Incorporating a satisfaction survey requirement into their SME development support programming (digitalisation of these surveys would facilitate assessment of the results); and ○ Integrating the survey results into their public reporting. • Incorporate impact assessment measures. While satisfaction surveys can serve to capture a measure of programme outcomes, they still fall short of robust impact assessment, which is an important tool for governments to assure the efficient investment of public funds. LA7 countries could consider the following steps to incorporate impact assessment as a regular part of their programming:¹ <ul style="list-style-type: none"> ○ Retain contact with applicants that are not selected as programme beneficiaries, in order to create a control group for further impact assessment. ○ Budget funds for an external independent evaluation, to be conducted after a set initial evaluation period. Adjust programme implementation accordingly, based on both the independent and private sector feedback.

Access to market and internationalisation (Dimension 7)

Table 0.8. Dimension 7: Policy recommendations

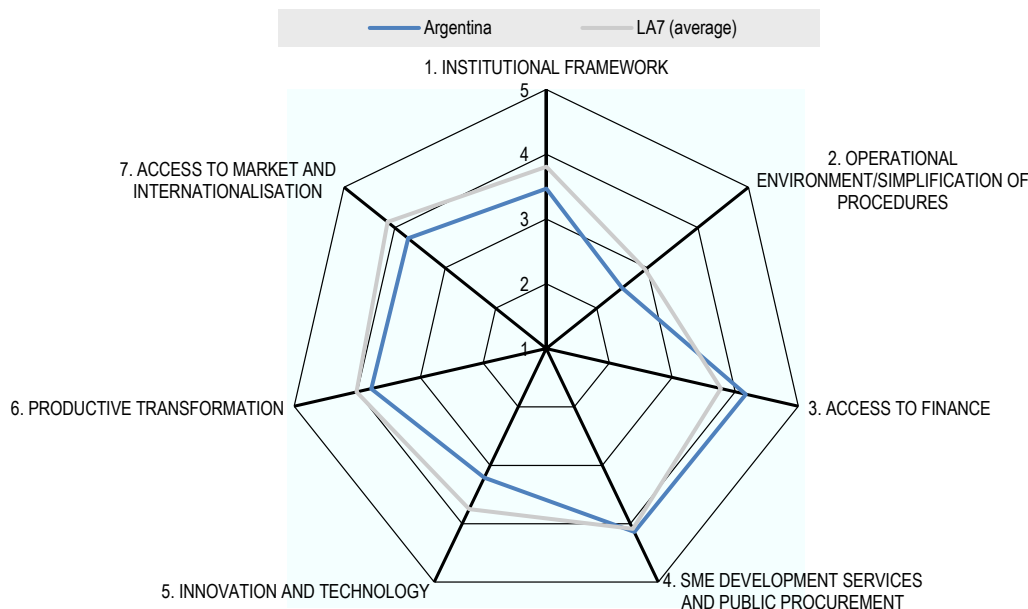
Policy Area	Challenges/ Opportunities	Policy recommendations
Dimension Level		
Monitoring and Evaluation (M&E)	<p>Programme design process lacks attention to M&E, viewing this as a concern to be addressed after implementation begins.</p> <p>M&E efforts are generally limited to reporting on <i>output</i> indicators (number of participants, amount of funding provided) and do not provide information on <i>outcomes</i> or impact</p>	<ul style="list-style-type: none"> • Incorporate and publish M&E processes in programme/call-for-proposal regulations from the outset. During the assessment process, many LA7 countries did not respond to questions related to M&E within this dimension, noting that their programmes were in the beginning phases of implementation. While some of these programmes had M&E schemes integrated into the programme design, this was not the case for the majority. The recommendations below should be incorporated from the outset, and published as part of the programme/call-for-proposal guidelines. • Incorporate outcome indicators related to satisfaction. In some cases, this is already practiced by LA7 countries via surveys that are collected after a training course All LA7 countries should consider: <ul style="list-style-type: none"> ○ Incorporating a satisfaction survey requirement into their SME development support programming (digitalisation of these surveys would facilitate assessment of the results); and ○ Integrating the survey results into their public reporting.

Policy Area	Challenges/Opportunities	Policy recommendations
	Detailed M&E efforts tend to exist only at project level, without publicly available information.	<ul style="list-style-type: none"> • Incorporate impact assessment measures. While satisfaction surveys can serve to capture a measure of programme outcomes, they still fall short of robust impact assessment, which is an important tool for governments to assure the efficient investment of public funds. LA7 countries could consider the following steps to incorporate impact assessment as a regular part of their programming: <ul style="list-style-type: none"> ○ Set key performance indicators (KPIs) at the programme/call-for-proposal level. These indicators should go beyond measuring participation/funding, and instead seek to capture real world impact (number of beneficiaries that export for the first time, etc.). ○ Retain contact with applicants that are not selected as programme beneficiaries, in order to create a control group for further impact assessment. ○ Budget funds for external independent evaluation, to be conducted after a set initial evaluation period; and adjust programme implementation accordingly, based on both the independent and private sector feedback. • Set KPIs at the programme/call-for-proposal level. While detailed evaluation of individual projects is important, it fails to capture the overall programme/call-for-proposal impact and is often too difficult/diverse to report publicly.
Sub-dimension Level		
Support Programmes for Internationalisation	Support services, beyond provision of general information via a webpage, are lacking for SMEs regarding compliance with rules of origin (RoOs) and certification procedures.	<ul style="list-style-type: none"> • Go beyond simply providing online information by also guiding SMEs to support services. To make the existing support ecosystem more visible, LA7 countries should include links to the training offered by both EPAs and customs organisations on these topics from the webpages that provide information on RoOs and certification procedures. • Consider providing further targeted support to SMEs, via the creation of trade facilitation portals/support centres. Korea's "FTA Pass" and Malaysia's "myTRADELINK" systems are good examples in this regard, providing SME discounts and free training for first-time users while facilitating the certification of origin process (OECD/ERIA, 2018^[19]). LA7 EPAs and SME export centres could consider including dedicated FTA support within their services, and raising the visibility of this support through the mechanism suggested above. The experience of Korea's FTA support and call centres is also instructive in this regard (Cheong, 2014^[20]).
Trade Facilitation	"Easy Export" programmes for SMEs lack linkages to encourage scale-up/engagement with a wider range of services.	<ul style="list-style-type: none"> • Encourage more institutionalised follow-up with "Easy Export" programme users, in order to bring them into the wider range of services offered by EPAs. While most "Easy Export" programme websites provide links to more general exporting guides and, in some cases, other support programmes for exporters, a next step could be to establish regular follow-up processes. Countries' regional EPA offices could be mobilised to follow-up with new users to establish next steps towards possible scale-up. Furthermore, LA7 countries with multi-phase exporter training programmes could better integrate these users into their wider programming, by introducing the "Test Exportador" as a pre-condition or follow-up step to using "Easy Export" services.

Policy Area	Challenges/Opportunities	Policy recommendations
	While AEO programmes are open to SME participation, take-up is minimal.	<ul style="list-style-type: none"> • Include authorised economic operator (AEO) training in EPA courses, and consider providing further support to SMEs, such as expedited exam processes, more-flexible security standards, subsidised fees, customs-business partnerships, and/or quotas. These methods have proved successful in facilitating SME AEO certification in both OECD and APEC countries (APEC Policy Support Unit, 2016^[21]).
Use of e-Commerce	LA7 countries have generally invested in market research on SMEs use of e-commerce, but the results are dispersed and generally only available within wider reports.	<ul style="list-style-type: none"> • Develop public/public-private e-commerce observatories that are integrated with public strategies. While Chile and Mexico have excellent and transparent qualitative monitoring of their digital strategies, these processes lack connection with KPIs at the strategic level. Conversely, Colombia and Ecuador have developed observatories, but could strengthen linkages with existing digital strategies. Overall, LA7 countries should mobilise public-private partnerships to harmonize e-commerce data collection and align it with strategic M&E processes.
Quality Standards	Support to SMEs in the area of quality standards is relatively diffused in LA7 countries, making it challenging to capture an overall picture of the extent and impact of public support.	<ul style="list-style-type: none"> • Obtain private sector feedback from existing beneficiaries of SME quality support programmes/programmes in which quality certification support is possible. Conducting a thematic, inclusive survey of existing mechanisms could serve as a baseline to better understand the strengths and gaps of existing support measures. • Obtain further feedback from the wider SME population, to assess their current knowledge of and potential interest in these services. Quality standard support for SMEs is generally integrated into wider internationalisation support programmes, lowering its visibility. This type of exercise could assist the public sector in better aligning its programming to demand.
Taking advantage of the benefits of LAC regional integration	<p>Information provided by the government on FTAs is generally restricted to their existence, and the text of the agreement itself.</p> <p>SME support measures to date have not been linked to the development of priority regional value chains, with the exception of MERCOSUR.</p> <p>Countries have SME support measures in place at national level in similar policy areas (business development services, etc.), with varying methods of delivery.</p> <p>Monitoring of KPIs at strategic level is non-existent.</p>	<ul style="list-style-type: none"> • Create FTA online knowledge portals oriented towards business opportunities. As stated in this chapter, both Colombia and Peru serve as good-practice examples for the LA7 in this regard. These portals help to bridge SMEs' knowledge gap of the benefits provided by regional integration efforts. • Invest in intelligence gathering on regional value chains and opportunities at the trade bloc level, and develop SME support programmes on this basis. Harnessing SME development for productive transformation necessitates an informed selection and prioritisation process, which should be aligned to the development of regional value chains. • Invest in studies to learn from fellow trade bloc members and harmonise efforts based on experiences. While each country is unique, learning from others' good practices and experiences can accelerate programme development and lead to the identification of synergies and opportunities for collaboration. Furthermore, trade blocs could collaborate to insert jointly developed regional integration training / financing support into existing national support mechanisms. • Develop KPIs to measure the outputs, outcomes and impact of each mandate received / strategic objective at working group level. Even without changing the annual mandate working methods of the PA and CAN, SME working groups can strengthen the monitoring conducted within their meetings through the introduction of KPIs.

Policy Area	Challenges/Opportunities	Policy recommendations
	Public online reporting on the actions of trade-bloc's SME-related working groups is lacking.	<ul style="list-style-type: none"><li data-bbox="767 315 1315 524">• Develop annual public reporting at working group level, and integrate private sector consultations in the dissemination process. While public reporting is quite a common process at the national level for LA7 SME development activities, public information is lacking at the trade bloc level, and could be harnessed as a mechanism to encourage greater and wider private sector involvement and awareness.

Key Findings by Country

ARGENTINA**Figure 0.1. 2019 SME Policy Index scores for Argentina**

This first OECD SME Policy Index assessment of Argentina demonstrates that the country has a wide range of programmes and initiatives in place to support SME development, ranging across the key areas of access to finance, business development services (BDS), innovation, productive transformation, and internationalisation, among others. Indeed, the country receives the second-highest score of those participating in this assessment for the “Access to Finance” dimension (Figure 0.1). Moreover, some of the country’s recent actions – such as the “Executive Roundtables for Productive Transformation” led by the Ministry of Production and Labour, or pilot efforts related to e-commerce led by the Argentine Agency of Investment and Foreign Trade (AAICI) – are innovative and/or informative for the region in terms of creating a structured, targeted and participatory approach to productive development, and demonstrate the strategic importance placed by the country on harnessing SMEs as an important actor in the country’s productive transformation and progressive internationalisation process. However, this diverse set of actions at the programmatic level has not yet been formally structured in a strategic plan, as other LA7 peers do.

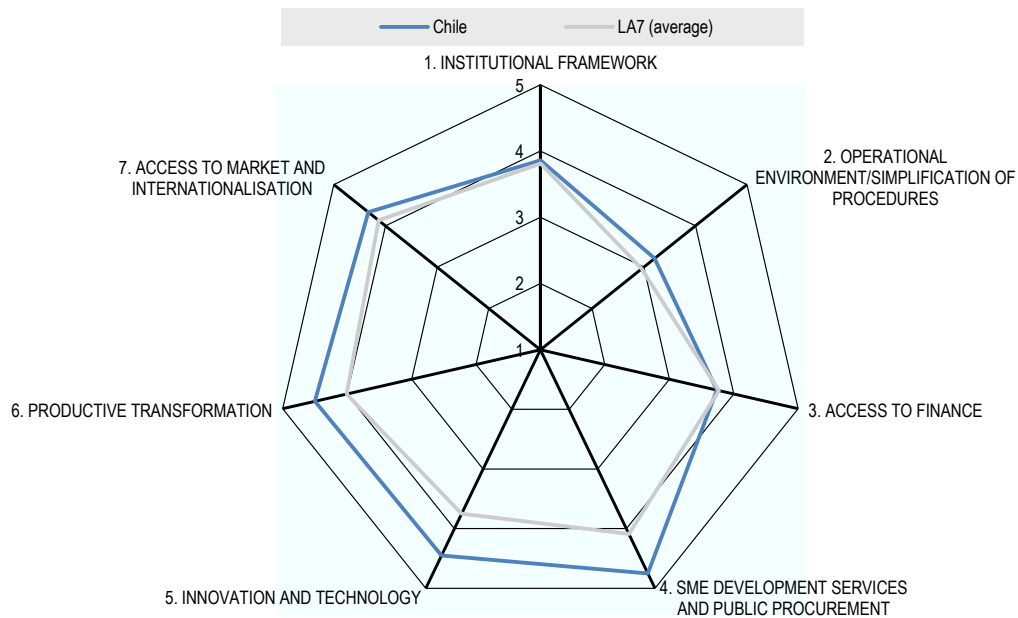
Ongoing efforts and pilot initiatives in Argentina, as well as nascent strategic efforts, provide a basis for defining the country’s strategic objectives for the SME sector and reviewing current programmes in light of those objectives. These efforts include the draft *Argentina Emprande* (“Entrepreneurial Argentina”), which aims to cover enterprise creation, start-up support and SME development; the efforts to develop the agenda *Argentina Innovadora 2030* (“Innovative Argentina 2030”); the creation of the Ministry of Production and Labour’s “Productive Transformation Secretariat,” and the aforementioned AAICI. Argentina’s current strategic efforts in the area of formalisation also provide a high-quality example, though so far these have focused heavily on labour informality, whereas enterprise informality has received more limited attention. Time-bound and performance-

oriented monitoring and evaluation (M&E) schemes should be integrated into these strategic objectives from the onset, building on the country's recent efforts to improve the reliability and regular collection of national statistics in areas including the business environment and SME sector.

Argentina should also continue its ongoing efforts to improve its overall business environment, in order to generate conducive conditions for SME operation and scale-up. While all LA7 countries score relatively lower on this policy area in comparison with the rest of the assessment, Argentina's performance remains below the average, as its entire regulatory reform process is in an early phase of design and implementation is still limited to few projects. Going forward, this points to the importance of completing the elaboration of a realistic agenda of regulatory reform, as well as continuing to advance the implementation of measures such as one-stop shops for company registration. In this regard, Argentina reports to be working on regulatory changes that affect all companies (e.g. SME Law, Entrepreneurs Act, Productive Simplification Law, etc.).

As previously mentioned, Argentina's current performance in the area of access to finance is promising: it received the second highest LA7 score of 4.17, mainly due to its favourable regulatory framework and a vibrant ecosystem of opportunities to access alternative sources of financing. However, there are still areas with significant room for improvement, particularly around the development of procedures to deal with insolvent or bankrupt companies and the country's legal framework for delineating the rights and prerogatives of creditors in secured transactions with collateral.

A focus on structuring and reviewing current efforts in light of cross-cutting strategic objectives will be particularly important for the optimisation of synergies among current actions. Argentina has several programmes to support SMEs, but there is still work to be done in order to structure all the policies into a strategic plan. Such an approach would also help to improve M&E of SME support and accurately assess impact at the level of individual programmes and at the policy level. The authorities note that they are undertaking efforts to digitise processes and data gathering of current programmes (e.g. number of files per procedure, processing times, etc.) in order to improve M&E.

CHILE**Figure 0.2. 2019 SME Policy Index scores for Chile**

Chile has a good performance in this first SME Policy Index assessment focusing on Latin America, performing above the LA7 average across all of the assessment dimensions except for Dimension 3, Access to Finance (Figure 0.2). Furthermore, it is the top LA7 performer in the areas of SME Development Services and Public Procurement (Dimension 4), Innovation and Technology (Dimension 5), and Productive Transformation (Dimension 6). This is due to the large offer of SME support services currently available in Chile across these dimensions; their delivery by specialised agencies to various sectors of the SME population, such as exporters, start-ups and those with high-growth potential; and targeted programmatic efforts within its Productivity, Innovation and Growth Agenda 2014-18 (*Agenda de Productividad, Innovación y Crecimiento*).

However, improvements related to planning and design and monitoring and evaluation (M&E) could be prioritised going forward. SME strategic orientations for the period covered by this assessment were defined in the framework of the country's wider economic strategy: the Productivity, Innovation and Growth Agenda 2014-18. While the Agenda did include measures specifically directed at supporting SMEs, and integrated a notable public monitoring system (via a dedicated website that consistently reported on the state of implementation of each of its measures), it did not go so far as to set related quantitative objectives and/or indicators, either at strategic or project levels, to evaluate performance.

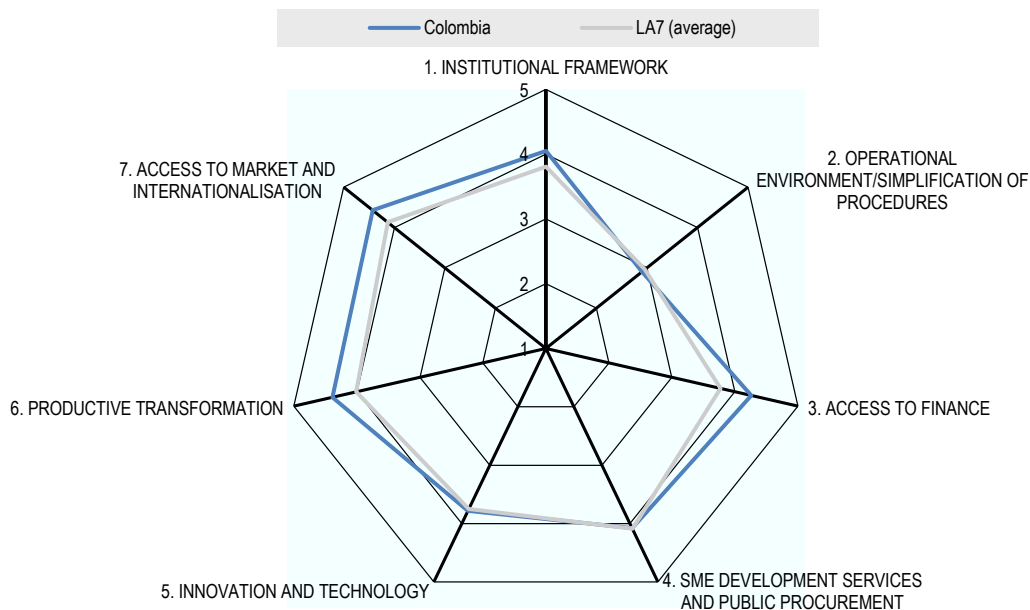
These gaps extend to other key policy documents relevant for SME development, such as the National Innovation Plan 2014-18, and limit the optimisation of synergies and spillover among current actions. Yet, the country does have a quality basis of M&E resources and examples to draw from for the future, including the systematic M&E reports conducted by the government's central Budget Directorate (*Dirección de Presupuestos*, or DIPRES) of government entities and programmes (but not strategies), and existing impact evaluations at programmatic level, especially related to productive transformation.

Going forward, and as will be further detailed throughout this chapter, Chile could consider integrating closer dialogue with the private sector; developing more detailed and integrated strategic frameworks on business and entrepreneurial development services, as well as on innovation and technology; better publicising in an integrated manner the existing SME development support offer; setting KPIs for SME development at the strategic level; and further institutionalising long-term financing for strategic investments to harness SMEs as an actor in the country’s productive transformation, among other actions. In the area of access to finance, which is the only area where Chile lags behind its LA7 peers, Chile could consider expanding the regulatory framework for secured transactions with collateral, developing the legal framework for alternative financing mechanisms and fintech companies, and including SMEs as one of the objective groups of its financial education strategy.

Overall, the new administration, which began its mandate in 2018, directly following the close of this assessment, has an ample basis on which to continue and strengthen the country’s strategic SME development efforts.

COLOMBIA

Figure 0.3. 2019 SME Policy Index scores for Colombia



Colombia performs relatively quite well in this first SME Policy Index assessment focusing on Latin America, outperforming the LA7 average across the majority of the assessment dimensions (Figure 0.3) and receiving the highest score of the LA7 for “Access to Finance” (Dimension 3) and “Access to Market and Internationalisation of SMEs” (Dimension 7). This is due to the large offer of SME support services currently available in Colombia across this assessment’s various dimensions; the country’s relatively strong planning and design culture; and targeted, often pilot, programmatic efforts within its Productive Development Policy 2016-2025 (CONPES Document 3866 of 2016) to support SMEs and various strategic sectors in driving the country’s productive transformation – especially those related to innovation, clusters and export-oriented value chains.

SME strategic orientations for the period covered by this assessment were defined in the framework of the aforementioned CONPES Document 3866 of 2016, as well as the country’s National Development Plan 2014-18. Overall, despite the country’s relatively strong existing planning and design culture (which does systematically operationalise strategic documents via detailed inter-ministerial action plans and include a centralised, government-wide digital monitoring platform) improvements related to the integration of key performance indicators (KPIs) could be prioritised going forward. Indeed, current strategic indicators remain process-oriented, limiting the ability to measure programme impact.

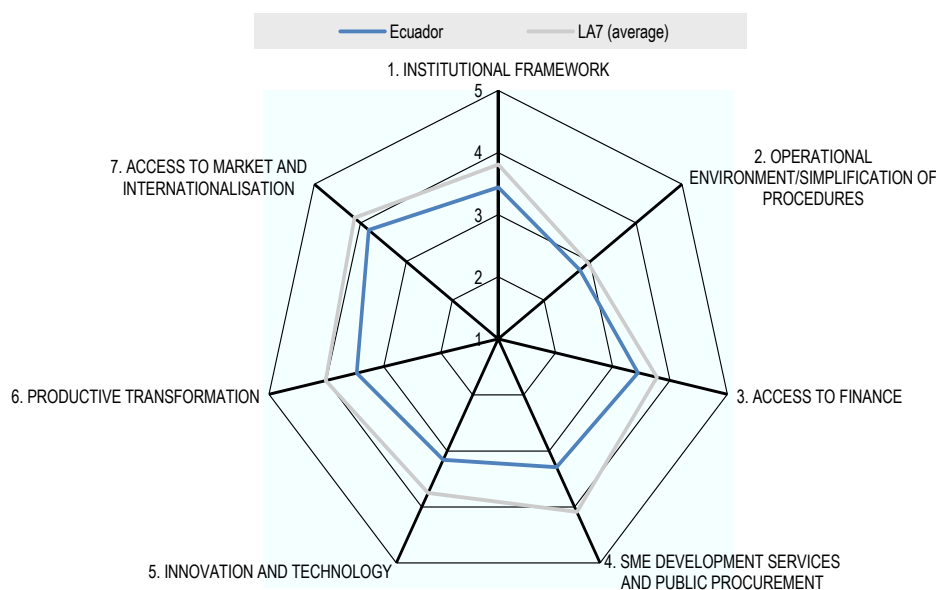
Furthermore, despite the country’s already large existing SME development support offer, information on existing initiatives is widely dispersed and often incomplete or lacking the information necessary to guide potentially interested users and to communicate activities and impact.

Thus, going forward, Colombia could consider a re-assessment of its existing strategic documents and institutional organisation related to SME development – prioritising the clear definition of roles and responsibilities; the integration of measurable, impact-oriented KPIs; and clearer communication of the integrated support offer so it has a greater impact on groups of interest. These points will be further detailed throughout this chapter.

In the area of “Operational Environment/Simplification of Procedures” (Dimension 2), which is the only area where Colombia lags behind its LA7 peers, the country should continue advancing the implementation of regulatory impact analysis (RIA) and moving towards one-stop shops and fully digital procedures for company registration. Colombia could also consider elaborating a comprehensive agenda for regulatory reform, focusing on the areas where regulatory restrictiveness and administrative barriers are highest.

ECUADOR

Figure 0.4. 2019 SME Policy Index scores for Ecuador



This first OECD SME Policy Index assessment of Ecuador recognises the various efforts the country has made regarding SME development policy, but finds important remaining

gaps across the various assessment dimensions (Figure 0.4) in the areas of planning and design, implementation, and monitoring and evaluation (M&E). Overall, current efforts led by the Ministry of Industries and Productivity (MIPRO) seek to implement SME policy both as an instrument to achieve productive transformation and as a tool for social promotion, given the country's need to (a) pursue greater economic diversification and a faster technological upgrade for future prosperity, and at the same time (b) promote employment and reduce poverty and marginalisation under current conditions.

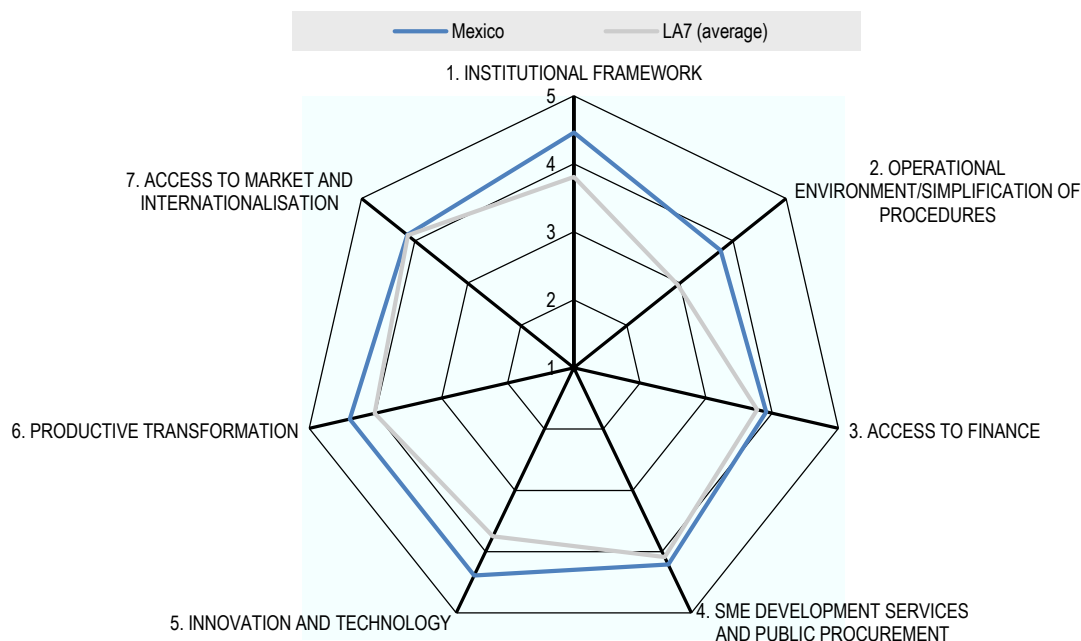
However, various issues arise when attempting to manage these two separate objectives. For example, while the Industrial Policy 2016-2025 is in practice utilised by MIPRO as a central document for SME development policy strategic orientations, it does not in fact include SME-specific instruments or objectives. The policy still has major relevance for SME policy because Ecuador's industrial structure is mostly made up of small and medium-sized enterprises. However, it faces a major limitation in that the large majority of SMEs in Ecuador operate in the service sector, and are thus not directly covered by the strategy and only indirectly considered by the National Development Plan.

The current lack of a comprehensive SME development strategy does not allow for the optimisation of synergies and spillover among current actions. Furthermore, while a government-wide system to monitor the implementation of publicly funded programmes does exist, current strategies lack specific, performance-oriented key performance indicators (KPIs) and most information collected remains internal to the government. Furthermore, general explanatory information is lacking online for most current programmes, making it difficult for relevant stakeholders, including the SME population, to fully understand the support mechanisms already at their disposal. These conditions do not allow for an assessment of the impact that existing initiatives are having on the SME population.

Going forward, and in order to effectively manage both social and productive objectives, Ecuador should consider developing an integrated SME strategy and redesigning its policy implementation framework accordingly to improve the targeting of policy actions and devote substantially more resources to SME development. Actions oriented to business development services (BDS) and the promotion of innovation and technology are particularly lacking, with even existing initiatives threatened by ongoing budget cuts in place since 2016. In this regard, authorities could also consider the needs of SMEs and entrepreneurs in less capital-intensive sectors that are still considered as priorities for the country's development, such as tourism, IT and agribusiness and others.

MEXICO

Figure 0.5. 2019 SME Policy Index scores for Mexico



Mexico stands out as a top performer in this first SME Policy Index (SME PI) assessment focusing on Latin America, outperforming the LA7 average across all of the assessment dimensions (Figure 0.5). Furthermore, it is the top LA7 performer in the areas of the Institutional Framework for SME Development (Dimension 1) and Operational Environment/Simplification of Procedures (Dimension 2).

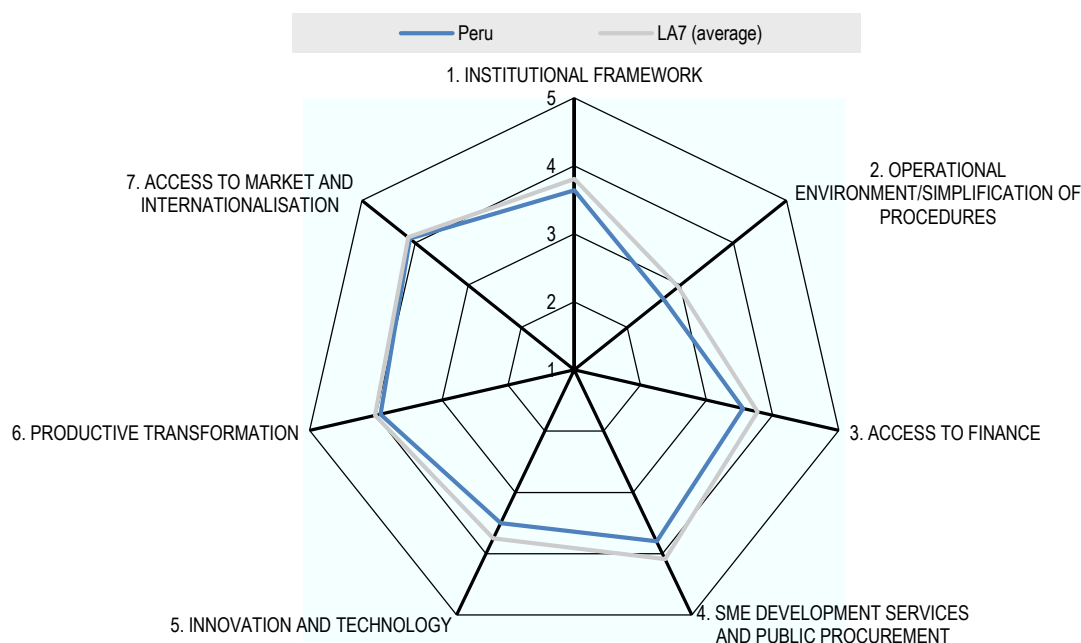
In the case of the institutional framework, this is largely due to the National Institute for the Entrepreneur (*Instituto Nacional Del Emprendedor*, or INADEM), which was established in 2013 as a decentralised public institution placed under the supervision of the Ministry of Economy to implement SME and entrepreneurship promotion programmes and coordinate the country's "Entrepreneur Support Network" (*Red de Apoyo al Emprendedor*). Since then, at the time of writing, INADEM had become the central institution in shaping and implementing SME policy in Mexico. It has at its disposal a significant National Entrepreneur Fund (FNE), which finances the large offer of SME support services currently available across the various dimensions covered by this assessment.

In the case of the operational environment and simplification of procedures, Mexico still has ample room for improvement, as all LA7 countries receive a score lower than 4 (on scale of 5) for this sub-dimension. However, with a score of 3.77, Mexico is by far the best LA7 performer, thanks to its progress in implementing regulatory reforms and regulatory impact assessment (RIA) application, and the presence of a good range of operational electronic services for enterprises and the availability of electronic signature. Going forward, the country could focus on various priorities for further improvement, such as the costs associated with the pre-registration phase to start a business; the coverage of one-stop shops regarding notification procedures, VAT reimbursement and company tax-auditing procedures; and the monitoring of e-government services geared towards SMEs.

SME strategic orientations for the period covered by this assessment were defined in the framework of the National Development Plan (PND) for 2013-18 and the Ministry of Economy's related Programme of Innovative Development (PRODEINN). Mexico is currently at a crucial point in defining its strategic orientations for both overall economic development and SME development, as the new administration of President López Obrador is in the process of elaborating the new national plan of economic development and the new strategy for the SME sector. While the country's economic and SME development was guided by clear strategic documents over the period of this assessment, improvements could be prioritised going forward to pair these strategic documents with robust action plans that clearly delineate roles, responsibilities and performance-oriented targets at implementation level. This could help to shift current public monitoring and evaluation (M&E) efforts, which are already relatively developed in terms of the LA7, from being qualitative and descriptive to quantitative and impact-oriented. This is also an opportune moment to undertake impact evaluations for the most important SME programme/projects currently operational.

Furthermore, going forward the country could also consider a closer involvement of INADEM and other public agencies in the implementation of SME support programmes, re-assessing the current call-for-proposal (*convocatoria*) based programme delivery system and identifying opportunities to expand co-operation with the private sector. At the same time, efforts should be continued to develop partnerships with state and local administrations.

Overall, the new administration – which began its mandate in December 2018 directly following the close of this assessment – can count on a sound institutional framework with considerable experience in managing SME support programmes. It has an important opportunity to evaluate INADEM's first five years of existence, and to continue strengthening the country's strategy on this basis, as well as drawing from the experiences and good practices of the other LA7 countries.

PERU**Figure 0.6. 2019 SME Policy Index scores for Peru**

This first OECD SME Policy Index assessment of Peru has demonstrated that the country has a solidly developing range of programmes and initiatives in place to support SME development, extending across the key areas of access to finance, business development services (BDS), innovation, productive transformation, and internationalisation, among others. Beyond general SME development support, these efforts include targeted, often pilot, programmatic efforts by the Ministry of Production (PRODUCE), in line with the country's 2014-2018 Competitiveness Agenda, to support productivity-enhancing measures for SMEs – especially those related to innovation, clusters and export-oriented value chains. However, Peru consistently falls below the LA7 average across this assessment's dimensions (Figure 0.6), demonstrating room for peer learning.

Overall, while Peru has made good advances in strategic planning areas and established a set of measurable strategic objectives for the SME sector, challenges remain. First, the existence of multiple, overlapping strategies, sometimes covering the same ministry, can lead to confusion and a lack of clear strategic priorities. Second, despite the inclusion of some details related to implementation, as well as specific strategic objectives in many of these strategies, the link between strategic orientations and implemented programmes is not always clear. Lack of clear and public follow-up regarding the implementation of strategies, and their linkage to specific programmes/projects, makes it difficult to gauge the overall impact of SME support measures.

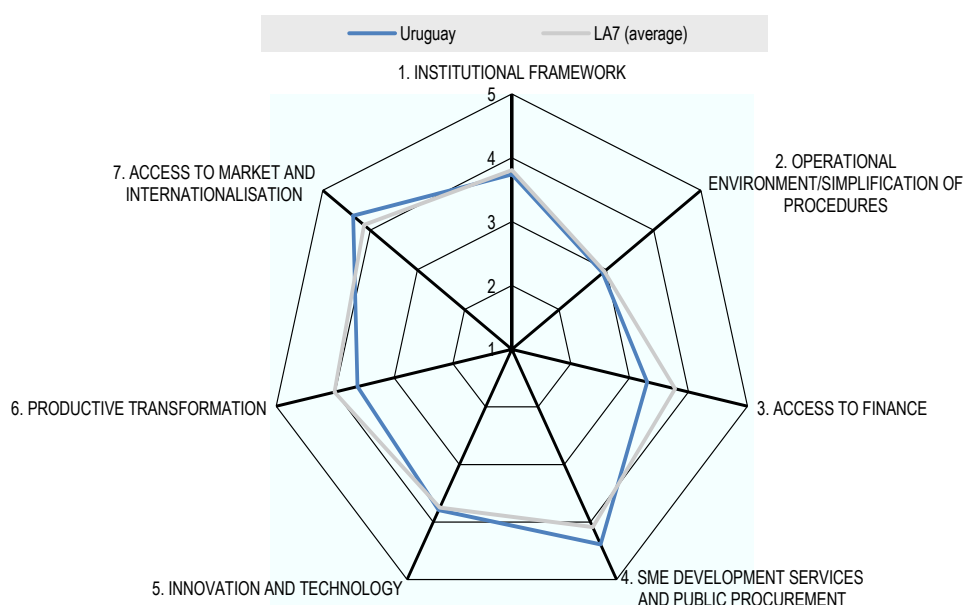
Thus, going forward, and as will be further detailed throughout this chapter, Peru could consider a reassessment of its existing strategic documents and institutional organisation related to SME development. In doing so, it could prioritise (a) reinforcing programme/project implementation mechanisms, ensuring their clear relation to strategic orientations; (b) reassessing the system of calls for proposals (*convocatorias*), which tends to delegate policy implementation to intermediary institutions, creating a potential

information gap; and (c) consideration of establishing a dedicated SME Development Agency.

Alongside these actions, Peru also should continue prioritising the improvement of its business environment, noting the country's relatively high levels of informality (even within the Latin American context), lack of a comprehensive regulatory reform agenda, and relatively high cost of the procedures to start a business. There are significant existing efforts to build on, including the country's e-government services and citizen services centres (MACs), which could be developed into one-stop shops for future company registration. In the area of Access to Finance (Dimension 3), this assessment identifies various future reform priorities, such as establishing a regulatory framework for alternative financing mechanisms, launching a financial education programme, and simplifying bankruptcy proceedings to reduce their duration

URUGUAY

Figure 0.7. 2019 SME Policy Index scores for Uruguay



Uruguay performs relatively well in this first SME Policy Index assessment focusing on Latin America, outperforming the LA7 average for the assessment dimensions related to business and entrepreneurial development services (Dimension 4) and access to market and internationalisation (Dimension 7) (Figure 0.7). This is due to the large offer of SME support services currently available in Uruguay for these dimensions, as well as their delivery by specialised agencies. However, Uruguay never reaches the level of a top LA7 performer, demonstrating room for peer learning especially in the area of access to finance (Dimension 3).

While Uruguay does not have an explicit SME strategy, it is in the process of linking its SME support programmes to the country's First National Plan for Productive Transformation and Competitiveness (2017-2021), which was developed over 2016-2017 in the framework of the "Transform Uruguay" inter-governmental co-ordination system (*Sistema Nacional de Transformación Productiva y Competitividad*, or *Transforma*

Uruguay). It has achieved good progress in the strategy elaboration and planning phase, but it is still in an ongoing phase of developing a new institutional architecture to support the implementation of *Transforma Uruguay*. The strategic plan also has to be strengthened by the introduction of explicit quantitative and qualitative objectives and by the introduction of effective monitoring and evaluation (M&E) mechanisms.

Overall, many of the projects included in the First National Plan have a clear, if not actually explicit, SME orientation. They both build on existing work and, in some cases, foster the development of wholly new projects. The inclusion in the First National Plan responds to the need to refocus those projects towards the country's productive transformation, as well as better co-ordinate efforts with other public and private actors. The shift towards a productive transformation approach will require a review of the existing SME support programmes, in order to adapt them to the new objectives. This will likely lead to more-selective targeting of the SME population and subsequently to greater effectiveness, assertiveness and/or specificity on the part of the support programmes.

Thus, going forward, Uruguay could expect its scores to improve – especially in the areas of the institutional framework (Dimension 1), innovation and technology (Dimension 5), and productive transformation (Dimension 6) – as the *Transforma Uruguay* system is more firmly established, including its M&E and consultative mechanisms.

Furthermore, within and alongside its *Transforma Uruguay* system, Uruguay must also continue to prioritise the further improvement of the country's environment for enterprise creation, operation and access to finance. Access to finance (Dimension 3) is the only area in which Uruguay receives the lowest LA7 score; this assessment identifies various future reform priorities, such as developing a legal framework for collective financing mechanisms and private investment funds, enhancing the offer of financial education aimed at SMEs, and simplifying insolvency proceedings. In the area of operational environment/simplification of procedures (Dimension 2), the country should continue developing a comprehensive agenda for regulatory reform, as planned in *Transforma Uruguay*, including enterprise surveys to identify main barriers and the introduction of regulatory impact analysis (RIA).