

Unclassified

C(2016)1/FINAL

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

04-May-2016

English/French

COUNCIL

Council

OECD LATIN AMERICA AND CARIBBEAN REGIONAL PROGRAMME

(Agreed by the Council at its 1326th session on 18 January 2016)

JT03395335

Complete document available on OLIS in its original format

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.



**C(2016)1/FINAL
Unclassified**

English/French

I. Introduction

1. In 2013 and 2014 OECD Members called for the strengthening of current activities with the Latin American and the Caribbean (LAC) region.¹ Most recently, at the 2015 Council Meeting at Ministerial Level (MCM), Members invited the OECD to “consolidate the activities in the Latin American and Caribbean region through a strategic framework and to consider the establishment of a regional programme that could be launched at the MCM 2016” [Ministerial Statement, [C/MIN\(2015\)14](#), para. 16].

2. Since the early 2000s, the OECD has facilitated a policy dialogue and exchange of best practices between the region, the OECD and its Member countries. The Latin American Economic Outlook has delivered its 9th edition, and the International Economic Forum on Latin America and the Caribbean, co-organised by the OECD Development Centre, is on its 7th edition. In addition, the LAC Initiative² was launched in 2009 providing a new momentum to our co-operation efforts. More recently, in November 2014 the OECD participated in the IX Pacific Alliance Summit and as part of its global relations supports this regional initiative [[C/MIN\(2015\)14](#), para. 17].

3. The External Relations Committee (ERC) discussed in April 2015 a Proposal from Chile, Mexico, Portugal and Spain to frame existing OECD activities into a Regional Programme. This proposal recognises that there are already several activities with LAC. These activities, included already in the Programme of Work and Budget (PWB) and financed mostly through Voluntary Contributions (VCs), involve several substantive committees and the OECD Development Centre, and in most cases are carried out in partnership with regional organisations.

4. This note sets out:

- i) key objectives for the OECD Regional Programme for Latin America and the Caribbean;
- ii) strategic thematic priorities for the LAC Regional Programme;
- iii) the governance structure for the LAC Regional Programme.

II. Key Objectives

5. The OECD Regional Programme for Latin America and the Caribbean will:

- i) allow the OECD to increase its impact and relevance in support of policy reform in the region, fostering sustainable development and inclusive growth;
- ii) provide a platform for high-level, strategic, whole-of-government policy dialogue with the region, which will promote the exchange of best policy practices between the region and the OECD;

¹ See [C\(2013\)58/FINAL](#) (Resolution iv) and [C/MIN\(2014\)11](#) (paragraphs 43-46, 89).

² The LAC Initiative, launched in 2009 by Spain and Mexico focused on the following areas: Investment (LAC Investment Initiative), Taxation and Public Expenditure (LAC Fiscal Initiative), Innovation Policy (LAC Innovation Initiative) and Access to Public Services to Reduce Poverty and Inequality (this has evolved into the LAC Water Governance Network).

- iii) help ensure a coherent and consistent strategic approach to OECD relations with the region, creating synergies with the Organisation's bilateral co-operation with individual LAC countries, in particular Brazil (Key Partner) and Peru (Country Programme); and with the Organisation's engagement in multilateral efforts in the region, such as the 2030 Agenda for Sustainable Development across its economic, social and environmental dimensions, and related measurement of progress;
- iv) aim at bringing LAC countries closer to OECD standards and best practices, including by promoting their adherence to OECD legal instruments, following up with the respective committees on their implementation;
- v) aim at bringing in the views, experiences and perspectives of LAC countries to OECD work and activities;
- vi) build on the LAC Initiative, as well as on other existing networks and activities carried out across the Organisation, including by the Development Centre, ensuring their coherence with the thematic priorities of the LAC Regional Programme and their regular monitoring;
- vii) leverage the work of OECD bodies and increase their impact in LAC countries by fostering mutual learning between policy makers in the LAC region and OECD countries, promoting a wider use of OECD peer reviews to promote domestic policy reform, support policy design and implementation efforts;
- viii) maximise the impact of OECD work on the ground, avoid duplication and raise awareness of OECD legal instruments and policy standards, by strengthening co-operation with the Secretariats of regional and subregional organisations with the vocation of regional integration and development.

III. Thematic Priorities

The LAC context

6. Since the turn of the century, the LAC region has been able to combine robust economic growth with social progress. Strong demand for its commodities along with improved macroeconomic, financial, and social policies delivered an average 4% annual growth rate between 2003 and 2013 and lifted more than 10% of the region's population out of poverty.

7. The last few years, however, have been more challenging. In 2014, for the first time in the past decade, the region grew less than the average of OECD countries.³ This slowdown, triggered by lower commodity prices and lower global growth, reveals LAC's own structural shortfalls.⁴ Productivity, social inclusion and governance are three interlinked challenges that the LAC region needs to address in the coming decades to ensure a sustainable development path.⁵

³ OECD (2015) *Latin American Economic Outlook 2015*.

⁴ OECD (2014) *Latin American Economic Outlook 2014*.

⁵ This view is shared by most of the international organisations and relevant actors in the region.

8. First and foremost, the region has experienced low levels of productivity and insufficient productivity growth.⁶ With the exception of Chile, productivity per worker in Latin America has seen virtually no increase in the last 30 years. While it is certainly a heterogeneous region, most Latin American countries struggle with dual economies, characterised by large informal sectors, and important differences among segments of firms.⁷ Large enterprises in the region are often highly productive and globalised firms. However, labour productivity and internationalisation levels of the region's micro enterprises (mostly informal) and small firms (even in the formal sector) are significantly lower.⁸

9. This dual structure also characterises the social sphere. The Gini coefficient, which measures income inequality, remains 65% higher than in high-income countries, 36% higher than in East Asia, and 18% higher than in sub-Saharan Africa.⁹ Marked differences among segments of workers in labour markets lead to a vicious cycle, reinforcing inequality in skills, access to networks, adoption of technical developments, and ultimately wages and income. Besides, while innovative social policies have effectively reduced poverty and contributed recently to curb inequality, the system of taxes and transfers is less redistributive than in OECD countries.¹⁰ Nonetheless, conditional cash transfer programmes targeting the poor have redistributed income to the bottom of the income scale, improved health and educational attainments in the areas deployed, and stand as models for similar programmes in other regions.

10. Finally, the LAC region has been consolidating, over the past decades, its democratic and economic institutions. It is fair to say that the performance of the region during the 2000s was not only the result of favourable terms of trade, but also of better policies, notably in the macroeconomic and social spheres¹¹. The current slowdown in growth and the consequent halt (or reversal) to social progress could represent a threat to social cohesion and institution building. Environmental issues are also of increasing concern. At the same time, a growing, better educated and informed middle class¹² is nurturing an emerging civil society taking an active role in demanding integrity in the public and private sector and efficient public service delivery. Significant challenges remain regarding public sector capacity, particularly for sub-national levels of governments; establishment of anti-corruption mechanisms; and broader issues related to the rule of law.

Priorities for co-operation

11. There is a growing awareness in the region that better policies and structural reforms are needed in order to tackle the priority challenges of increasing productivity, advancing social inclusion and strengthening institutions and governance. Moreover, solving these challenges is central for the region to advance the Sustainable Development Goals (SDGs) and the 2030 Agenda for Sustainable Development.

⁶ Daude and Fernández-Arias (2010), IDB Working Paper on the Role of Productivity and Factor Accumulation in Economic Development in Latin America. Working Paper Series # IDB-WP-155.

⁷ Dougherty, S & Escobar, O. (2013), "The Determinants of Informality in Mexico's States", Economics Department Working Paper No. 1043.

⁸ OECD (2013) *Latin American Economic Outlook 2013*.

⁹ UNDP (2010), *Latin America and the Caribbean Human Development Report 2010*.

¹⁰ The system of taxes and transfers reduces the Gini coefficient by 19 points in Europe and only 2 points in LAC countries. See N. Lustig *et. al.* "The impact of taxes and social sending on inequality and poverty in Argentina, Bolivia, Brazil, Mexico, Peru and Uruguay: An overview" Tulane Economics Working Paper Series, No. 1314, 2013.

¹¹ OECD (2012) *Latin American Economic Outlook 2012*.

¹² OECD (2011) *Latin American Economic Outlook 2011*.

12. The OECD is uniquely placed to respond to the growing demand from the region for policy advice and exchange of best practices in these fields, building on its already rich engagement with the region. Indeed, productivity, inequality and governance have also risen to the top of OECD countries policy agendas and discussions in OECD committees, especially in response to the economic crisis and resulting slowdown. This is demonstrated by a variety of new OECD initiatives, such as the “Future of Productivity” publication and conference in July 2015, and the proposal to establish an OECD Global Forum on Productivity; the New Approaches to Economic Challenges (NAEC); the Inclusive Growth Project; and activities related to trust in government.

13. Working along these three priorities thus provides a framework in which OECD countries can continue and expand their engagement with the region along areas of mutual priority. The table set out in the Annex provides information about how current OECD work and activities will contribute to these three thematic priorities.

IV. Governance Structure

Steering Group

14. A *Steering Group* will provide strategic guidance to the LAC Regional Programme. It will be open to representatives from all OECD Members and from LAC partner countries, preferably but not limited to those already members of the OECD Development Centre.¹³ The Secretary-General or his/her representatives will participate. The Chair of the ERC and the Chair of the OECD Development Centre Governing Board will be invited. Representatives of OECD bodies whose work is directly relevant for the agenda items of specific meetings will be invited as well.

15. International organisations partnering with the Programme will be invited to participate in the Steering Group on a regular or ad-hoc basis. In particular, the Programme could benefit from the regional expertise and support of the United Nations Economic Commission for Latin America and the Caribbean (UN-ECLAC) and other organisations with which the OECD currently partners in several networks and activities such as the Inter-American Development Bank (IDB), the Development Bank of Latin America (CAF), the Organization of American States (OAS), the Ibero-American Secretariat (SEGIB) and the EU-LAC Foundation.

16. In order to foster inclusiveness and regional ownership, the Steering Group will have two co-Chairs, one from a LAC partner country, and the other from an OECD Member. The co-Chairs will be designated by consensus every three years following consultations within the Steering Group. The Secretariat will support the Steering Group work by bringing together expertise from across the Organisation, including the OECD Development Centre.

17. The Steering Group will meet on a regular basis, and at least once a year. The Steering Group may sometimes meet at Ministerial level, in order to have higher level endorsement of the main directions of the Programme and provide political impetus for co-operation.

¹³ The non-OECD LAC Members of the Development Centre are Argentina, Brazil, Colombia, Costa Rica, Dominican Republic, Panama, Peru and Uruguay. They will be invited to the Steering Group. Going forward, requests for participation in the Steering Group will be communicated to OECD Members in accordance to the rules governing the participation of non-Members.

18. The Steering Group will provide overall strategic guidance and help ensure the LAC Regional Programme fulfils the key objectives set in section I. In particular, the Steering Group will be responsible for defining concrete goals and deliverables over the medium term, in line with the thematic priorities defined for the LAC Regional Programme (see section II).

19. The Steering Group could decide to develop mechanisms for regular and systematic consultations with the private sector and trade unions, through the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) respectively, as well as at the national and regional levels.¹⁴

20. Sub-regional activities could also be conducted, in order to promote dialogue with specific groups of countries in the LAC region (for instance Central America or the Caribbean sub-regions).

Advisory Board

21. Following the experience of other Regional Programmes, an Advisory Board will be created to support and facilitate the work of the Steering Group in between the meetings of this body. Its composition and delegated functions will be determined by the Steering Group.

Existing networks and activities

22. Existing and future OECD-LAC networks and activities will become part of the LAC Regional Programme. Substantive committees and the Development Centre Governing Board will be invited to inform the Steering Group on outputs and activities that contribute to the thematic priorities of the Programme included in their respective programmes of work and budget.

23. Existing networks and activities will maintain flexibility with regards to including a larger number of LAC countries in their respective activities, beyond those who are represented in the Steering Group (see para. 14).

Funding

24. The LAC Regional Programme will not have major financial implications for the Part I budget, as it will build on the existing VC-based model of funding of LAC activities, which includes leveraging partnerships with regional organisations.

25. The 2015-16 PWB for Output Area 5.2.1 (Co-operation with Non-Members – Strategy and Co-ordination) already includes some Part I resources for co-ordination of work with Latin America and the Caribbean. The creation of a Steering Group will require additional resources of the order of 50 K EUR per year to support an annual Steering Group meeting. For 2016 these activities will be covered by VCs.

¹⁴ The Programme could benefit from the invitation to the OECD (along with the IDB and CAF) to participate regularly in meetings and share policy expertise to the Ibero-American Business Council on Productivity and Competitiveness (ICPC), as well as from existing relationships developed through the OECD Emerging Markets Network (EMnet).

Reporting mechanisms, consultations and evaluation

26. The LAC Regional Programme will build on existing OECD methodologies to develop monitoring, evaluation, and impact assessment mechanisms. This will imply the development of indicators and monitoring tools; obtaining feedback from LAC countries and relevant committees; measuring progress in reform implementation; and reporting results in a systematic way, structured around activities, outputs, and outcomes. This information will be provided to the Steering Group, the Advisory Board, Member countries and to the relevant OECD committees.

27. The ERC will monitor progress in the implementation of the Programme and be updated on a regular basis on the work and activities of the LAC Regional Programme. The Council and other relevant OECD bodies will be informed and/or consulted as needed.

ANNEX

Table 1. Current OECD LAC Region Activities and their links to Productivity, Inclusion, and Governance
(For information purposes only. One activity could contribute to more than one thematic priority.)

		Productivity	Social Inclusion	Governance
Building on the LAC Initiative		<ul style="list-style-type: none"> LAC Investment Initiative LAC Innovation Initiative 	<ul style="list-style-type: none"> LAC Fiscal Initiative 	<ul style="list-style-type: none"> LAC Water Governance Network
Key Existing Resources	Regional Policy Dialogue	<i>LAC International Economic Forum</i>		
		<ul style="list-style-type: none"> LAC Competition Forum OECD-IDB Latin American Network of Regulatory Policy 	<ul style="list-style-type: none"> OECD-CEMLA Conference on Financial Inclusion and Education in LAC Regional Network on BEPS in LAC 	<ul style="list-style-type: none"> LAC Senior Budget Officials Network LAC Anti-Corruption Programme LAC Corporate Governance Roundtable LAC Network on SOEs
	Regional Publications	<i>Latin American Economic Outlook</i>		
		<ul style="list-style-type: none"> <i>Competition and Market Studies in Latin America</i> <i>Start-up Latin America: Promoting Innovation in the Region</i> <i>Participation in GVCs in Latin America – Implications for Trade and Trade-related Policy</i> 	<ul style="list-style-type: none"> <i>Skills in Ibero-America: Lessons from PISA 2012</i> <i>E-Learning in Higher Education in Latin America</i> <i>Pensions at a Glance: Latin America and the Caribbean</i> <i>International Migration in the Americas</i> 	<ul style="list-style-type: none"> <i>Open Government in Latin America</i> <i>Government at a Glance Latin America</i> <i>Water Governance in Latin America</i>
	Policy Advice Tools	<ul style="list-style-type: none"> Innovation Strategy Competition Toolkit Policy Framework for Investment (PFI) 	<ul style="list-style-type: none"> Skills Strategy Gender Initiative LEED Summer School 	<ul style="list-style-type: none"> Regulatory Policy Toolkit OECD Multilateral Mexico Tax Centre
	Statistics	<i>Revenue Statistics in Latin America</i> <i>LAC Green Growth Indicators</i>		
	<ul style="list-style-type: none"> OECD Economic Outlook: Projections for Latin American countries Trade Facilitation Indicators¹ Services Trade Restrictiveness Index (STRI)² Trade in Value Added (TiVA)³ SME Policy Index Inventory in Raw Materials 	<ul style="list-style-type: none"> Better Life Initiative in Latin America PISA⁴ PISA for Development⁵ Social Institutions and Gender Index (SIGI)⁶ 	<ul style="list-style-type: none"> <i>Government at a Glance Latin America</i> <i>Regional Outlook</i> 	
Peer Reviews	<i>Environmental Performance Reviews</i>			
	<ul style="list-style-type: none"> Competition Law and Policy Reviews Investment Policy Reviews Innovation Policy Reviews Telecommunications Policy Reviews Regulatory Policy Reviews 	<ul style="list-style-type: none"> Vocational Education and Training (VET) Reviews Youth Policy Reviews Youth Inclusion Reviews OECD Reviews of Health Systems OECD Urban, Rural, and Territorial Development Reviews 	<ul style="list-style-type: none"> Integrity Policy Reviews Public Governance Reviews Country Reviews of Budgeting Systems Water Resources Governance Reviews Peer Reviews of National Contact Points on Responsible Business Conduct 	

1. Includes all South American (except Guyana) and Central American countries, as well as Mexico, Cuba, Jamaica, Dominican Republic, and the Bahamas.

2. 4 LAC countries (Brazil, Chile, Colombia and Mexico) are included.

3. 6 LAC countries (Argentina, Brazil, Chile, Colombia, Costa Rica and Mexico) are included.

4. 12 LAC countries participate: Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Mexico, Panama, Peru, Trinidad and Tobago, Uruguay and Venezuela.

5. 3 LAC countries participate: Ecuador, Guatemala and Paraguay.

6. 22 LAC countries are included: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay, Venezuela.