

## **Elements for innovating policies for MSMEs and competition advocacy in light of the challenges posed by the pandemic and economic recovery**

In the framework of the project "Global Initiative towards the post-Covid-19 resurgence of the MSME sector", ECLAC and UNCTAD organized the First Regional Dialogue between micro, small and medium-sized enterprises and competition authorities (August 2020). On that occasion, the importance of generating opportunities for exchange between these entities was underlined, to stimulate mutual learning. Some examples were given of how these two areas of development support policies had reacted to the health crisis caused by the Covid-19 pandemic and how they were preparing to support the post-pandemic economic recovery.

To deepen the analysis of experiences and learn about the good practices developed by the authorities responsible for the two policy areas, ECLAC launched a study involving a dozen countries in the region.

The main results of this research will be presented and discussed at the Second Regional Dialogue to be held on 25 March 2021. Some of the main findings that will be presented at this meeting are summarised below.

### **Policy support to MSMEs to face the emergency and prepare for recovery**

To learn about their experiences in implementing support measures for micro, small and medium-sized enterprises (MSMEs) in the context of the COVID-19 pandemic between October and November 2020, interviews were conducted with MSME authorities in nine countries in the region (Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Uruguay).

On this basis, a set of 180 measures were analysed, which have been classified into four areas, according to their general objectives: liquidity, employment, support to production and financing.

Area	General objectives	Measures
Liquidity	Maintaining liquidity in the short term: these measures include postponing payments for basic services, taxes, employer contributions and credit obligations.	47
Employment	Protection of the labour market: these measures include the payment by the state of part of wages and employer contributions, rules to limit dismissals, as well as flexibility in contractual terms (reductions in working hours or suspension of contracts).	38
Production support	Encourage the production of goods and services: these measures especially consider support for entrepreneurship and innovation in solutions to tackle the pandemic, as well as actions to promote the reactivation of activities (biosecurity protocols, online sales platforms, among others). Simplification of procedures is also included.	39

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Financing	Facilitating access to credit: the measures considered in this group include new programmes and existing programmes that have undergone significant adjustments to credit amounts, access requirements, an extension of payment terms, among others. Both special credit lines and guarantee funds were considered.	56
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Source: own elaboration based on the update of official information on the measures as of December 2020.

Although the countries' agendas will inevitably maintain differences that reflect national specificities, common aspects also emerge that are worth highlighting because they can be the ground for generating intense and sustained collaboration between the region's institutions, based on reciprocal exchange and assistance.

In productive programmes, three areas are particularly relevant because of economic reactivation:

- Support for the incorporation of digital technologies: as promotion policies move from simple awareness-raising and primary literacy actions to more complex actions to deepen the processes of digital adoption, the fields of regional collaboration between promotion institutions are expanding. The challenges of the new digital economy pose problems that can be tackled more effectively through concerted action. In this plan, it is particularly relevant to analyse the regulatory and strategic requirements that arise with the deepening of the data economy and the consolidation of digital platforms as a means of generating new production services.

Stimuli for the formalisation of businesses: the need for updated business registries has been vital during the pandemic and the measures adopted to stimulate their formalisation have been strongly encouraged by the pressing needs demanded by the crisis. Beyond the emergency, however, there remains a structural problem related to the very low productivity of microenterprises. Without measures to reduce the relative labour productivity gap between this segment and the more developed productive nuclei, formalisation processes will be sterile and possibly transitory.

Biosecurity protocols: considering the likely scenario of long-term coexistence with the virus, the design and implementation of technical standards that guarantee safe production is an essential condition for economic reactivation. Beyond the specificities of the current crisis, building competencies in this area can lay the foundations for progress towards safer and more sustainable production environments.

Some signs suggest a shift in the way policies are made, from rigid management methods to an adaptive modality that allows for the adjustment of intervention modalities, based on a permanent reading of the evolution of the reality in which they operate.

Key elements of this process are the empowerment and strengthening of public institutions, the deepening of dialogue and collaboration with the business sector, and the consolidation of decentralisation dynamics that provide space for the participation of local and regional actors. In these areas, the development of contact and exchange networks between the main actors leading MSME support policies in the region could form a dynamic laboratory of knowledge and reciprocal training.

### **Competition policy in pandemic and the recovery of MSMEs**

The main objective of competition authorities is to ensure the proper functioning of markets and, in particular, to prevent adjustment processes to new demand conditions from provoking price wars or

predatory behaviour (Fourth Progress Report on the Regional Progress and Challenges of the 2030 Agenda for Sustainable Development" ECLAC, 2021).

During the pandemic, competition policy has played an important role in helping several countries in the region to help the productive sector adapt to the new economic conditions. Among its main actions has been to allow temporary agreements between smaller firms to pool know-how and resources, to contain business failures, supporting the continuity of supply chains and boosting economic recovery. Of the seven countries analysed, five have adopted measures of this nature: Brazil, Chile, Colombia, Peru and Mexico.

The other focus of their actions has been a digital transformation and the changes it can bring about in competition. The pandemic has accelerated the adoption of digital channels and probably, that this change in consumer habits will continue after the crisis. This, coupled with the intensification of "economies of scope" and winner-takes-all dynamics, has led to a marked concentration of profits, reinforcing the rise of digital platforms and the reliance on them by many companies offering goods and services (Da Silva, De Furquim and Núñez, 2021).

Numerous governments in the region, as well as international bodies, together with the private sector, are working in a coordinated manner to generate regulations to regulate the actions of platforms, limiting anti-competitive effects, without inhibiting innovation, and, at the same time, generating an environment for all economic agents that access them.

In this context, data are configured as an increasingly relevant intangible asset in the new competition model. Data Protection, privacy and the guarantee of cybersecurity, therefore, become critical functions for the authorities involved.

A key aspect of ensuring effective competition among competing players in the digital economy concerns the data valuation process.

All these elements have generated a significant effort of modernisation and innovation in policy implementation in digital markets. In this area, in Latin America, the following initiatives launched by competition authorities stand out:

- Brazil's CADE has developed an interface called "Cerebro" that provides data mining tools and automates analysis through algorithms previously created by researchers and case managers.
- Colombia's Superintendencia de Industria y Comercio has developed its tool called "Sabueso" for data collection, price monitoring and detection of anomalous behaviour in digital markets.
- Mexico's COFECE created (2014) the General Directorate of Market Intelligence which includes the unit responsible for the collection of digital evidence. The unit uses tools such as Apache Spark (for big data), web scraping (data mining), parallel computing; cloud computing, and artificial intelligence algorithms (machine learning).
- Chile's National Economic Prosecutor's Office (FNE) created the Intelligence Unit whose objective is to improve investigative techniques for the detection and prosecution of cartels based on data science.
- The Commission to Promote Competition (COPROCOM) and the Superintendence of Telecommunications (SUTEL) of Costa Rica both have developed a roadmap for the purchase of hardware and software for digital forensic analysis to be implemented in 2023.

- The Superintendence of Market Power Control (SCPM) of Ecuador is in the process of implementing a digital tool that uses big data and artificial intelligence as main inputs in the detection of digital cartels.