



In partnership with



## **UNCTAD-UNECE Regional Policy Dialogue on the role of Competition Policy in supporting MSMEs economic recovery in the post COVID19 crisis**

**25 March 2021  
10:00-13:00 CET  
Report**

The UNCTAD Regional Policy Dialogue was an interactive discussion organised in collaboration with UNECE and in partnership with the BRICS Competition and Policy Center. This Regional Dialogue brought together more than 140 representatives and officials of government MSME bodies, as well as competition authority representatives from across the region and beyond to discuss how competition policy could support MSMEs in their recovery post COVID-19 with a specific focus on market access. The event focused on synergies, sharing experiences and best practices that have emerged during this crisis. The event was held via Zoom with simultaneous multilingual interpretation in English and Russian. It was well attended with more than 200 registrations and 140 attendees (including 1/3 outside the UNECE region) from 11 competition authorities, 15 ministries, 11 permanent missions, 8 SME representative agencies and 8 research institutions.

## **Opening remarks**

### Tatiana Krylova, Head of UNCTAD's Division on Enterprise Development

- Presented the 5 key areas of work within SME project
- Discussed implementation of 5th cluster as part of this webinar
- By strengthening MSMEs and consider factors such as environmental matters will lead to socioeconomic improvement of economies as a whole and strengthen the resilience of MSME sector as well as their competitiveness

### Ms. Teresa Moreira, Head of Competition and Consumer Policies Branch, UNCTAD

- To facilitate the access of MSMEs, there is a need to enhance of MSME specific issues to better inform policies
- The goal of this event is to raise awareness of competition concerns of MSMEs in the recovery also to better inform policy measures by integrating specific considerations of MSMEs

### Mr. Mika Vepsäläinen, Chief Market Access, UNECE

- Trade and non tariff measures could be leveraged to support transformation and to address structural weaknesses ( reference to assessments)
- Focus on engaging with governments and helping them support MSMEs.
- It is necessary to understand the challenges posed by the pandemic and to see the economic problems and structural weaknesses and help address them.
- We will share recommendations and conclusions of the assessments conducted
- It is essential to consider the synergies that can emerge between competition policy and other policies.

### Mr. Alexey Ivanov, Director, BRICS Competition Policy Center

- The pandemic accelerated the rise of ecosystem and digitalization which hamper the development of MSMEs to succeed in new digital order
- The pandemic accelerated the rise of ecosystem and digitalization which hamper the development of MSMEs to succeed in new digital order
- It is critical to ensure the viability of small and medium-sized enterprises, given their importance to the economy.
- This relatively new sector in Russia ( not many MSMEs during Soviet times) suffered the most during the crisis due to not only the fragility of the sector, but also the digitalisation, the concentration in the hands of platforms of information and capital (which can be seen as state plans concentrating all the power).
- The crucial role of MSMEs in the economy must be kept in mind and these processes need a political response.
- Specific policies need to be implemented to support MSMEs, a complete policy restart is needed, and we are grateful that UNCTAD has started this process.

## **Presentations**

Ms. Rachel Burgess, UNCTAD Consultant: Recommendations of the UNCTAD Global Report “How COVID-19 Affects MSME Access To Markets and Competition: A Review of Key Issues and Recommendations For Future Action”

- The increasing number of mergers and heavy reliance on failing firms defence should be careful looked at to ensure level playing field for MSMEs since this will threaten potentially MSMEs and their survival
- Need to keep an eye on Government support for competition in various sectors and on MSME community
- Competition authorities have responded to challenges emerging out of the crisis by widening communication to consumers and businesses (ie Fidji)
- As recommendations for recovery, there is a need to start lifting exemptions from competition authority to minimize impact on markets going forward
- Clear guidance, looking into collective bargaining and into allowing safe harbours as well as exemptions, engaging with informal sector would be key to understand how help MSME post crisis
- Noted trends such as small businesses moving into the digital marketplace, a clear trend towards digitalisation, a growing share of digital businesses.
- Many MSMEs have not been able to survive in this environment, even despite support measures.
- New trends in pricing policies - significant price fluctuations. Some authorities have revised their policies with regard to price regulation.
- It is likely that some measures will be removed in the post-crisis period as these were emergency measures.
- We clearly see an intensification of antitrust authorities towards MSMEs and hope that this trend will not subside. In addition, it is important that clear guidance and instructions come from the authorities during the post-crisis economic recovery.

Ms. Hana Daoudi, UNECE: Presentation by UNECE on how the crisis has impacted MSMEs in relation to market access and trade and ensuing consequences across the region

- Shared the results of a report in which UNECE investigated the situation of MSMEs which looked at how non-tariff measures and trade facilitation measures have been able to support SMEs during the crisis.
- Many governments have imposed security-related restrictions because of the pandemic. On the other hand, many countries have reduced customs requirements to deal with the resulting shortage of goods. Many governments have also simplified trade measures. Georgia, for example, went completely digital, made all orders and recommendations publicly available on the internet, and stepped-up protocols for regulating traffic flows.

- Some countries have been unable to avoid congestion at the borders; in some countries, the lack of developed transport infrastructure and very tight security measures at the borders has hampered the smooth functioning of the economy.
- These problems have led to shortages of goods and ruined businesses. A number of countries have been unable to maintain current levels of exports and demand has fallen, forcing many MSME owners in these countries to use personal funds or take out loans.
- There are numerous key coping strategies that require targeted policy measures and not one size fits all solution

## Round of Questions ( see in annex)

*Discussion based on questions 1 and 2*

Mr. Revaz Topuria, Co-Founder, Centre for Economic Prosperity (Georgia)

- MSMEs impacted by shortages and disruptions but are compliant with regulatory frameworks. Georgia places itself well in promoting a healthy business environment.
- Georgia is leading in all international indexes in terms of conditions for MSMEs.
- Despite government support, 27% of MSMEs have reduced production, 11% have ceased operations, and 10% have diversified their product line. Only 17% of SMEs have increased their e-commerce presence. Overall, the revenues of MSMEs have decreased significantly.
- Companies have faced shortages of raw materials and necessary equipment, and some companies can no longer afford transportation costs. Many have had to switch from maritime transport to road transport, which has led to delays in deliveries.
- In this situation, financial support and competition policy measures are needed first and foremost, followed by the development of transport infrastructure and again by support from competition policy.

Mr. Zerik Zhumangarin, Kazakhstan Competition Authority

- MSMEs need structural support from competition policies ( protection from takeovers) since the number are falling
- Small businesses are the backbone of the economy. One of the main tasks of the National Plan is the issues of denationalization in competitive industries, as well as ensuring a healthy competitive environment.
- As it turned out, in a pandemic, it is small businesses that suffer the most.
- In 2020, a number of anti-crisis measures were implemented to reduce the tax burden.
- In order to preserve the country's socio-economic stability, a Comprehensive Plan for Restoring Economic Growth was adopted (includes 164 operational measures to support economic sectors: improving regulatory policy, expanding lending, developing infrastructure, etc.).
- Access to finance has been significantly expanded under the program "Business Roadmap - 2025" for SMEs
- Now the paradigm is changing, there is a transition to effective competition, when there are not only small but also large enterprises in the economy. Economies of scale are starting to play a bigger role, and the approach to mergers and acquisitions is changing.
- To support businesses in these conditions, need long term financing, access to raw materials, in transport infrastructure. The second important aspect is dealing with barriers. In this regard, we want to change the paradigm by letting the antimonopoly authority should become the country's business support body. We need to move from quantitative measures to support business to qualitative structural changes.
- Need to motivate MSMEs and create preconditions to enable them to operate transparently and efficiently, notably through simplification legislative requirements and promotion healthy business environment like in Georgia

- Covid tests – promoted and done by MSMEs in Kazakhstan with the help of competition authority

Mr. Farrukh Karabaev, Uzbekistan Competition Authority

- 20 presidential decrees to support MSMEs, with about \$6 billion in support and support measures such as deferred payments, tax cuts, loan deferrals, cancellation of penalties, reduced interest on loans, reimbursement of transportation costs and so on.
- Special support has been given to the hospitality industry.
- Made it easier for MSMEs to access the public procurement system. We introduced a set of measures to counteract price increases and monitored prices on an ongoing basis.
- We also implemented non-tariff regulation measures during the pandemic.

Mr. Andrey Tsyganov, Russian Competition Authority (FAS)

- COVID19 unfavourable for MSMEs but also opportunities: In specific sectors benefit from activity and no deterioration in these sectors. Identified priority industries which have suffered most
- Carried out advocacy work with other agencies
- MSMEs cannot survive through long period of difficult economic crisis so it is crucial to take timely and targeted measures to support directly and indirectly MSMEs
- The support system for small enterprises in Russia was established in the early 1990s. Even before the pandemic, a national project for the development of small and medium-sized enterprises had been approved.
- SMEs cannot tolerate a difficult economic situation for long.
- We have established a moratorium on inspections of MSMEs, measures to delay and postpone fines, and measures which deal with the recognition of COVID-19 as a force majeure factor in supplies for state needs. The total amount spent on support is around three trillion roubles.
- The support measures are provided remotely and they are almost automatic.
- In addition, the development of exchanges, the development of transport infrastructure, and the administrative guillotine - the abolition of acts of state agencies that inhibit development - continue.

Ms. Nozigul Khushvakhtova, Expert, ExCentral Asia Partnership on Trade Transport and Logistics

- Issue lack of sustainability of MSMEs ( cannot support themselves financially more than 6 months)
- The lack of adequate trade facilitation tools (IT) coupled with lack of digitalization hinder MSMEs' competitiveness
- One of the main problems is that enterprises did not receive information from the state authorities, but from unofficial sources, they had to find alternative channels of information.

- Another problem was the excessive administrative burden ( electronic document certification not recognised harmoniously across countries). Some bodies, such as customs, were requesting documents that were not related to security.
- It was also difficult to obtain some documents. For example, in Central Asian countries paperwork is paper-based, including at borders, and this did not work well in a pandemic.
- It can be concluded that in a pandemic, electronic document management (especially for drivers), in particular the electronic recognition of certificates, is essential.
- For perishable goods and agricultural products, the creation of green corridors is necessary.
- These issues should be raised not only at regional dialogue but also at the international level (UNCTAD UNECE)

Mr. Bojan Stanić, Deputy Director, Chamber of Commerce and Industry of Serbia

- In the crisis, the main problem we faced was the disruption of supply chains and the increase in prices for transport services ( MSMEs cooperated to share these costs)
- Serbia has developed responses, such as exporting to countries with less regulation. Nevertheless, 70% of companies were forced to suspend deliveries in 2020.
- Some 40% of companies have reported a decline in production, and business indebtedness is increasing significantly. Rise of debt and insolvency.
- During the pandemic, 41% of business owners used their own funds to save their businesses, many were forced to resort to government support measures.
- Lack infrastructure created a problem for perishable goods. Supply chains of large companies have better access to infrastructure than MSMEs.
- MSME sector need to find solutions for better access to finance to preserve insolvency and liquidity guarantee scheme with banks
- Need more regional cooperation
- Future activities of Serbia Chamber of Commerce: Increase analytical capacity with new indicators to measure serbian economy like PMI index with international organisations

Ms. Aisuluu Mambetkaziyeva, SME and Trade Expert, Kirghiz Republic

- Kyrgyzstan is a lower-middle-income economy. The country's economic potential has remained largely untapped despite opportunities. The largest contributor to Kyrgyzstan's GDP is the services sector, accounting for more than 45% of its share, followed by manufacturing and agriculture. The economy relies heavily on worker remittances and a single gold mine, Kumtor, making it particularly vulnerable to external shocks.
- As for MSMEs, their role in the Kyrgyz economy cannot be overstated (45% GDP). Not only do MSMEs comprise a substantial share of economic activity, they are also an important source of growth, innovation and employment, especially of women and youth. MSMEs are most represented in the agriculture and services sectors, such as wholesale, retail trade and hospitality.
- Even before the onset of the COVID-19 pandemic Kyrgyz MSMEs have remained on the side-lines of trade policy, including the policy-making process and government support

measures and were struggling to integrate into the global economy, including regional or global value chains.

- Obstacles faced by Kyrgyz MSMEs: lack of access to finance; asymmetrical access to information; non-tariff barriers (NTBs), fragmented production which results in the inability of producers and exporters to compete on international markets in terms of volume and price (agriculture sector); disruption of production because producers depend on fabrics from China, Turkey and Italy (textile and apparel sectors)
- two potential areas present opportunities to pave the way to MSMEs' recovery: sustainability and digitalization. Firms have embarked on green transition to be more resilient to external shocks
- digitalization and e-commerce, in particular, has the potential to enhance MSMEs' participation in global trade by connecting them to their customers at much lower costs, be it through online platforms, such as eBay, Amazon or Alibaba, stand-alone websites or social networks.
- Digitalization has also proved to be a powerful ally in both the fight against the pandemic and managing its consequences.
- However, in reality, Kyrgyz MSMEs are not yet ready to fully harness opportunities offered by e-commerce. Although at the same time, the COVID-19 crisis has accelerated the need to adopt digital solutions to sustain and further facilitate trade, starting with the creation of an environment that is conducive to e-commerce development.

Mr. Gevorg Poghosyan, Head, Business Support Office-Armenia

- There were two major challenges in 2020 - the coronavirus pandemic and the conflict in Nagorno-Karabakh. This led to a reduction in the number of international partners and delays in raw material deliveries.
- Because Armenia has no access to the sea, logistics are very difficult. This is why the number one issue for Armenia is logistics, the development of railways and freight transportation.
- Armenia is currently not fully digital in its customer service (declaring exports and imports for SMEs on a paper basis). Work is underway to make it electronic for exports and imports.
- Lack of dialogue between competition authority and MSMEs
- Access to procurement is an issue

Ms. Tatjana Sterjova Dushkovska, Coordinator, Western Balkans 6 Chamber Investment Forum

- Large prevalence of MSMEs but facing obstacles to digital transformation: lack of managerial skills to adapt. Every effort must be made to facilitate the digitalisation of MSMEs. Less than a third of SMEs were able to increase their use of digital technology during the pandemic.
- MSMEs are key to economic recovery, job creation and innovation.
- MSMEs suffered a revenue loss of around 70% in 2020, with trucks spending 26 million hours waiting for customs procedures at borders. Expansion of green corridor successful.



Need more linking Western Balkan region to EU countries and focus on elimination procedural burden and shift to paperless.

- Need to push MSMEs in global value chain to be not only mere user of technology but also enable transfer of technology in the region to be brought in position to future developments of digital technology and securing proper level of protection

Mr. Veaceslav Sterbet, Director, Private Sector Trade Support Institution "Exportza", Moldova

- Even before the coronavirus pandemic, Moldova's economy was slowing down, the budget deficit was growing, and competition in the market was extremely low (86th place out of 141 countries).
- The level of economic freedom was also low and the level of corruption was extremely high. Companies were not prepared for a pandemic. Government intervention was very weak, at around 0.5% of GDP.
- The business models used by Moldovan companies need to change and digitalisation of the economy is needed.
- Obstacles: High level corruption, lack of cash safety net, poor govern management of the crisis and low level capacity, to manage digital tools to supply
- Only 32% businesses see e commerce as important mechanisms so ecommerce is not widely implemented due to lack ICT skills, companies afraid and low confidence
- Need for digitalisation in public sector and in interacting with private sector

### *Interventions based on question 3*

#### Mr. Andrey Tsyganov, Russian Competition Authority (FAS)

- Cooperation between competition authorities and economic and trade regulators is of course very important.
- The task of both anti-monopoly and SME regulators is to create and maintain a competitive environment and to reduce administrative barriers to business. In particular, FAS can repeal or amend decisions of public authorities that restrict competition on the market, and this directly concerns SMEs.
- The general principles - transparency, public accessibility and clarity of rules - are important.
- The Russian government is not left out: for example, at the recent Economic Development Minister's conference on SME support, one of the projects is subsidised lending for SMEs. SMEs can apply electronically and get a loan at a reduced rate of 3% per annum (while the CBR's lending rate is higher at 4.5%).
- Another SME support programme is enterprise employment support, where enterprises, including SMEs, are granted a loan at 2% per annum (and if enterprises have maintained full employment at the end of the day, a full loan write-off is possible).
- 40 banks are involved in this programme, and banks compete with each other by offering the most favourable conditions to programme participants - i.e. competition is developing in financial markets too, not only in economic markets

#### Mr. Gevorg Poghosyan, Head, Business Support Office-Armenia

- Communication between large companies and SMEs in Armenia is unfortunately not at a good level.
- In the pandemic, cooperation between large chains and SMEs stopped altogether.
- We have developed a new vision for cooperation and will soon submit our recommendations to the Government for discussion on how large retail chains should cooperate with small producers.

#### Mr. Zerik Zhumangarin, Kazakhstan Competition Authority

- What is needed is not just interaction between public authorities, but between countries. Pandemics are easier to survive where there are common economic boundaries.
- Regulation is important, but it also has its limits. So the main thing is access to finance. The main problem is access to working capital. Issue regulatory environment. Access to finance and to working capital especially for manufacturing and industries
- As speakers from different countries said today, there are still many problems, for example, poor logistics, poor level of digitalisation logistics is lame. Therefore, the main focus should be on clearing markets of access barriers.

#### Mr. Bojan Stanić, Deputy Director, Chamber of Commerce and Industry of Serbia

- The key formula for sustainable growth is less protectionist measures and more cooperation.
- We need cooperation and additional support from international organisations for better integration in global trade (GVCs).

Ms. Tatjana Sterjova Dushkovska, Coordinator, Western Balkans 6 Chamber Investment Forum

- We need cooperation and the removal of barriers to the free movement of goods, services and capital.
- Currently limiting trust but need more integration and cooperation

Ms. Nozigul Khushvakhtova, Expert, ExCentral Asia Partnership on Trade Transport and Logistics

- Despite the differences between the SPECA countries, the pandemic show a different perspective on trade facilitation, especially with regard to cross-border procedures. Regional dialogue should keep the establish a common approach for coordinating health screening at BCPs and facilitating mutual recognition of COVID-19 test results.
- And another topic is a creating a green corridor for facilitating the movement of perishable goods during the pandemic.

Mr. Farrukh Karabaev, Uzbekistan Competition Authority

- We have a growing economy, but we have been hit by a pandemic.
- The regulatory environment is important, just as regional integration is important. That is why we are now negotiating accession to the WTO.
- Create cooperation between small MSMEs and big companies state owned companies – temporary measures but positive effects in small period

## **Closing remarks**

### Mr. Alexey Ivanov, Director, BRICS Competition Policy Center

- Positive to find engagement and 100+ audience on this topic for 3hrs
- Competition authorities have been thinking about new methods to support MSMES
- Inspiring to hear from Kazak : An important point was made by Serik Zhumangarin from Kazakhstan that the anti-monopoly authorities focus on proactive development of competition and not only on retrospective protection of competition.
- Joint cooperation is key
- Our conference brought together speakers from countries ranging from the Eastern Balkans to the Pacific Ocean - we need to work together as integration helps to overcome difficult times. We need mutual support for competition dynamics.
- Welcomes feedback on the background document circulated.

### Mr. Mika Vepsäläinen, Chief Market Access, UNECE

- Thanked colleagues at UNCTAD
- Noted that governments need to create synergies to improve market access conditions for MSMES
- Trade and competition policy offer good tools to address challenges
- Non-tariff measures can be used as an alternative to support SMEs
- NTMs can be used for addressing problems arising in the interface between competition and trade.
- Trade facilitation measures related to border control and market surveillance offer alternative tools to safeguards and anti-dumping measures.
- Technical regulations ensure consumer- and competition-oriented trade policies. Promoting standards implementation offer means of enhancing competition.
- As the governments proceed in planning post COVID-19 recovery, they need to attach greater importance for generating such synergies.

### Ms. Teresa Moreira, Head of Competition and Consumer Policies Branch, UNCTAD

- Thanked UNECE, BRICS Centre and to all the speakers and participants.
- As Alexei Ivanov said - today's conference is a beginning, not an end. It is a forum that has laid the groundwork for further discussion.
- Agreed with Mika that synergy is important for economic recovery. We need a plan to strengthen cooperation.
- Synergies are key issues to allow for inclusive, green and competitive economic recovery where MSMEs are allowed enough opportunities to flourish
- Therefore, UNCTAD aims to organise forthcoming events with the joint participation of competition authorities and SME agencies.

- Reminded participants that UNCTAD would like to hear from participants about how UNCTAD can best plan activities to further assist MSMEs in their recovery in conjunction with competition authorities in their respective jurisdictions
- Reminded of IGE to be held in July which will focus on topics related to competition advocacy, challenges in the digital era and on combating cross-border cartels

## **ANNEX I: List of Guiding Questions**

**Question 1:** How did non-tariff measures (NTMs) implemented by governments to curb the spread of COVID19 affect MSMEs' trade and supply chain activities? What can be done to increase the contribution of NTMs to improving MSMEs' market access and recovery? What role for competition policy?

**Question 2:** How has COVID19 impacted digital trade? What measures have been put in place to prevent large platforms from taking advantage of the current situation to further expand market shares? Are MSMEs prepared to combat this type of practice?

**Question 3:** What strategies could MSMEs in conjunction with competition authorities put in place to ensure a level playing field post crisis? Have regional/bilateral/international cooperation been successful among competition authorities and between competition authorities and relevant governmental bodies/ministries (i.e. MSMEs) during the crisis?

**Question 4:** What lessons can be drawn from competition authorities and MSME support agencies in dealing with the crisis? How will competition authorities and MSME support agencies adapt their strategies to take into account emerging challenges including the imperative in achieving the SDG agenda?