



Analysis of policies to support SMEs in confronting the **COVID-19** pandemic in Latin America

Marco Dini

Andrea Heredia Zurita



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Analysis of policies to support SMEs in confronting the COVID-19 pandemic in Latin America

Marco Dini
Andrea Heredia Zurita



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Introduction

This document has been prepared as part of the international project “Global Initiative towards post-Covid-19 resurgence of the MSME sector”, coordinated by the United Nations Conference on Trade and Development (UNCTAD). The activity led by the Economic Commission for Latin America and the Caribbean (ECLAC), in the second phase of the project, has made an analysis of policies to support micro, small and medium-sized enterprises (MSMEs) and to defend competition in Latin America.

The aim of this research is to understand how these two strands of public action for production development have reacted to the health crisis caused by the coronavirus disease (COVID-19) pandemic, and how they are preparing to support the post-pandemic economic recovery.

The ultimate purpose of this work has been validated with the regional MSME and antitrust authorities at the first regional dialogue, held in August 2020. In short, it is expected to identify good practices, facilitate mutual learning and create conditions for a constructive and permanent dialogue between these authorities.

The following pages set out the main results of the research on MSME support policies, revealing the similarities and specific features of the different national experiences analysed, and highlighting relevant methodological lessons learned for developing the support system for this business segment.

The document is structured in two parts: the first provides an panoramic view of the national experiences (General analysis) and synthesizes the main lessons learned (Changes and lessons learned in MSME support policies in Latin America), which may be useful for rethinking MSME policies; the second part presents the technical data sheets of the nine countries analysed.

Part I

I. General analysis

The analysis began with the mapping by ECLAC of policies, regulations and programmes implemented between March and July 2020.¹ This register was updated and refined, selecting measures adopted by the nine countries chosen for analysis (Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama and Uruguay). Then, between October and November 2020, interviews were held with the authorities responsible for MSME support policies in each of those countries, to learn of their experiences in implementing such measures amid the COVID-19 pandemic. As a result, a set of 180 measures were selected for analysis, classified into four areas according to their general objectives:

Table 1
Number of MSME support measures by objective

Area	General objectives	Measures
Liquidity	Maintaining short-term liquidity: these measures include the postponement of payments in respect of utilities, taxes, employer social security contributions and loan obligations.	47
Employment	Labour market protection: these measures include payment by the State of a portion of wages and employer contributions, together with rules restricting layoffs, and flexibility in contractual terms (such as a reduction of working hours or suspension of contracts).	38
Production support	Fostering the production of goods and services: these measures focus on support for entrepreneurship and innovation in terms of solutions to address the pandemic, together with actions to promote the revival of activities (biosecurity protocols, online sale platforms, among others). Simplification of procedures also included.	39
Financing	Facilitating access to credit: the measures in this group include both new programmes and existing ones that have undergone significant adjustments in terms of loan amounts, access requirements, extension of payment terms, among other aspects. Special credit lines and guarantee funds also included.	56

Source: Prepared by the authors, on the basis of official information on measures up to December 2020.

¹ As of May 2020, COVID-19 Special Report, No. 4, Sectors and businesses facing COVID-19: emergency and reactivation, published by ECLAC, recorded a total of 351 measures, of which 57.5% correspond to the nine countries interviewed in this study.

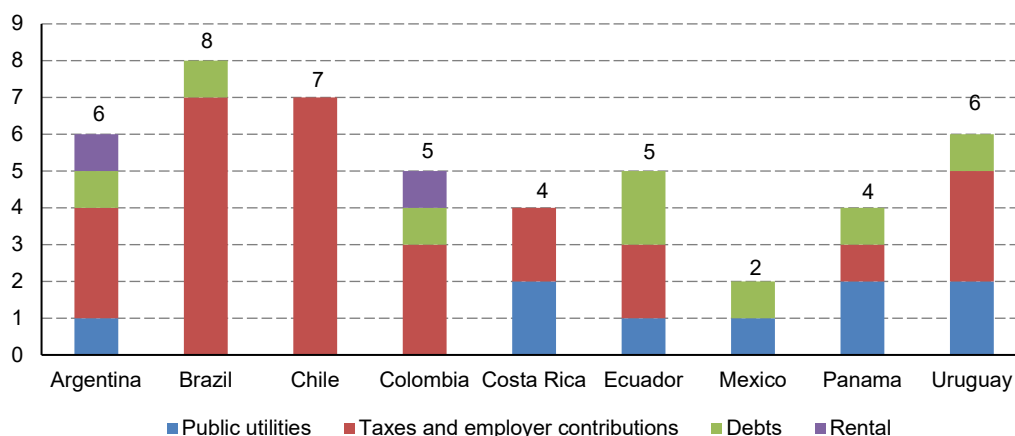
A. Liquidity

The set of liquidity measures mainly involves the postponement of payments in respect of utilities, tax liabilities, employer social security contributions and loan obligations with public and private banks. The liquidity measures were introduced (mostly in March 2020) as a short-term response to alleviate the economic hardship that MSMEs were enduring as a result of the health emergency. Owing to the evolution of the pandemic, however, most of them were extended until December 2020, and in some cases until the first quarter of 2021, as ECLAC had suggested in its *COVID-19 Special Report, No. 4* (ECLAC 2020).

The nine countries analysed have implemented a total of 47 liquidity support measures, many of which are related especially to tax and employer obligations. Most of the countries deferred payments on income tax and sales tax, in particular. In this area, Argentina's moratorium plan promotes the regularization of small and medium-sized enterprise (SME) debts, including the remission of fines and penalties for overdue obligations; Brazil established special conditions for processing MSME tax debts; and Chile refunded the VAT tax credit accumulated between January and May 2020 for SMEs that have recorded a 30% drop in sales.

In the case of employer contributions, Argentina and Costa Rica granted temporary reductions; Ecuador provided payment facilities; and Colombia and Uruguay gave exemptions for sectors related to accommodation services, tourism and events. In addition to this, countries such as Argentina and Colombia introduced a rent freeze and suspended evictions to alleviate rental costs on both housing and commercial properties.

Figure 1
Number of liquidity support measures

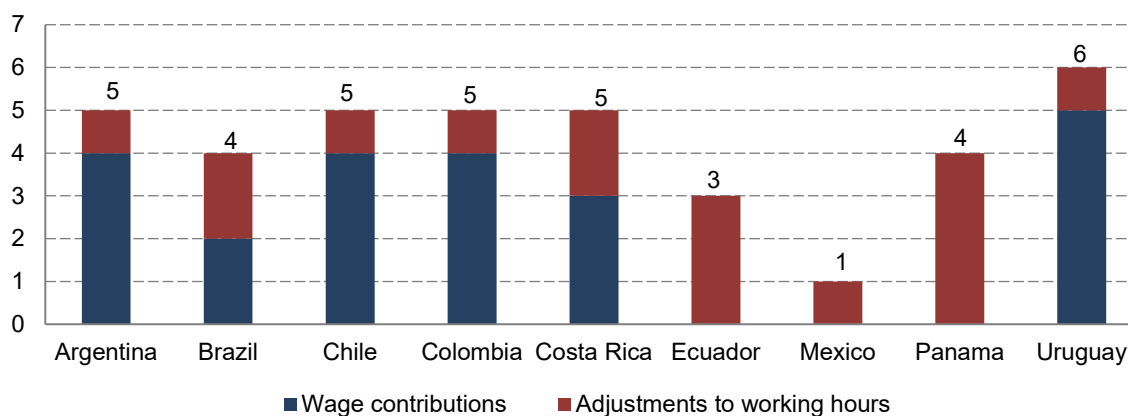


Source: Prepared by the authors.

B. Employment

The mechanisms introduced to protect employment during the emergency aim to mitigate the effects of the drastic reduction in economic activity. In general, the measures adopted have focused on allowing for reduced working hours and temporary suspension of contracts, as well as the payment of economic contributions by the State. Of the 38 measures recorded by the nine countries interviewed, over half involve subsidies, which have been paid both directly to employees and as contributions to firms to enable them to safeguard jobs.

Figure 2
Number of support measures for employment protection



Source: Prepared by the authors.

Direct support to the most vulnerable sectors

Direct support has been provided in particular to the most vulnerable sectors, including informal workers, individual microentrepreneurs and small-scale taxpayers. The measures include emergency aid in Brazil, the Emergency Family Income in Argentina, the Proteger voucher in Costa Rica and a subsidy for taxpayers affiliated to the monotributo simplified tax regime in Uruguay. In addition, subsistence funds have also been allocated to workers in specific sectors, such as tourist guides in Colombia and artists and cultural-event technicians in Uruguay.

Payroll subsidies

In most of the countries analysed, the payroll subsidies provided to firms have been accompanied by amendments to hiring rules. In Brazil and Chile, the amount of the subsidy is calculated in proportion to the reduction or suspension of working hours and is charged against unemployment insurance benefits. In other cases, the contributions are linked to the drop in income or sales of affected firms that request support, such as the complementary wage in Argentina and the contribution of 40% of the minimum wage in Colombia.

Incentives for reviving employment

Chile and Uruguay have also introduced subsidies to encourage firms to reinstate workers and take on new staff. In Chile, firms that have suffered a 20% drop in sales or in cumulative gross income between April and June 2020 can apply for a subsidy of US\$ 225 for each worker reinstated, for a six-month period. New hires are covered by several subsidy categories, depending on the beneficiaries and their pay level. Support for new hirings prioritizes women, persons with disabilities and youth. In the case of Uruguay, firms may receive a subsidy of US\$ 118 for every worker reinstated, for a period of three months, provided the workers in question are beneficiaries of unemployment insurance. In the case of new hires, the condition is that the firm does not have workers registered with unemployment insurance.

Flexibility of employment conditions

In most countries, the adjustment of hiring rules has involved agreements between the parties allowing for specific mechanisms such as wage agreements (Colombia), advance leave (Uruguay) and new hiring modalities (Ecuador). In Brazil and Chile, the reduction in working hours and the temporary suspension of employment contracts have been accompanied by proportional emergency benefits; and, in Brazil, also

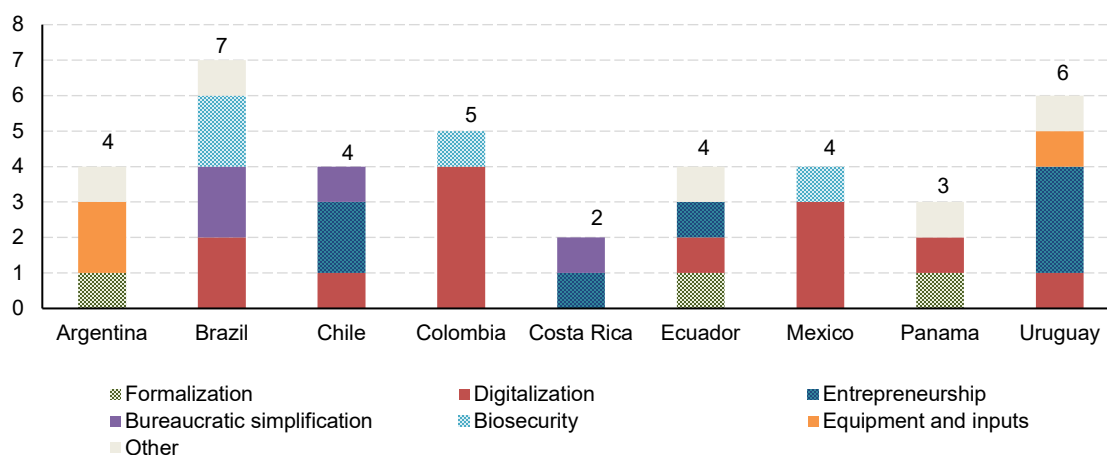
by an employment guarantee that lasts for the exceptional period agreed-upon. In Argentina, a ban on layoffs and suspensions was introduced, initially for 60 days but ultimately extended to the end of 2020.

C. Production support

The measures included in the production support category refer mainly to steps taken to maintain the operational capacity of MSMEs amid the pandemic. This topic was analysed in detail during the interviews, to gain an understanding of the countries' experience in adopting economic- reactivation instruments, and to identify initiatives that aim to modify MSME support systems permanently after the emergency.

The 39 measures in this category included the following: public-private collaboration to design sector-level biosecurity protocols; the promotion of formalization to be able to access the support measures; incentives for the production of equipment, inputs and solutions to address the health crisis, fostering business innovation and the development of entrepreneurship; and increased use of digital platforms, both to support the activation of MSME marketing channels, and for the virtual deployment of support services, especially those that promote digital skills and disseminate knowledge on the opportunities of digital transformation in business.

Figure 3
Number of production support measures highlighted



Source: Prepared by the authors.

Sector level biosecurity protocols: a public-private endeavour

Biosecurity protocols that take account of the specific reality prevailing in each sector have generally been adopted by all countries to enable them to gradually resume activities. In this domain, the public and private sectors have collaborated closely, particularly in Colombia and Brazil. In Colombia, for example, the business associations made a fundamental contribution to generating appropriate protocols in each sector; and this was supported by the Foreign Trade Bank of Colombia (Bancóldex) which launched special credit lines to support business efforts in implementing the protocols. In Brazil, collaboration between the Ministry of Economy, the Ministry of Health and various business associations made it possible to design protocols for some 50 sectors, according to their individual needs and capacities. Information material for more than 30 types of small businesses was made available free of charge through the portal of the Brazilian Micro and Small Business Support Service (SEBRAE).

Promoting formalization to gain access to support measures

The need to address informality was cited as one of the greatest challenges posed by the pandemic by all of the countries interviewed. Argentina, Costa Rica, Ecuador and Panama all saw MSME registration systems as a way of stimulating access to support measures to address the crisis. In Argentina, for example, the MSME Register makes it possible to apply for permanent tax benefits; and, in the context of the pandemic, it also served as a gateway to preferential credit lines and assistance programmes. As of July 2020, the register contained around 1.4 million firms with a current MSME certificate, compared to the 530,000 registered in the whole of 2019. In Panama, the Business Register affords access to financial and non-financial programmes offered by the Micro, Small and Medium Enterprise Authority (AMPYME). Participation in the business management courses run by AMPYME became one of the main requirements for accessing the financial resources deployed specifically to address the effects of COVID-19. Between March and October 2020, a total of 4,444 firms were registered on the online platform—an unprecedented number in the history of Panama’s Business Register.

Virtual deployment of technical assistance services

The health crisis has undoubtedly accelerated digitalization processes. Most of the region’s countries have programmes aimed at promoting various facets of digital transformation—digital skills and competencies, digital economy, e-government, teleworking, tele-education, and so forth. Public actions to promote the adoption of digital technologies in firms have mainly targeted training and raising awareness of the benefits and opportunities involved in digitally transforming business models. Today there is much greater awareness of the usefulness of digital tools than there was before the crisis, owing to the impact that quarantining has had on economic activities. In most countries, therefore, the focus of development policies is shifting towards how these technologies can be adopted in greater depth and how to support firms in the consequent adjustment of their business models.

The countries interviewed emphasized that significant progress has been made in the digitization of support measures, starting with technical assistance and training services, which have migrated totally to the virtual domain. In the case of Brazil, SEBRAE made changes to its business assistance model (*acompanhamento empresarial assistido*), reformulating instruments and creating new ways of responding to business needs through mentoring services. The *Up Digital* programme, for example, promotes the practical use of digital technologies in small firms, through expeditious online training sessions, where closed groups of up to 15 firms share best practices and are accompanied by specialists. Overall, the online courses taught by SEBRAE in 2020 attracted almost twice the number of participants than in 2019, and the web portal registered 50% more hits.

In Chile, the *Digitaliza tu Pyme* (Digitalize your SME) platform—which deploys a number of tools to boost digitalization based on different stages (understand, learn and adopt)—took on 212,699 firms in the different digital transformation programmes in 2020, compared to the 20,000 registered in 2019. The target proposed for the platform is to reach 250,000 MSMEs in 2021. In Colombia, greater acceptance of the use of digital technologies is reflected in the momentum seen in training programmes, which, by November 2020, had created digital transformation plans for a total of 11,400 firms, thereby surpassing the initial target of 10,000. *Uso de plataformas digitales para apoyar la comercialización interna*

Use of digital platforms to support internal marketing

Most countries reported the use of digital platforms to promote local commerce, provide market information and connect small businesses with consumers and strategic partners during the emergency. Programmes such as Brazil’s *Compre do Pequeno* (Buy from small business), Colombia’s *Yo me quedo en mi negocio* (I’m staying in my business), Ecuador’s *Juntos Ecuador* (Together Ecuador) and Mexico’s *Mercado Solidario* (Solidarity market) are all examples of this type of measure. The use of these

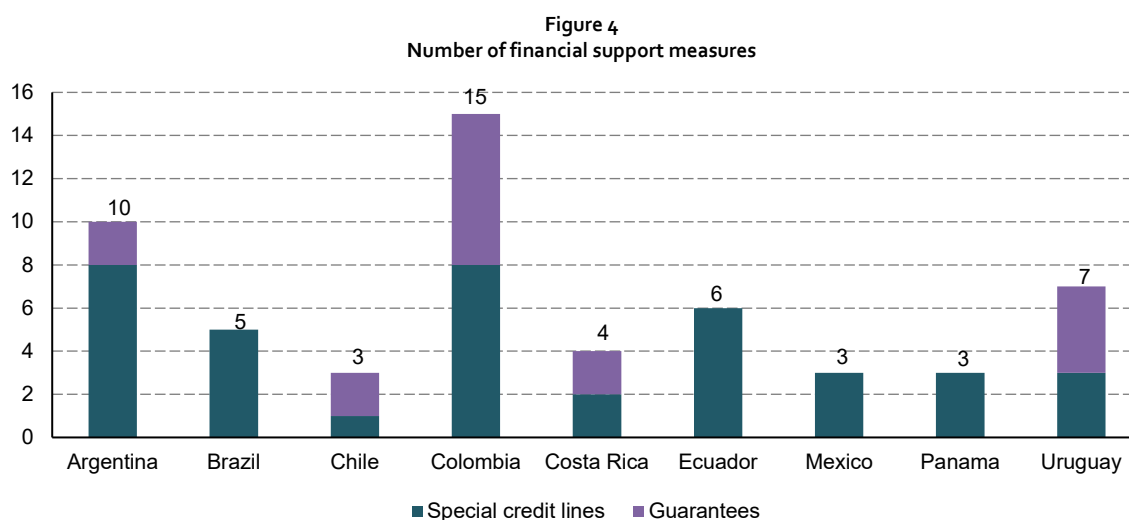
platforms helped MSMEs enter the market during the pandemic —promoting an online presence, the creation of product and service portfolios and common spaces for interaction with customers and as suppliers for other firms. These platforms also promoted access to training on e-commerce issues, such as payment buttons, logistics services, etc.

Supporting the development of pandemic-critical products and solutions

Among the countries interviewed, Argentina and Uruguay both introduced measures to support the production of pandemic-related goods, services and other solutions. In the case of Argentina, the National Production System Support Programme was created to assist SMEs, industries, entrepreneurs and public institutions in developing projects to produce medical supplies and hospital equipment. Under this programme, 139 projects were approved and received grants from the National Productive Development Fund (FONDEP) and the Inter-American Development Bank (IDB). In Uruguay, the National Development Agency (ANDE) tackled this task through instruments that were already in place. Two calls for proposals were launched to promote the development of projects to respond to the pandemic through seed capital; and another one was launched for sectoral reactivation in the framework of the sectoral public goods for competitiveness programme. This programme makes grants covering up to 80% of the total cost of projects that generate solutions to improve the environment of a production sector, which must be available to all agents of the beneficiary sector. In the emergency, six out of 21 projects submitted under this modality were approved.

1. Financing

Facilitating access to financing to enable MSMEs to cope with the pandemic was one of the key emergency response measures in most countries. The nine countries interviewed reported a total of 56 financing measures, including special credit lines and public-guarantee coverage. Two key features can be generally highlighted in the implementation of these instruments: flexibility of access requirements, to be able to adjust the instruments to needs that vary as the pandemic evolves; and the formulation of differentiated strategies, aligned with the local reality to expand beneficiary coverage.



Source: Prepared by the authors.

Strengthening of guarantee funds

In several countries, the deployment of special credit lines was accompanied by a major injection of resources to broaden the coverage of public guarantees. In Argentina, for example, the Specific Allocation Fund (FAE) was set up within the Argentine Guarantee Fund (FOGAR), to guarantee working-capital loans for MSMEs affected by the pandemic. The guarantees provided up to 100% coverage and involve an investment of approximately US\$ 358 million. Globally, FAE-FOGAR mobilized over US\$ 1 billion in 2020; and FONDEP, which facilitates access to financing for production projects through interest- rate subsidies and direct loans to SMEs, estimated that it would reach a total of US\$ 5.313 billion. In Chile, the government invested US\$ 3 billion to strengthen the Small Businesses Credit Guarantee Fund (FOGAPE).

In terms of increasing coverage rates, in Costa Rica, the National Guarantees Fund of the National Fund for Development Projects (FONADE) granted portfolio guarantees on MSME credit operations with 50% coverage. In addition, the development bank system allowed the issuance of individual guarantees for the first time, providing up to 90% coverage for new credit operations.

Other countries created guarantee lines with differentiated conditions for specific segments, including lines to support large firms affected by the pandemic. In Chile, FOGAPE created guarantees of up to 85% for MSME loans and allowed coverage of up to 60% for large firms. In Colombia, the Special Guarantee Programme of the National Guarantee Fund (FNG) launched loan guarantees of up to 90% for MSMEs and up to 80% in the case of large firms. In Uruguay, the National Guarantee System (SIGa), promoted the *SIGa Emergencia* guarantee line to enable MSMEs to access coverage for 80% of the principal in new loans and up to 70% of outstanding balances in debt restructuring operations; and the *SIGa Plus* line enabled large firms to access 50% coverage in new loans, for either working capital or investment.

Financial inclusion with a territorial approach

Countries such as Argentina and Colombia highlighted the adoption of a territorial approach to promote the coverage of credit instruments. In Argentina, 70% of the loans granted in 2020 were concentrated in four provinces, which made it necessary to define a strategy that took into account local characteristics of the different territories. Credit lines were activated through an IDB loan, for working capital and for investment by province. Both lines also have a specific quota of 20% for MSMEs led by women. Colombia generated nine credit lines with territorial considerations, creating partnerships with governors' and mayors' offices to pool resources and make sure requirements are adjusted to local conditions and needs.

Direct allocations

To make criteria for implementing credit instruments to confront the pandemic more flexible and expeditious, several countries have opted for direct allocation mechanisms. In Uruguay, ANDE granted interest-free soft loans to single- payers directly without carrying out any credit analysis, during the period April–July 2020. A similar step was taken by Bancóldex in Colombia. Although coverage has been relatively modest, this direct action has made it possible to extend the coverage of financial services to areas not served by commercial banks. Mexico, on the other hand, highlighted the *Crédito a la palabra* (Credit on your word) programme, which supports family microenterprises and firms that maintained sources of employment in the first quarter of 2020. Funds are delivered through banks participating in the programme, with the beneficiaries committing to repayment within three years.

II. Changes and lessons learned in MSME support policies in Latin America

As discussed in the previous section, the COVID-19 outbreak has elicited major changes in policies to support Latin America's MSMEs, while also raising new questions and challenges for the future. The pressure on public institutions to deal with the pandemic has clearly exposed the fragilities of the MSME support system; but it has also stimulated new responses which, if capitalized on, could prove useful for overcoming historical inadequacies in development policies and give life to new programmes or more efficient operating modalities.

The purpose of this section is precisely to identify these critical aspects and, based on the strategies adopted in the emergency, to extract and share the practical lessons learned by its protagonists (especially the authorities responsible for MSME support policies) to improve the design of policies to support smaller enterprises in Latin America.

A. Tight budgetary constraints predominate

A first point to consider is resource availability. A recently conducted study on the MSME support policies being implemented by seven Latin American governments found that the funding channelled by development entities to smaller firms was not negligible (Dini and Rueda, 2020). This conclusion, however, was valid considering the four macrocomponents of the policies (credit, public procurement, tax deductions and subsidies) as a whole. Nonetheless, the most direct means of financing technological, commercial and organizational improvements in firms and training for their staff, namely subsidies, seldom attained significant amounts.

During the pandemic, the support policies adopted were concentrated on credit, tax facilities and subsidies. The interviewees hardly mentioned government procurement.

Although it has not been possible to quantify the resources involved in these three areas, the predominant efforts have clearly focused, firstly, on providing credit under better access conditions, lower interest rates, longer grace periods and/or better coverage of the guarantee system; and, secondly, on safeguarding enterprise liquidity through measures that reduce or postpone their tax burden,² their expenses³ or their financial commitments.⁴ In contrast, initiatives to stimulate the adoption of new technologies or modalities for organizing production have generally received very limited funding. In four of the nine countries analysed (Brazil, Chile, Colombia and Ecuador), the authorities responsible for MSME support policies have had to operate with a meagre budget that did not meet the needs generated by the pandemic. In another four (Costa Rica, Mexico, Panama and Uruguay), funding has shrunk as a result of budget cuts. The only exception in this scenario has been the MSME Secretariat of the Ministry of Productive Development of Argentina, which in 2020 received over US\$ 1.840 billion in funding, compared to a budget of around US\$ 70 million in 2019.

B. Towards a more selective approach

In this context, the public authorities have had to maximize the effectiveness of development policies, by reconsidering some of the guiding principles of the predominant business-support model in the region.

Specifically, the need to provide differentiated responses in each sector or territory has made it necessary to rethink the resource allocation model. Until now, this has been based on business demand and “neutral” criteria, which do not discriminate by sector or territory.⁵

The heterogeneity of the impact of the pandemic has surely helped to legitimize a selective attention that takes into account the different needs of the sectors, with special emphasis on those hardest hit. In concrete terms, it can be seen that almost all the countries analysed (especially Colombia and Uruguay) have adopted measures in favour of sectors such as tourism, cultural activities, and transportation, among others.

The territorial dimension has been built into MSME support policies even more explicitly. This is reflected in agreements between central and local institutions to define development instruments tailored to territorial needs;⁶ the development of ad hoc instruments for the different territories, such as the regional credit lines created in Colombia, in partnership with governors’ and mayors’ offices; the creation of coordination mechanisms between national development entities and local (especially regional) government representatives;⁷ and the mobilization of local resources to expand the coverage of support policies. On this last point, at least four countries⁸ have received significant contributions from local governments. In Colombia, this has made it possible to serve numerous intermediate cities,

² This measures in question include the following: extension of income tax payment deadlines (Brazil, Chile, Costa Rica, Ecuador); postponement or reduction of employer contributions to the social security system (Argentina, Brazil, Chile, Costa Rica, Uruguay); extension of VAT payment deadlines (Chile, Colombia, Costa Rica, Uruguay); tax amnesty or deferment (Argentina, Brazil and Panama) and suspension of taxes on stamps and seals (Chile).

³ Especially by making it illegal to cut off basic services to customers who are in arrears (Argentina, Costa Rica, Ecuador); exemption from payment for such services (Uruguay); rent freeze and suspension of evictions (Argentina); or definition of rules to agree on payment conditions in the rental of property for residential or commercial use (Colombia).

⁴ As in the case of the deferral of credit obligations adopted in Ecuador, Mexico and Uruguay or the possibility in Panama to modify the terms and conditions of loans already granted in the case of debtors affected by the pandemic.

⁵ In the aforementioned study (Dini and Stumpo, 2020), which analyses the targeting of 246 MSME support measures in force in 2017 found that over 50% did not select either by production sector or by territory; nearly a quarter included sectoral (but not territorial) preferences; 8% considered territorial but not sectoral selection criteria; and just 16% used both selection criteria.

⁶ Agreements of this type were reached in Argentina and Colombia. In Costa Rica, however, the National Apprenticeship Institute (INA) has also adapted its training courses to the specifics of the largest territories.

⁷ As in the case of Argentina’s National Production Council, where ministers and authorities from the 24 provincial production portfolios participated with the Minister of Productive Development.

⁸ Chile, Colombia, Mexico and Uruguay.

while in Chile regional funds have accounted for one third of the total amount invested to support MSMEs. Lastly, local governments have also contributed at the technical level, especially by adapting security protocols to the conditions prevailing in the respective territories.

C. Minimize fragmentation and maximize coverage

Another feature of the support policies, which some countries have tried to correct in order to make them more effective, is their excessive fragmentation. As has been noted in previous studies,⁹ the resources available to support smaller enterprises are often dispersed over a wide range of specific initiatives of very limited scope, which do not generate economies of scale and have less visible impacts but do generate considerable administrative costs.

In a context of scarce resources and pressing needs, it has been necessary to retarget and concentrate resources on a limited number of instruments; this process has taken place in varying degrees in Chile, Ecuador and Uruguay. For example, Chile decided to direct a large proportion of business promotion funds to the *Reactivate* programme to support MSMEs.

While these efforts are necessary, they are not sufficient. To achieve mass coverage that would produce a perceptible change in predominant MSME behaviour patterns, the number of firms served needs to be multiplied several times over. In the months of the pandemic, several programmes have actually increased their coverage significantly. As noted above, *Digitaliza tu Pyme* is a leading example of programmes that aim to facilitate the adoption of digital technologies. In terms of credit, it is worth mentioning the experience of Argentina which has achieved unprecedented results in terms increasing the use of banking services by SMEs, thanks to collaboration between the Ministry of Productive Development and local governments.

D. Increasing the flexibility and gradualness of the support system: towards an adaptive approach?

Otra Another hard-learned lesson from the health crisis is that, in a complex context such as that caused by the COVID-19 pandemic, an institutional framework that is rigid and slow in its decision-making is unable to generate timely responses. In contrast, the adjustments made during these months make it possible to reconsider the current governance model and move towards the construction of an institutional framework that is more dynamic, capable of adjusting its actions in line with changes in its environment. This is referred to herein as the adaptive approach.

MSME support measures are not immune to this problem; and the authorities have recognized that policy implementation and management modalities need to be adjusted to respond rapidly to the demands of the business sector (and not just in the emergency). This is critical for underpinning the effectiveness of the system; and the lessons learned from the pandemic could help overcome shortcomings in this regard.

In practical terms, the interviews revealed a certain willingness to be gradual and flexible, both of which are attributes of an adaptive model. For example, gradualness can be discerned in the decision to prioritize the sectors hardest hit by the pandemic and then include others progressively as the effects of the crisis spread (this was the approach of Colombian authorities); or in speeding up the implementation of programmes that required a longer time frame and became crucial for dealing with the emergency (such as seed capital in Costa Rica).

⁹ See Dini and Stumpo (2020).

Flexibility implies adjusting support measures as results are achieved. Examples of this include the review of requirements for gaining access to credit or seed capital in Chile or Panama; or the process of adapting the development programmes promoted in Argentina or Brazil, in the light of the opinions expressed by local governments and business chambers and associations.

In this context, speed of response has become a critical factor which depends mainly on two factors: diagnostic capacity and the rigidity of administrative procedures. These are analysed in the following sections.

E. Diagnostic capacity and relations with the business sector to enhance response capacity

With very few (and partial) exceptions, the MSME authorities have neither adequate information systems for local analysis (which has to capture the different territorial realities), nor reliable and timely data. The cost of traditional tools (censuses and surveys), and their implementation times, have meant that only a handful of countries in the region maintain this important research exercise over time. On the other hand, the experience of the Employment and Business Dynamics Observatory (OEDE) of Argentina and the Laboratory of Labour and Business Dynamics of the National Institute of Statistics and Censuses (INEC) of Ecuador show that administrative records can be exploited as a feasible way to generate information flows —with a periodicity appropriate to the needs of policy design (under “normal” conditions) and at a cost compatible with the constraints on public budgets. However, in an emergency scenario such as the current one, the analyses needed to adjust support measures have to be completed in even shorter time frames and in contexts of uncertainty that make decision making even more complex.

In view of this, several MSME authorities (including those of Argentina, Brazil and Colombia) have stressed the importance of establishing and/or consolidating a permanent dialogue with the private sector. This makes it possible to capture the demands of the business sector more accurately, make support actions more relevant, and enrich development initiatives with this sector’s own resources (both human and financial). Examples include the agreement signed between the Government of Argentina and the Association of Metallurgical Industrialists of the Republic of Argentina (ADIMRA), to create a digital hub and a network of experts to advise 24,000 firms in the metallurgical and metal-mechanical sector; the steps taken by the MSME authority in Ecuador to stimulate production linkages; and the creation of a dialogue forum with business chambers in Uruguay to draw up guidelines for a strategy to reactivate the country’s economy.

F. Relaxation of formalities

Another factor hindering the development of adaptive capacity in the development system is the rigid nature of the established resource-management procedures. This situation has two very different causes: the need to ensure transparent use of funds; and the demand-driven approach that guides most of the MSME-strengthening strategies adopted by countries in the region.

On the first point, there is a clear need to review the legitimacy of the rules imposed by oversight bodies (such as the Office of the Comptroller-General of the Republic or similar entities) to ensure that resources are administered transparently and with full traceability (especially those sourced from the national budget). Without denying this need, all authorities interviewed recognize that procedures can be improved; and they note that, during the pandemic, they have redoubled efforts to reduce time and eliminate unnecessary steps.

The pandemic has speeded up the introduction of digital technologies in the management of support programmes. Firms can now use digital media and the Internet for an increasing number of procedures, such as applying for available assistance, documenting the conditions of the applicant firms, submitting projects, etc. At the same time, technical assistance activities themselves, especially training courses, have been converted to digital format so that they can be delivered even in quarantine situations. Among the benefits of this process, interviewees highlighted the increased coverage of policies at very low marginal costs. However, two issues need careful consideration: first, the digitalization of support actions is relatively simpler when dealing with standard activities that involve predictable and (to some extent) repetitive dynamics. Its feasibility is much less clear in the case of complex, customized programmes that confront *ad hoc* problems. An example is the *Up Digital* programme in Brazil, which creates closed training groups, trained by specialists over 10 days, to promote the exchange of good practices among firms. Secondly, the digitalization process in development policies or programmes raises a very serious question about how to ensure coverage for segments of the target population that do not have access to the necessary digital technologies.

The other cause of administrative rigidity in the support system is the demand-driven approach, mentioned above, which many countries use to allocate resources. The attempt to sterilize any interference by public authorities in the direction the policy support system should take, results in very detailed (*ex ante*) definitions of the programmes to be promoted and the procedures to be followed. It also reduces the powers of the support agency, since the relevant decisions are based on regulatory automatisms that are ultimately administered at the central level. Signs of the emergence of an adaptive approach in the culture of support institutions, as alluded to above, may mean that possibilities are emerging to tackle this problem at root. In this connection, it is worth noting the reflection offered by the Brazilian authority on a new business support model. This is based on less structured processes and a closed dialogue between the support agency and sectorally homogeneous business units that help to identify problems and intervention proposals, and collectively supervise their deployment.

III. Conclusions

The difficult months of combating the pandemic have left a bitter human and economic legacy. The institutions that support MSMEs and promote policies to protect competition have demonstrated their capacity to react to this challenge, by making unprecedented efforts to adjust their strategies and operating modalities to the new needs. Capitalizing on this learning is important for improving the future performance of the production sector support system.

With regard to MSME policies

Each country will inevitably have its own agenda, but there are a number of common features that are worth highlighting because they could form the basis for a more intensive and sustained collaboration, based on exchange and reciprocal assistance.

In the production programmes, three areas are particularly relevant to economic reactivation:

- i) Support for incorporating digital technologies: on this front, at a time when development policies are moving from simple awareness-raising and primary literacy actions to more complex actions aimed at deepening digital adoption processes, the domains of regional collaboration among development institutions are expanding. The challenges of the new digital economy pose problems that can be addressed more effectively through concerted actions. In this regard, it is particularly important 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.
- ii) Stimulus for enterprise formalization: the need for updated business registries has proven vital during the pandemic; and the measures adopted to stimulate formalization have been boosted substantially by the pressing needs of the crises. Beyond the emergency, however, there remains a structural problem related to the very low productivity of microenterprises. Without measures to narrow the relative labour productivity gap between this segment and the more developed production units, formalization processes will be sterile and possibly impermanent.

- iii) Biosecurity protocols: considering a likely scenario involving 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 specifics of the current crisis, building competencies in this area can lay the foundations for progress towards the generation of safer and more sustainable production environments.

There are also signs of a shift in the way policies are formulated, from rigid management methods towards an approach that allows interventions to be adapted, based on a continuous reading of the evolution of the reality in which firms operate.

Key elements of this process include the empowerment and strengthening of public institutions, the deepening of ties of dialogue and collaboration with the business sector, and the consolidation of decentralization dynamics that provide space for participation by local and regional actors. In these areas, the development of contact and exchange networks among the key leaders of MSME-support policies in the region could form a dynamic knowledge and reciprocal training laboratory.

Part II

IV. MSME support policies amid COVID-19 in Argentina

A. MSME strategic framework

The Ministry of Productive Development¹⁰ is tasked with formulating policies and developing programmes to promote and strengthen MSMEs through the Secretariat of Small and Medium-Sized Enterprises and Entrepreneurs (SEPYME). The Secretariat's objectives include promoting production transformation processes, at both the sectoral and regional levels, and participating in MSME strengthening, restructuring and reengineering. To that end it fosters productivity, knowledge application, digital transformation, genuine employment, value added, local development, formalization, internationalization and competitiveness (Ministry of Productive Development, 2018).

The COVID-19 pandemic has hit Argentina at a complex juncture, hard on the heels of two years of recession and a change of government, the latter involving a number of institutional and strategic changes. In this scenario, the approach towards stimulating production development places special emphasis on the different actors (workers, cooperatives, entrepreneurs, large firms and MSMEs). It seeks to promote initiatives that recognize differentiated strategies and, at the same time, remain cross-cutting, fostering interaction between the public and private sectors (Ministry of Productive Development, 2020). In this context, SEPYME has proposed the following seven pillars for its work programme: (i) dealing with the COVID-19 emergency; (ii) financial inclusion; (iii) regional development; (iv) productivity improvement and digital transformation; (v) increased competitiveness; (vi) entrepreneurial development; and (vii) gender-sensitive production development.

The COVID-19 context

Argentina declared a public emergency in economic and financial, tax, administrative, pension, tariff, energy, health and social matters, through the Social Solidarity and Productive Reactivation Act

¹⁰ When the new government took office, it decided to centralize the competencies of the areas of industry, trade, mining and energy in the Ministry of Productive Development (Decree 7/2019 of 10 December 2019).

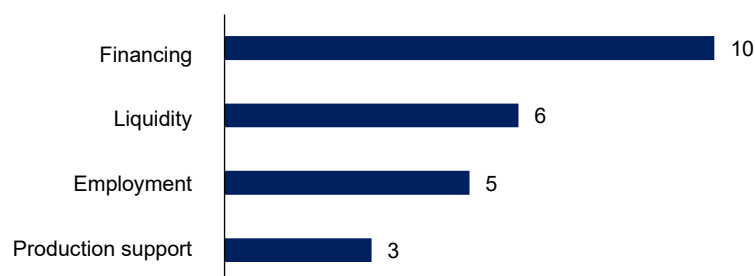
(Law 27.541 of 23 December 2019); and it extended the emergency for a period of one year through Necessity and Urgency Decree 260/2020 of 12 March.

Following the adoption on 20 March of preventive and compulsory social isolation measures, in April the Emergency Assistance Programme for Work and Production (ATP) was created.¹¹ This was seen as one of the main support schemes to provide immediate economic relief to firms and workers directly affected by the slump in economic activity levels. Since its inception, the programme has been amended and adjusted in line with the evolution of the pandemic; and, in October, it was extended until 31 December 2020.¹²

This programme includes several assistance measures: (i) postponement or reduction of up to 95% of the payment of employer contributions to the Argentine Integrated Pension System; (ii) a compensatory wage subsidy; (iii) interest-free loans for workers in the *monotributo* tax regime and for the self-employed;¹³ (iv) loans at subsidized interest rates; and (v) an increase in benefits paid under the Comprehensive Unemployment Benefits System. Details of these and other measures are set out in table 2.

Based on a mapping of the MSME support measures implemented by the countries of the region amid the COVID-19 emergency (ECLAC, 2020), the information has been updated and refined, taking into account the constant evolution of the pandemic. In this regard, a total of 24 measures can be identified for Argentina up to December 2020.

Figure 5
Argentina: MSME support measures



Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), "Sectors and businesses facing COVID-19: emergency and reactivation", COVID-19 Special Report, No. 4, Santiago, 2020.

¹¹ Decree 332/2020 of 1 April 2020 and amended by Decree 376/2020 of 21 April 2020.

¹² Decree 823/2020 of 26 October 2020.

¹³ The *monotributo* regime enables small-scale taxpayers to fulfil simplified obligations to the Federal Public Revenue Administration (AFIP). The simplified regime is available to self-employed workers, worker cooperatives and partnerships with up to three partners. Self-employed workers are defined as individuals who perform a regular economic activity without an employment contract and are included in the general regime.

Table 2
Argentina: MSME support measures

Category	Measure
Liquidity	<p>Prohibition from cutting off public utilities, such as electricity, water, piped gas, fixed and mobile telephony, Internet and cable TV in the event of payment arrears or default. The measure entered into force in March for an initial period of 180 days (Decree 311/2020 of 24 March 2020) and was extended until 31 December 2020 (Decree 756/2020 of 20 September 2020).</p> <p>Deferral or reduction of up to 95% of the payment of employer contributions to the Argentine Integrated Pension System (SIPA): this measure forms part of the Emergency Assistance Programme for Work and Production (ATP) and has established a range of facilities for payments accrued since March; the most recent update is for the period payable in November 2020 (General Resolution 4871/2020 of 1 December 2020).</p> <p>Refinancing of credit cards over a 1-year term: instruction issued by the Central Bank of the Argentine Republic (BCRA) to entities of the financial system.</p> <p>Initially, unpaid credit card balances falling due between 20 March and 12 April were postponed to 13–30 April without surcharges; thereafter the refinancing included a 3-month grace period followed by repayment in nine instalments at a nominal annual interest rate of 43% (Regulation 6964 of 10 April 2020).</p> <p>As from September, automatic refinancing is available, with a 3-month grace period, nine instalments and a nominal interest rate of 40% per year (Regulation 7095 of 27 August 2020).</p> <p>Rent freeze and suspension of evictions: this measure covers properties intended for housing and for rental by taxpayers in the <i>monotributo</i> regime; self-employed professionals; MSMEs and worker cooperatives. The initial term ran until 30 September 2020 (Decree 320/2020 of 29 March 2020), but it was subsequently extended until 31 January 2021 (Decree 766/2020 of 24 September 2020).</p>
Employment	<p><i>Complementary wage</i>: one of the benefits of the ATP programme consists in the direct payment of a monthly allowance by the National Social Security Administration (ANSES) to private-sector employees, equivalent to 50% of the employee's net wage (Decree 332/2020 of 1 April 2020). The baseline remuneration for the calculation is updated every month; as of December the amount is between Arg\$ 18,900 (18,900 Argentine pesos) and Arg\$ 26,350 (roughly US\$ 225–US\$ 314). The requirements for employers to access the benefit are as follows:</p> <ul style="list-style-type: none"> • Activities covered by the ATP programme: employers must register to apply for the benefit. Activities have been classified in general terms as critical and less critical. As of December, the sectors considered critical were those that had not yet been able to restart their operations, such as hotels and restaurants, mass indoor events and cinemas, among others. • Sales turnover: firms that have suffered a nominal drop in sales turnover of up to 5% between comparable time periods in 2019. An exception is made for activities that started during 2020 and are considered "critically affected". • The benefit was initially targeted to firms with fewer than 800 employees, but was extended to those with more than 800 employees in May 2020. <p><i>Prohibition of redundancies and suspensions</i> until January 2021: this measure began in March for a 60-day period (Decree 329 of 31 March 2020) and has had several extensions, the last one being Decree 891/2020 of 13 November 2020.</p> <p><i>Comprehensive system of unemployment benefits</i>: protection instituted through Law 24.013 (17 December 1991). In the context of the pandemic, unemployment economic benefits were raised to a minimum of Arg\$ 6,000 and a maximum of Arg \$ 10,000 (roughly US\$ 72 and US\$ 119 respectively) as a benefit of the ATP programme (Decree 376/2020 of 19 April 2020). Benefit periods have been extended by resolutions issued by the Ministry of Labour, Employment and Social Security. The latest extension runs until 28 February 2021 for unemployment benefits due to expire between 1 December 2020 and 31 January 2021 (Resolution 942/2020 of 15 December 2020).</p> <p><i>Production Recovery Programme II - REPRO II</i>: based on the REPRO programme established in Law 27.264 of 10 August 2016; a second version of the programme was created in November 2020. The programme grants a payroll subsidy to firms that have suffered a decrease in their turnover and production due to the pandemic and are not included among the critical sectors of the ATP programme. The amount of the benefit is a fixed monthly sum of Arg\$ 9,000 (roughly US\$ 107) for job maintained by employers that enter the programme. The benefit lasts two months (Resolution 938/2020 of 12 November 2020). As of December, firms with critical activities the programme under the ATP programme were allowed to join (Resolution 1027/2020 of 11 December 2020).</p> <p><i>Emergency Family Income (IFE)</i>: exceptional direct payment of Arg\$ 10,000 (roughly US\$ 121) to compensate for the loss or reduction of income among persons affected by the emergency - unemployed, informal workers, monotributo taxpayers and domestic employees (Decree 310/2020 of 24 March 2020).</p>

Category	Measure																											
Financing	<p>Loans for wage payment at a fixed interest rate of 24%: notice issued by BRCA (A 6937 of 19 March 2020), to enable banks that act as wage payment agents to offer one-year loans to SMEs at a fixed rate of 24% with a grace period of three months, with FOGAR guarantees covering 100% of the loan amount. The respective call for applications is currently closed.</p> <p>Emergency Employment and Production Assistance Programme (Decree 332/2020 of 1 April 2020): programme created specifically to address the effects of the emergency through a series of benefits that enhance existing measures. In the case of access to financing in the form of credits and guarantees, the following measures are covered:</p> <ul style="list-style-type: none"> • <i>Interest-free credit</i>: for persons covered by the Simplified Regime for small-scale taxpayers and self-employed workers. The credit in question is paid through the beneficiary's credit card. The amount of the financing is capped at Arg\$ 150,000 (roughly US\$ 1,787), and will be disbursed in three equal and consecutive monthly instalments, with a subsidy of 100% of the total financial cost. • <i>Credit at subsidized interest rates</i>: This provides financing for firms in an amount per employee calculated as 120% of a minimum, vital and mobile wage^b, but may not exceed the net income or pay of each of the workers of the applicant firm (incorporated by Decree 621/2020 of 27 July 2020). <p>National Productive Development Fund (FONDEP): the ATP programme allocates Arg\$ 11 billion (roughly US\$ 131 million) to FONDEP to be used to subsidize 100% of the interest rate and total financial cost accrued on interest-free loans granted to persons affiliated to the Simplified Regime for small-scale taxpayers and self-employed workers (Decree 376/2020 of 20 April 2020).</p> <p>Argentine Guarantees Fund (FOGAR): the COVID-19 Specific Allocation Fund (FAE) is set up within FOGAR, for the purpose of guaranteeing working capital loans for MSMEs affected by the pandemic (Decree 326/2020 of 31 March 2020). Special State contribution of Arg\$ 30 billion (roughly US\$ 357.5 million). The beneficiaries are MSMEs included in the MSME Register and holding a current MSME Certificate. The guarantees can be used to repay working capital loans, including payment of wages, employer contributions, and coverage of deferred checks. The guarantees can cover up to 100% of the loan. Up to 100% of interest-free loans may be guaranteed for persons covered by the Simplified Regime for small taxpayers and self-employed workers, without the need for counter-guarantees. Up to 100% of subsidized loans for firms may be guaranteed without requiring counter-guarantees. Sector loans - Banco Nación: emergency credit lines for MSMEs in the culture and tourism sectors</p> <table border="1"> <thead> <tr> <th>Sector</th> <th>Use</th> <th>Total amount</th> <th>Maximum amount per firm</th> <th>Interest rate</th> <th>Term (months)</th> <th>Grace period</th> <th>Guarantees</th> <th>Launch</th> </tr> </thead> <tbody> <tr> <td>Culture</td> <td>Working capital</td> <td>Arg\$ 750 million (roughly US\$ 8.9 million)</td> <td>Arg\$ 7 million (roughly US\$ 83)</td> <td>Subsidized rate 1-12 instalments 18% rate: 13-24 instalments</td> <td>24</td> <td>1 year</td> <td>FOGAR - FAE: 100% of loan amount</td> <td>11/09/2020</td> </tr> <tr> <td>Tourism (including self-employed and monotributo taxpayers)</td> <td></td> <td>Arg\$ 3 billion (roughly US\$ 35.7 million)</td> <td>MSMEs and self-employed: Arg\$ 10 million (roughly US\$ 119 174) Monotributo taxpayers: between Arg\$ 50 000 (about US\$ 596) and Arg\$ 200 000 (roughly US\$ 2 383).</td> <td>Subsidized rate 1-12 instalments 18% rate: 13-24 instalments</td> <td>24</td> <td>1 year</td> <td>FOGAR - FAE: 100% of loan amount</td> <td>13/10/2020</td> </tr> </tbody> </table> <p>Loans for cooperatives - Banco Nación: special credit line for cooperatives' working capital, launched in June 2020, with total funding of Arg\$ 2 billion (roughly US\$ 24 million). Call for applications currently closed. Interest rate of 18% with a one-year term plus a three-month grace period; with 100% of the amount requested guarantee by FOGAR. The maximum amount is based on the result of the number of registered affiliates multiplied by three times the living and mobile minimum wage or the equivalent of 30 days' sales. <i>Pymes Plus</i> (SMEs plus) financing line: special credit line launched in June 2020 to support more than 140,000 medium-sized and small enterprises (MSEs) that did not have access to financing. Call for applications currently closed. Credit line totalling Arg\$ 38 billion (roughly US\$ 452.8 million) Credit for working capital; at an interest rate of 24% with a one-year maturity and a three-month grace period; 100% of the amount requested is guaranteed by FOGAR. The maximum loan amount is Arg\$ 250,000 (roughly US\$ 3,125) for microenterprises and Arg\$ 500,000 (roughly US\$ 6,250) for small enterprises.</p>	Sector	Use	Total amount	Maximum amount per firm	Interest rate	Term (months)	Grace period	Guarantees	Launch	Culture	Working capital	Arg\$ 750 million (roughly US\$ 8.9 million)	Arg\$ 7 million (roughly US\$ 83)	Subsidized rate 1-12 instalments 18% rate: 13-24 instalments	24	1 year	FOGAR - FAE: 100% of loan amount	11/09/2020	Tourism (including self-employed and monotributo taxpayers)		Arg\$ 3 billion (roughly US\$ 35.7 million)	MSMEs and self-employed: Arg\$ 10 million (roughly US\$ 119 174) Monotributo taxpayers: between Arg\$ 50 000 (about US\$ 596) and Arg\$ 200 000 (roughly US\$ 2 383).	Subsidized rate 1-12 instalments 18% rate: 13-24 instalments	24	1 year	FOGAR - FAE: 100% of loan amount	13/10/2020
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Financing	<p>Direct credit line for production-oriented investment: the Ministry of Productive Development launched a new credit line on December 11, 2020 (Registration open until March 31, 2021). Loans of up to Arg\$ 15 million (roughly US\$ 178,759), to co-finance up to 80% of investment projects by firms and cooperatives certified as MSEs in the following sectors: manufacturing, industrial services, agribusiness, oil and gas, metal mechanics, textiles and footwear, and autoparts.</p> <p>Entities may obtain a minimum of Arg\$ 200,000 (roughly US\$ 2,383) at a fixed rate of 18% per annum, with a one-year grace period and a repayment period of up to seven years.</p> <p>A 20% quota will be reserved for firms led or owned by women.</p> <p>Credit lines offered by Banco de Inversión y Comercio Exterior (BICE) and backed by FOGAR guarantees, for the following:</p> <ul style="list-style-type: none"> • Production-oriented investment, with total funding of Arg\$ 2 billion (roughly US\$ 25 million), with a maximum interest rate of 24% in the first 24 months. Firms may request up to Arg\$ 75 million (roughly US\$ 893,879), with a 20% quota reserved for women-led SMEs and 15% for the wine sector. • Internationalization, with total funding of US\$ 35 million to pre-finance export credits with a repayment term of six months. First-time exporters may apply for up to US\$ 200,000 at a 4% interest rate; and frequent exporters may apply for up to US\$ 300,000 at 4.5%. <p>National Production System Support Programme: financial assistance to promote the development of products, services, process improvements or technological solutions that help mitigate the effects of the pandemic (Resolution 132/2020 of March 31, 2020; and Resolution 53/2020 of April 28, 2020).</p> <p>Direct credit lines at a fixed annual interest rate of 12%, totalling Arg\$ 2 billion (roughly US\$ 23.8 million) for cooperatives, MSMEs, and large firms with a minimum of 12 months of verifiable sales which need to expand their production capacity. These credit lines are intended for equipment, medical and health supplies, and technological solutions; they are backed by FONDEP.</p> <table border="1"> <thead> <tr> <th>Use of the loan</th> <th>Maximum amount (Arg\$)</th> <th>Term (years)</th> <th>Grace period</th> <th>FONDEP</th> </tr> </thead> <tbody> <tr> <td>Working capital</td> <td>30 million (roughly US\$ 357,543)</td> <td>3</td> <td>6</td> <td>May not finance amounts exceeding 40% of the firm's sales, excluding VAT, in the last fiscal year.</td> </tr> <tr> <td>Production-oriented investments</td> <td>30 million (roughly US\$ 357,543)</td> <td>5</td> <td>1</td> <td>80% of the submitted project (20% to be covered by the applicant firm)</td> </tr> </tbody> </table>	Use of the loan	Maximum amount (Arg\$)	Term (years)	Grace period	FONDEP	Working capital	30 million (roughly US\$ 357,543)	3	6	May not finance amounts exceeding 40% of the firm's sales, excluding VAT, in the last fiscal year.	Production-oriented investments	30 million (roughly US\$ 357,543)	5	1	80% of the submitted project (20% to be covered by the applicant firm)
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Production support	<p><i>Programa Redes para Emprender</i> (Enterprise networks programme): the purpose of this programme is to strengthen the entrepreneurship ecosystem and create linkages between public, mixed-ownership and private actors, firms, educational institutions, business chambers and entrepreneurs. It has total funding of Arg\$ 400 million (roughly US\$ 4.7 million) from the Trust Fund for the Development of Entrepreneurial Capital (FONDCE) to provide financial assistance in the form of grants, for the execution of activities presented by business support networks. The amount of the grant may not exceed Arg\$ 10 million (roughly US\$ 119,000) for incipient networks and Arg\$ 20 million (roughly US\$ 238,000) for networks in the consolidation phase (Resolution 159/2020 of 3 December 2020).</p> <p>National Production System Support Programme: grants to support projects targeting the pandemic.</p> <p>Total fund of Arg\$ 250 million (roughly US\$ 3 million) to support projects implemented by firms, entrepreneurs, and research and development and innovation (RDI) associations that need to increase their production capacity to develop products/services. A maximum amount of Arg\$ 10 million (roughly US\$ 119,185) will be granted per project with an implementation term of up to six months.</p> <p><i>PAC COVID</i> competitiveness support programme: IDB-supported grants for MSMEs and entrepreneurs that produce goods, equipment, testing kits, development of technological services and platforms or process improvement. The funds are intended to cover 100% of the project, with a maximum amount of Arg\$ 1,800,000 (roughly US\$ 21,453), and Arg\$ 6 million (roughly US\$ 71,511) for projects involving two or more firms.</p>															

Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), "Sectors and businesses facing COVID-19: emergency and reactivation", COVID-19 Special Report, No. 4, Santiago, 2020; National Institute of Statistics and Censuses, "Índice de precios al consumidor (IPC)", Informes Técnicos, vol. 4, No. 225, Buenos Aires, 2020; Secretariat of Small and Medium Enterprises and Entrepreneurs (SEPYME), and official information.

^a Although it has decreased appreciably since December 2019, the year-on-year variation in the consumer price index was still 35.8% in November 2020 (National Institute of Statistics and Censuses, 2020).

^b The living and mobile minimum wage (SMV) is equivalent to approximately US\$ 217 per month. Within the ATP framework, SMV serves as benchmark for the floor and ceiling applicable to each beneficiary worker's compensatory wage allowance.

B. Interview: Secretariat of Small and Medium Enterprises and Entrepreneurs (SEPYME)

1. Experience in implementing measures

The COVID-19 emergency affected an already weakened production fabric in Argentina. According to data from the Federal Public Revenue Administration (AFIP), between 2015 and 2019 approximately 24,500 firms closed, most of them SMEs (Federal Public Revenue Administration, 2020). According

to the Argentine Confederation of Medium-sized Enterprises (CAME), despite the critical situation that businesses have endured throughout the years of economic recession in the country, SMEs still account for 70% of private employment and generate 40% of GDP (CAME, 2020).

Accordingly, the government's response to the crisis has prioritized supporting MSMEs as they confront the effects of the pandemic, by rapidly implementing a series of measures that have been successively adjusted and modified, with the main objective of preserving firms' organizational capital and employment. In the context of economic and social vulnerability that already existed before the emergency, the SEPYME budget has grown from Arg\$ 3.4 billion in 2019 (roughly US\$ 70.5 million) to Arg\$ 130.039 billion (about US\$ 1.841 billion) in 2020;¹⁴ and the coverage of support measures has expanded to allow more than 640,000 operations to access assistance loans,¹⁵ through which over 563,000 *monotributo* taxpayers and self-employed workers received interest-free loans.

The following are examples of the support measures that were highlighted during the open dialogue with the head of SEPYME. For ease of analysis, the measures presented in the following tables have been grouped into two broad categories: technical support and financial support.

Institution	Post	Name
Small and Medium-sized Enterprise and Entrepreneurs Secretariat (SEPYME) Ministry of Productive Development	Secretary	Guillermo Merediz

Table 3
Argentina: technical support initiatives to address the effects of COVID-19

Technical support	
Initiatives	Description
Changes in public policy management	<p><i>Strengthening of the MSME Register</i></p> <p>The MSME Register was created in 2017 (Resolution 38 of 13 February 2017) under the SME Law. Monotributo taxpayers, professionals, traders, companies and small and medium-sized enterprises may register. The act of registration generates an MSME certificate that certifies MSME status and affords access to a series of facilities and benefits from AFIP. In the context of the pandemic, it has become a fundamental requirement to access tax benefits, differential credit lines, guarantees and assistance programmes. It is also a tool that provides updated information to inform the design of public policies for MSMEs. As of December 2017, the number of MSMEs with valid certificates was no more than 300,000, by December 2019 the number of registered firms had risen to 529,961, and in 2020 the number more than doubled to 1.4 million MSMEs with valid certificates. The certificate has a specific validity that depends on its issue date. During the emergency, progress was made in improving the automatic re-enrolment process. In June 2020, 99% of re-enrolments were achieved, compared to an average manual enrolment rate of around 60%.</p> <p><i>Undersecretariat for SMEs</i></p> <p>A specific undersecretariat was created within the Ministry of Productive Development to boost competitiveness through financing and training for SMEs.</p> <p><i>Production development with a territorial approach</i></p> <p>Recognizing the heterogeneity that exists in the country, structural changes are being promoted to increase territorial productivity by reducing gaps between different localities. The aim is to create dialogue and coordination with all levels of government, based primarily on strengthening regional production capacities and nurturing local advantages in strategic value chains, and on identifying, promoting and incorporating SMEs. A National Production Council was set up with participation by ministers and authorities from the 24 provincial production departments, along with the Minister of Production Development. Regional forums and 162 working meetings have been held, as well as sessions to disseminate tools through provincial working groups.</p>
Productivity agenda	<p><i>Competitiveness Support Programme (PAC)</i>: this programme was reinstated and upgraded with a focus on reactivating production, which will involve an investment of Arg\$ 335 million (roughly US\$ 4 million). Six editions of the programme are envisaged, focusing on Kaizen 4.0 (process improvement); digital transformation; food quality; design and innovation; energy efficiency; and entrepreneurs for reactivating production.</p>

¹⁴ Official information (SEPYME).

¹⁵ The operations include loan applications and non-refundable contributions. A firm could have applied for more than one loan, since some of the credit lines financed working capital (Source: SEPYME staff).

Initiatives	Description
Digital transformation	<p>Indtech 4.0 Platform Joint initiative between the Ministry of Productive Development, the National Agency for the Promotion of Research, Technological Development and Innovation (Agencia I+D+i) and ADIMRA. The initiative was launched on 10 September 2020. The platform serves as a public-private collaboration hub to drive the “Industry 4.0” transformation of SMEs, based on three principles: (i) combining knowledge and tools; (ii) the leading role of the software industry; and (iii) the impact on employment. The aim is to promote associative work in a field of experimentation that includes a solution finder and an expert network.</p> <p>SME Digital Assistance Network <i>Initiative of the Ministry of Productive Development</i>, launched on 13 April 2020 to provide teleworking and e-commerce tools. Provides a public-private platform offering technological solutions and free tools to SMEs to cope with the COVID-19 emergency; includes training tools and digital support through more than 40 courses and tutorials.</p> <p>SME Digital Transformation Units (UTDs) A call for applications was made to the existing Technological Linkage Units (UVTs), to promote digital transformation strategies for SMEs. UVTs are non-State entities authorized by Law 23.877 (28 September 1990) to assist SMEs in the preparation of pre-diagnosis, presentation and monitoring of the implementation of innovation projects involving R&D and technological transformation. In this context, diagnostic studies of digital maturity have been conducted, and over 3,000 SMEs have participated in awareness-raising workshops. Of these, 900 have designed transformation plans. For 2021, the goal is to create 30 UTDs with support from intermediate institutions (universities, technology centres, ICT clusters) that act as UVTs.</p>
Entrepreneurship	<p>Networks for Entrepreneurship Initiative created through Resolution 159/2020 of 3 December 2020, with the main objective of strengthening the business ecosystem. This is achieved through interaction between public, mixed-ownership and private organizations, firms, educational institutions, business chambers, and entrepreneurs, to consolidate networks offering incubation, acceleration, expansion and technical assistance services at the regional, local and provincial levels. The aim is to promote and strengthen programmes providing assistance and support; networking; capacity building; training and technical assistance on strategic issues. Grants totalling Arg\$ 130 million (roughly US\$ 1.5 million) are also available to support 15 networks. Up to Arg\$ 10 million (roughly US\$ 120,000) for consolidated ecosystem plans; and Arg\$ 5 million (roughly US\$ 60,000) for incipient ecosystems.</p>

Source: Prepared by the authors, on the basis of data compiled from an interview with the Secretariat of Small and Medium Enterprises and Entrepreneurs (SEPYME) representative.

Table 4
Argentina: financial support initiatives to address the effects of COVID-19

Financial support													
Initiatives	Description												
Emerging Family Income	Emerging Family Income Programme (IFE) : targets informal, unemployed and low-income workers. In a total of three rounds, it has benefited 8.8 million people, 56% of whom are women.												
Regularization of tax and social security debts	Moratorium Plan : Under the Social Solidarity and Productive Reactivation Act, a moratorium plan was established with AFIP as an initial MSME relief measure. The Plan was initially set to run until April, but was later extended to the end of July. Then a second moratorium was granted to include debts generated during the pandemic. Information as of November 2020:												
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Emergency Assistance Programme for Work and Production (ATP)	Implementation results as of November 2020:												
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National Production System Support Programme	Creation of specific instruments within existing programmes to assist SMEs, industries and entrepreneurs in generating inputs, equipment and solutions to mitigate the effects of the pandemic. As of November 2020, 215 projects had been approved for a total of US\$ 28.8 million.																		
	<table border="1"> <thead> <tr> <th>Financial support</th> <th>Amount granted</th> <th>Beneficiaries</th> </tr> </thead> <tbody> <tr> <td>FONDEP COVID-19: Credits</td> <td>US\$ 23.9 million</td> <td>127 projects approved</td> </tr> <tr> <td>FONDEP COVID 19: Non-reimbursable assistance</td> <td>US\$ 4 million</td> <td>44 projects approved</td> </tr> <tr> <td>Competitiveness Support Programme (IDB)</td> <td>US\$ 776 438</td> <td>44 projects approved</td> </tr> </tbody> </table>	Financial support	Amount granted	Beneficiaries	FONDEP COVID-19: Credits	US\$ 23.9 million	127 projects approved	FONDEP COVID 19: Non-reimbursable assistance	US\$ 4 million	44 projects approved	Competitiveness Support Programme (IDB)	US\$ 776 438	44 projects approved						
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Federalization of financing	70% of the total amount lent and 69% of the guarantees provided during the pandemic were concentrated in four provinces (Federal Capital, Buenos Aires, Córdoba and Santa Fe), which made it necessary to consider granting credit lines to each province for the purpose of targeting financing to local SMEs. This was facilitated through a US\$ 500 million loan with IDB to provide two credit lines for local SMEs. Both lines reserve a 20% quota for women-led SMEs. Information as of November 2020:																		
	<table border="1"> <thead> <tr> <th>Credit line</th> <th>Use</th> <th>Amount per province</th> <th>Rate</th> <th>Deadline</th> <th>FOGAR guarantees</th> </tr> </thead> <tbody> <tr> <td>Productive reactivation</td> <td>Working capital</td> <td>US\$ 2.5 million</td> <td>9.9%</td> <td>Up to 18 months</td> <td>50%</td> </tr> <tr> <td>Federal development</td> <td>Production oriented investment</td> <td>US\$ 5 million</td> <td>22%</td> <td>Up to 5 years</td> <td>50%</td> </tr> </tbody> </table>	Credit line	Use	Amount per province	Rate	Deadline	FOGAR guarantees	Productive reactivation	Working capital	US\$ 2.5 million	9.9%	Up to 18 months	50%	Federal development	Production oriented investment	US\$ 5 million	22%	Up to 5 years	50%
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Evolution of the guarantee system	The guarantee system comprises the Mutual Guarantee Companies (SGRs), the provincial funds and FOGAR. There is no real interaction between these entities. In general, the system has a problem of scope; after 20 years of existence, it has only been able to reach 3% of SMEs.																		
	During the pandemic, the relaxation of criteria and rapid lending action enabled mass coverage to be achieved, thus revealing the huge potential that exists to promote the inclusion of SME financing. FONDEP: facilitates access to finance for production projects, with interest rate subsidies and direct loans to SMEs. As of 2019, total lending amounted to US\$ 26.8 million; with US\$ 5.313 billion projected for 2020. FOGAR: facilitates access to credit through guarantees. As of 2019, available funds amounted to US\$ 13 million; with a total of US\$ 1.036 billion projected for 2020. FOGAR reached more than 50,000 SMEs and over 545,000 <i>monotributo</i> taxpayers and self-employed workers.																		

Source: Prepared by the authors, on the basis of data compiled from an interview with the Secretariat of Small and Medium Enterprises and Entrepreneurs (SEPYME) representative.

2. Challenges and prospects for recovery

Table 5, below, lists the main issues highlighted in the interview, from the standpoint of their contribution to economic reactivation strategies.

Table 5
Argentina: implementation challenges and considerations for economic reactivation

Strategies	Implementation achievements	Challenges	Prospects
Business financing	<p>In general terms, it is important to highlight the capacity to create flexible and simplified solutions to address financing needs in a context of “management under uncertainty”.</p> <p>The different lines of support were adjusted to changing conditions as the pandemic evolved, with the objective of: (i) seeking solutions and not allowing a break in the payment chain; and (ii) supporting the business recovery process.</p> <p>Rapid action and the relaxation of criteria made it possible to create instruments that were adopted rapidly and on a massive scale. This demonstrated the potential for implementing public policy in a framework of coordination and strengthening of the federal system, which was necessary during the pandemic.</p> <p>A financial transformation process is gathering pace, including greater financial inclusion, federalization of strategies and a gender focus.</p>	<p>As 70% of total loans and 69% of guarantees granted were concentrated in four provinces, the federalization of financing is a step forward.</p> <p>Based on the current conditions of the Guarantee System, changes have already been proposed. These mainly involve improving interaction between system actors in order to set clear rules and goals; and achieving complementarity that overcomes the overlapping of strategies and seeks greater financial inclusion. The procedures for accessing the benefits still require adjustments.</p>	<p>The aim is to make progress on digital financial inclusion, better access procedures and conditions, and financial education mechanisms. A further aim is to continue strengthening collaboration with the municipalities to disseminate tools and identify demands and needs.</p>
Business transformation	<p>Implementation of the National Production System Support Programme, which was created to facilitate the development and adoption of solutions that will help cope with pandemic, further strengthened the hospital supplies and equipment sector. It was possible to improve coordination between the national and provincial governments and the municipalities to promote the resumption of activities at the sector level. In this regard, there was collaboration with the private sector to develop protocols and define specific areas for opening up.</p>	<p>The formulation of strategies for a Production Agenda needs to be aligned with the Digital Agenda. Institutional capacities must be strengthened; and technological changes and innovation must be facilitated via support for infrastructure and specialized resources.</p> <p>Collaboration with municipalities should be maintained, with a view to designing specific guidelines to support the decentralization of production development.</p>	<p>The aim is to give a major boost to the generation of information to support decision making on MSMEs. Several strategies are being promoted, with a view to strengthening technical assistance, training, and business and export development.</p>

Source: Prepared by the authors, on the basis of data compiled from an interview with the Secretariat of Small and Medium Enterprises and Entrepreneurs (SEPYME) representative.

V. MSME support policies amid COVID-19 in Brazil

A. MSME strategic framework

In Brazil, the study focused on the specific actions taken by the Brazilian Micro and Small Business Support Service (SEBRAE), which is one of the key actors in the institutional environment supporting MSMEs. The Service specifically targets small businesses, which represent a universe of 8.5 million economic units in Brazil and account for 99% of all firms. Small businesses also generate 52% of the country's employment.

SEBRAE is a private non-profit entity with over 40 years' experience in the creation of training and technical-assistance instruments to contribute to the development of entrepreneurs, and of MSEs. It currently has a network of nearly 700 on-site assistance points distributed throughout the country, and a team of more than 5,000 experts and external consultants.

SEBRAE's business support and advice is based on an range of specialized services provided in different areas and for the different stages of a business. It offers solutions for both new ventures and established firms, with a wide range of contents and tools for innovation, and for improving administrative and financial management, increasing competitiveness, and encouraging cooperative partnership, among others.

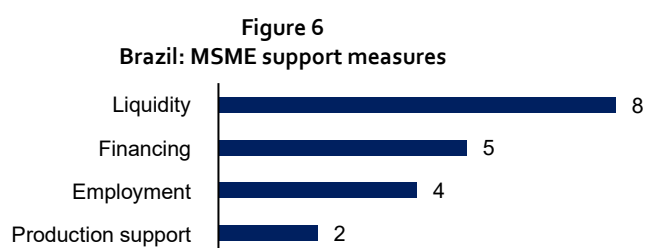
SEBRAE's interaction with the public and private sectors plays a fundamental role in promoting better conditions for MSME development. As a development agency, it acts in three areas: (i) it collaborates with financial institutions to create financial products suited to the needs of each business segment; (ii) it participates actively with government entities in designing public policies that facilitate the MSME environment (modernizing the legal and regulatory framework, reducing the tax burden, etc.); and (iii) it generates production linkages and promotes access to markets by supporting the relationship between small and large firms.

B. The COVID-19 context

In Brazil, the first measures to address the public health emergency arising from COVID-19 were proposed through Law 13.979 of 6 February 2020. Subsequently, on 20 March, Legislative Decree 88 declared a state of public calamity due to the pandemic, and it regulated the implementation of Law 13,979. In this context, Provisional Measure 936 of 1 April was issued to establish the Emergency Employment and Income Maintenance Programme, as the initial fundamental step in addressing the state of emergency. It pursued three objectives: (i) preserve employment and income; (ii) guarantee the continuity of work and commercial activities; and (iii) reduce the social impact of the state of public calamity. This measure became Law 14.020 on 6 July 2020.

Measures such as a reduction of working hours and wage cuts, the temporary suspension of work contracts and the payment of benefits are part of this programme, which has remained in operation following various extensions and adjustments as the emergency has evolved. Details of these and other measures are shown in table 6.

Based on a mapping of the MSME support measures implemented by the countries of the region amid the COVID-19 emergency (ECLAC, 2020), the information has been updated and refined, taking into account the constant evolution of the pandemic. In this regard, a total of 19 measures can be identified for Brazil up to December 2020.



Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), "Sectors and businesses facing COVID-19: emergency and reactivation", COVID-19 Special Report, No. 4, Santiago, 2020.

Table 6
Brazil: MSME support measures

Category	Measure
Liquidity	<p>Extension of the deadline for the payment of taxes assessed under the Special Single System for Collection of Taxes and Contributions owed by SMEs (known as <i>Simple Nacional</i>) (Resolution CGSN 154 of 3 April 2020): the latest calculation period covers instalments due in July 2020, for which the deadline is extended to December 2020.</p> <p>Authorization of the cancellation of tax claims assessed in the <i>Simple Nacional</i> regime through a dispute settlement operation related to the collection of claims (Complementary Law 174 of 5 August 2020).</p> <p>Exceptional conditions until December 29, 2020 for the processing of <i>Simple Nacional</i> debts, to negotiate terms such as discounts and different payment deadlines (Ordinance 18.731 of 6 August 2020).</p> <p>Employer's INSS tax deadline extended to 20 October 2020.</p> <p>Reduction to zero of the daily rate of financial transactions tax (IOF) applied to credit transactions (Decree 10.305 of 1 April 2020): the reduction in the IOF tax rate is extended for an additional 90 days until 2 December 2020 (Decree 10.414 of 2 July 2020). This benefits individuals and legal entities, including those that opt for the <i>Simple Nacional</i> regime.</p> <p>Extension until 30 September of the temporary suspension of administrative measures for the collection of overdue debt payments administered by the Office of the Attorney General of the Republic for the National Treasury (Ordinance 20.407 of 3 September 2020).</p> <p>Extension until December 2020 of due dates on monthly instalments related to programmes administered by the Special Secretariat of Federal Revenue of Brazil (RBF) and the Office of the Attorney General for the National Treasury (PGFN). This does not apply to instalments of taxes assessed under the <i>Simple Nacional</i> regime (Ordinance 201 of 11 May 2020).</p> <p>Extension to June 30 of the deadline for filing income tax returns</p>

Category	Measure
Employment	<p>Proportional reductions in working hours and wages (Decree 10.422 of 13 July 2020): the employer may agree to a proportional reduction in the working hours and wages of its employees through collective or individual agreements that must be notified to the Ministry of Economy. The initial period was set for 90 days; the current extension increases it to a total of 240 days (Decree 10.517 of 13 October 2020).</p> <p>Temporary suspension of employment contracts (Decree 10.422 of 13 July 2020): agreement between employer and employee at the individual or collective level. A firm that earned gross revenues in 2019 exceeding 4.8 million reais (R\$ 4.8 million, equivalent to approximately US\$ 1 million) may only suspend the employment contract of its employees if it pays compensatory allowances, covering 30% of the monthly wage. The initial term period was set for 60 days; the current extension increases it a total of 240 days (Decree 10,517 of 13 October 2020).</p> <p>Emergency benefit for the preservation of employment and income (Law 14.058 of 17 September 2020): the value of the benefit is based on the monthly amount of unemployment insurance in the following cases: Reduction of working hours and wages: this is calculated by applying the percentage of the agreed reduction proportionally. Temporary suspension of employment contracts: this grants the equivalent of 100% of the monthly amount of unemployment insurance for firms with annual gross revenues of less than R\$ 4.8 million; or the equivalent of 70% of the amount of unemployment insurance for firms with annual gross revenues of more than R\$ 4.8 million. In both cases, the employee will have a provisional guarantee of employment, both during the period of reduction or suspension and after activity has been resumed for a period equal to that of the reduction or suspension.</p> <p>Monthly emergency benefit: value of R\$ 600 (roughly US\$ 115) delivered directly to informal workers, the unemployed, individual microentrepreneurs, individual taxpayers from low-income families, and casual workers. The benefit was established for an initial period of three months (Provisional Measure 936 of 1 April 2020), which was extended for an additional six months (Decree 10470 of 24 August 2020).</p>
Financing	<p>National Support Programme for Micro and Small Enterprises (PRONAMPE) will provide guarantees to financial agents in order to facilitate access to credit for SMEs (Law 13.999 of 18 May 2020) The programme is operated by the National Bank for Economic and Social Development (BNDES) with support from the Investment Guarantee Fund (FGI): The credit line targets firms with gross revenues in 2019 of between R\$ 360,000 (roughly US\$ 70,000) and R\$ 300 million (roughly US\$ 58 million).</p> <p>The amount allocated for investment and working capital will correspond to 30% of the annual gross income reported in 2019, except in the case of firms that have been operating for less than one year. The payment term is 36 months with a maximum annual interest rate equal to the rate of the Special Settlement and Custody System (SELIC) plus a spread of 1.25% on the loan amount. If authorized by the persons receiving the credit line, SEBRAE will receive the registration data in order to provide them with assistance and management tools.</p> <p>Credit line for self-employed professionals (Law 14.045 of 20 August 2020): credit line incorporated into PRONAMPE for self-employed professionals, limited in amount to 50% of the total annual income from independent work recorded in the Annual Adjustment Statement for 2019. The maximum credit limit is R\$ 100,000 (roughly US\$ 20,000); with a repayment term of up to 36 months, of which up to eight months may be a grace period with interest capitalization. The maximum annual interest rate is equal to the SELIC rate plus a 5% spread.</p> <p>The Emergency Credit Access Programme (PEAC) is created to facilitate access to credit, and broadens the scope of the PRONAMPE Law (Law 14,042 of August 19, 2020-MP 975/2000), to include associations, foundations and cooperatives as beneficiaries. This law establishes two modalities:</p> <p>Provision of guarantees through the Investment Guarantee Fund (PEAC-FGI): targeting small and medium-sized firms, associations, private law foundations and cooperatives. Beneficiaries are firms with gross revenues in 2019 of between R\$ 300,000 (roughly US\$ 58,000) and R\$300 million (roughly US\$ 58 million). Operations are eligible until 31 December with a minimum term of 12 months and a maximum 60 months, and grace periods of between 6 months and 12 months. The interest rate is fixed under the terms of the regulations.</p> <p><i>PEAC- Maquininhas</i> guaranteed credit programme: this is a payment arrangement for MSE credit operations available until 31 December 2020. Interest rate of up to 6% per annum on the loan amount, capitalized monthly; with a payment term of 36 months, including a grace period of six months. The credit amount is R\$ 50,000 (roughly US\$ 10,000).</p> <p>Emergency Employment Support Programme (PESE): created to extend credit to fund payroll payments to entrepreneurs, simple enterprises, commercial firms and cooperatives, civil society organizations, and rural employers (Law 14.043 of 19 August 2020 - MP 944/2020). This Law amends the PRONAMPE Law. The period for accessing this credit line ended on 31 October 2020.</p> <p>Intended for economic agents with annual gross incomes reported for 2019 of more than R\$ 360,000 (roughly US\$ 70,000) and equal to or less than R\$ 10 million (roughly US\$ 2 million). Interest rate of 3.75% per annum for a term of 36 months with a six-month grace period. The credit line will cover up to 100% of the contractor's payroll for a four-month period, limited to the equivalent of up to twice the minimum wage per employee.</p> <p>Credit line provided by the Federal Savings Bank (<i>Caixa Econômica Federal</i>) and SEBRAE: credit line totalling R\$ 7.5 billion (roughly US\$ 1.4 billion) for MSEs and individual microentrepreneurs, with differentiated amounts and interest rates that are roughly 40% lower than those offered in the market to these business segments. Firms must review SEBRAE's financial guidance through its portal before accessing credit. The funds have complementary guarantees from the MSE Guarantee Fund (FAMPE), which operates through 17 financial institutions affiliated to SEBRAE.</p>

Category	Measure					
Financing	Beneficiary	FAMPE general guarantee line	Amount of credit	Interest rate per month	Term (months)	Grace period (months)
	Individual microentrepreneurs	Up to R\$ 81 000 (roughly US\$ 15 600)	R\$ 12 500 (roughly US\$ 2 500)	1.59%	24	9
	Microenterprises	Up to R\$ 360 000 (roughly US\$ 69 000)	R\$ 75 000 (roughly US\$ 14 400)	1.39%	30	12
	Small business	Between R\$ 360 000 and R\$ 4.8 million (roughly US\$ 69 000 – US\$ 100 000)	R\$ 125 000 (roughly US\$ 24 000)	1.19%	36	12
Production support	Simplification for the opening and operation of small businesses as from 1 September 2020 (Resolution 59 of 12 August 2020): allows individual microentrepreneurs to complete registration, legalization, suspension and cancellation procedures online through the Entrepreneur Portal.					
	Online procedures for obtaining production-oriented microcredits remotely (CMN Resolution 4.854 of 24 September 2020).					

Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), "Sectors and businesses facing COVID-19: emergency and reactivation", COVID-19 Special Report, No. 4, Santiago, 2020; and official data from the Brazilian Micro and Small Business Support Service (SEBRAE).

C. Interview: Brazilian Micro and Small Enterprise Support Service (SEBRAE)

1. Experience in implementing measures

Since March, SEBRAE has adopted a flexible approach in responding to MSE needs through its institutional services and business assistance models. Amid what it calls the phases of the crisis for firms (survival, resumption and reactivation), SEBRAE's actions have targeted four fronts: (i) directing guidance and consulting services to provide business support in line with the situation; (ii) coordinating with financial partners and large firms to prioritize sector-level solutions; (iii) collaborating with the government to promote measures that favour the business environment during the crisis; and (iv) strengthening credit guidance and access to financing through FAMPE.

During the survival stage, a crisis committee was created in projects under execution to review actions and seek practical solutions. The committee held remote consultancies on issues related to financial, fiscal, employment and market issues. The experience in interacting with the production sector made it possible to identify critical points and define priorities relatively quickly; and the capacity to engage with the public sector made it possible to help implement policies and support their dissemination at the municipal level. As a result, dialogue spaces have expanded, and the importance of stimulating mechanisms to increase productivity within a sector-specific framework has become more evident.

During the resumption and reactivation of activities, internal methodological changes have been encouraged, to develop new ways of responding to business needs, generating new technical assistance models with less structured processes, shorter time frames, and a new approach of collective support through sectoral hubs, in which the firms are the protagonists, identifying their own solutions within the framework of common problems. These processes are starting to show signs of success in terms of combining support factors and achieving innovative changes, while also increasing interactions between the firms themselves. An example of this is the Up Digital programme, which will be described below.

The pandemic has also underscored the need to promote local development. Accordingly, in addition to fostering better understanding of specific sectoral dynamics, SEBRAE has proposed an

identity approach, which differentiates between individual territories, motivates the ownership of strategies, and makes it possible to target production areas with value added.

The following tables provide examples of the support measures that were highlighted during the open dialogue with the SEBRAE representative. The measures have been grouped into two broad categories for ease of analysis: technical support and financial support.

Institution	Post	Name
Brazilian Micro and Small Business Support Service (SEBRAE)	Technical Director	Bruno Quick Lourenço de Lima

Table 7
Brazil: technical support initiatives to address the effects of COVID-19

Initiatives	Description
Knowledge management	<p><i>For large firms:</i> Provide strategic information to large firms to identify the main sectoral problems and stimulate the joint search for actions to mitigate the impact on small firms, in issues such as: Advance payment of accounts receivable from suppliers Deferral of charges for small customers Replenishment of stock in different conditions Stock buyback</p> <p><i>For small businesses:</i> Strengthen direct communication channels and content to guide and support MSEs in decision making, with relevant and updated information on: Official government action on tax, employment, regulatory and credit access issues Solutions and tools at the sectoral level: 14 affected segments were identified^a, and weekly information bulletins, articles and infographics were developed, including: observed impacts, scenarios and trends; advice and best practices recommended by SEBRAE and other institutions.</p>
Promotion for resumption and revival of activities	<p>The <i>Compre do pequeno</i> campaign to encourage purchases from local businesses was resumed. Promoted from the small-scale farmer to stores and restaurants Appeals to consumers and also seeks to stimulate innovation in firms, which have to improve their performance and service in response to market demand.</p> <p><i>Business events</i> Resumption: virtual event rounds to promote relationships with large firms to supply the production chains. Reactivation: the <i>Encadear Summit Circuit</i> is planned as a discussion forum with leaders of large firms, to identify the main trends and opportunities for joint action between small and large firms (Rio do Janeiro Summit, Rio Grande do Sul Summit).</p>
Alliances with strategic partners	<p><i>Identification and interaction with strategic partners:</i> generating differential benefits or guaranteeing market access for small firms. Several specific initiatives are being worked on within SEBRAE's corporate action framework, such as: The <i>Flix do Varejo</i> Platform (Martins Group): access to content, online consulting, and expert forums to improve retail businesses Credit campaign for the fashion supply chain (Renner): the anchor firm makes available R\$ 1.5 million (roughly US\$ 289,000) to support 220 firms in the retail chain in six states. SEBRAE provides a free consulting plan to the firms for three months on topics such as financial management and cash flow, access to credit, and implementation of government measures. <i>Compre do Bairro</i> (Buy from the neighbourhood) movement (Malwee): sharing the SEBRAE portal as an information channel for small firms in the fashion chain. <i>Delivery do Bem</i> (Goods delivery) platform: to incorporate new businesses to the home delivery service platform, which already has a market presence and enjoys broad acceptance by consumers and entrepreneurs in the 145 cities in which it operates.</p>
Biosecurity protocols	<p><i>Design of sector protocols and information materials</i> Coordination with the Ministry of Economy, Ministry of Health and sector associations to design biosecurity protocols for about 50 sectors, according to their needs and capacities. Safe business resumption protocols were developed for more than 30 types of small businesses. The materials attracted over 2.5 million views on the portal and a 92% satisfaction rate. In addition, signage materials were made available for free download, to promote compliance with the protocols in business premises.</p>

Initiatives	Description
Digital transformation	<p><i>Digital solutions portfolio</i>: guiding small businesses to enhance their digital visibility, improve processes and services, and link to platforms to improve their access to markets Production of content and responses in digital channels, and compilation of available tools. Through the SEBRAE portal, social networks, and responses from SEBRAE employees themselves, more than 100 million accesses to content, impacting 10 million entrepreneurs. The <i>Up Digital</i> programme: provides 10 days of online training with closed groups of up to 15 firms accompanied by specialists. This represents a methodological advance in terms of the flexibility of the training process. Participating firms must register on the SEBRAE portal and complete the diagnostic assessment to identify their level of digital maturity. The programme includes two days of personalized individual meetings per firm where proposals for action are analysed; and three days of collective meetings where digital content and tools are reviewed. <i>Marketing strategy</i>: in four months of implementation, more than 1,000 firms in 22 federative units have been served, addressing 100 groups with an average cost per group of R\$ 500 (roughly US\$ 100). Participants have mentioned the following transformative results: 93% say that the process has facilitated their innovation; 81% have increased their digital presence; and 70% have increased their online sales. For the <i>financial controls strategy</i>: four pilots are being conducted in the food, fashion schools and beauty sectors, with firms in six states. Participants have mentioned the following transformative results: 100% of participants improved their financial controls; 94% increased the digitalization of their financial controls; and 81% mention that the process has helped them to innovate.</p>
Productivity	<p><i>Brasil Mais</i> (Greater Brazil) programme: initiative launched in February 2020, coordinated by the Ministry of Economy, managed by the Brazilian Agency for Industrial Development (ABDI), and executed jointly by the National Service for Industrial Training (SENAI) and SEBRAE. The programme aims to increase the productivity and competitiveness of firms by promoting rapid, low-cost, and high-impact improvements in a digital transformation scenario. The programme's actions were resumed in November 2020. It is targeted to MSMEs in the industrial, commercial, and service sectors. Firms registering in the programme must choose a focus of attention and fill out a self-diagnostic questionnaire to assess their degree of productive or management maturity, in order to be directed to SEBRAE or SENAI for assistance. Two main lines of action are provided: (i) best production practices, available to industry; and (ii) best management practices, available to MSEs. SEBRAE's assistance consists of specialized consultancies and continuous support through Local Innovation Agents to improve management skills and practices. SEBRAE subsidizes 100% of the activities from the Local Innovation Agents (ALI) programme; and entrepreneurs can acquire other types of solutions based on the diagnostic assessment made by ALI. Within this framework, SEBRAE follows a consolidated national methodology to support production linkage strategies. The monitoring programme lasts four months and resumed its activities with 9,222 firms in São Paulo, Santa Catarina, Sergipe, Mato Grosso do Sul and Tocantins. More states are expected to be covered by March 2021. The programme aims to serve around 120,000 firms by December 2022.</p>
Innovation in public management	<p><i>Lider</i> programme: methodology designed in 2008 by SEBRAE to support leaders (private enterprise, government, or third sector) in the optimization of local resources with a long-term planning vision. This initiative aims to support leaders in planning and coordinating regional actions, including the design of a strategic plan, and the definition of a governance system and a method for monitoring and control of development management in the territory. The goal is to build capacity to create, formulate and implement regional development programmes and support mechanisms with an emphasis on small enterprises. The structuring of the programme has three phases: (i) foundation: identification of leadership group; (ii) construction: collective construction of a regional development agenda; and (iii) implementation: strategy application and consolidation. In the context of the pandemic, a vision of change is promoted, to strengthen local identity and protagonist action in favour of development. It seeks to promote the convergence of objectives and the alignment of demands at the regional level, to identify priorities that allow for articulated management of resources and solutions. The structuring of the programme involves analysing the regional situation and raising awareness among leaders as part of the first phase. The construction phase includes eight meetings focused on various development management topics; and the implementation phase generates two forums for monitoring regional commitments.</p>

Source: Prepared by the authors, on the basis of an interview with the Brazilian Micro and Small Business Support Service (SEBRAE) Technical Director and official information provided by SEBRAE.

^a Fourteen sectors were identified: retail trade, fashion, food services, civil construction, beauty, logistics and transportation, automotive workshops and parts, health, education, tourism, handicrafts, technology-based industries, pet stores and veterinary services, and creative economy.

Table 8
Brazil: financial support initiatives to address the effects of COVID-19

Initiatives	Description																																															
Financial management support	<p><i>Guidance on government measures from the SEBRAE portal:</i> information on the release of funds and access to financing for SMEs for payroll and working capital. Weekly mapping is performed, including the compilation, follow-up and detailed clarification of credit lines available from financial institutions across the country, such as:</p> <p>Payroll loans to SMEs under the PESE emergency job support programme: benefits SMEs only. SEBRAE participated in coordination with the government. The credit line makes it possible to finance both the payroll and the reinstatement of employees laid off between 7 February and 20 August 2020.</p> <p>Residual Emergency Aid: Individual microentrepreneurs, self-employed, or informal workers who receive the Emergency Aid in the amount of R\$ 600 (roughly US\$ 115), are entitled to the Residual Emergency Aid in the amount of R\$ 300 per month (roughly US\$ 57) until 31 December 2020; regardless of the number of instalments received. The worker does not need to apply for the aid, it will be deposited with the last instalment of emergency aid.</p> <p>Suspension of employment contracts to preserve jobs and income: interaction with the government and guidance to firms on the measure. The possibility of temporarily suspending labour contracts is in force for up to 240 days until the end of the state of public calamity. The employee may be entitled to Emergency Employment and Income Preservation Benefit during the suspension.</p> <p>Information on extensions of tax payment deadlines in the <i>Simples Nacional</i> area</p>																																															
Interaction with financial institutions	<p><i>Production chain credit programme:</i> creation of an innovative credit line as a joint strategy between the Ministry of Economy, BNDES and SEBRAE.</p> <p>Direct credit in amounts between R\$ 10 million and up to R\$ 200 million (roughly US\$ 2 million – US\$ 39 million) for large firms, with a commitment to pass on the same preferential loan conditions to the small firms in its chain. Reduced rates and a grace period of 24 months to start payments and 60 months to settle debts are offered.</p> <p>R\$ 2 billion (roughly US\$ 385 million) to preserve production chains during and after the crisis, benefiting large firms and allowing small firms to remain active in their chains.</p> <p><i>National Support Programme for Micro and Small Enterprises (PRONAMPE):</i> support in the creation of the programme, which was officially announced by the government in October 2020.</p> <p>In its first two stages, more than 460,000 credit operations were carried out, totalling over 32 billion loans (roughly US\$ 6.162 billion).</p> <p>It is currently in its third phase and is expected to become a permanent programme.</p>																																															
Guarantee fund	<p><i>Strengthening of the SEBRAE MSE Guarantee Fund (FAMPE):</i> increase in available funding by R\$ 470 million (roughly US\$ 90.5 million) in the fund to make it possible to leverage R\$ 7.5 billion in credit from <i>Caixa Econômica Federal</i>. FAMPE grants complementary guarantees on credit operations with financial institutions associated with SEBRAE. It targets small enterprises, microenterprises, and individual microentrepreneurs. SEBRAE stands as guarantor of the small business for access to the loan.</p> <p>The loan was officially launched on 20 April 2020.</p> <p>FAMPE can leverage loans of up to 12 times its total capital</p> <p>The guarantee covers up to 80% of the bank loan, with a limit on the amount that depends on the type of business and loan, as follows:</p> <table border="1"> <thead> <tr> <th rowspan="3">Type of credit</th> <th colspan="6">Maximum amount guaranteed</th> </tr> <tr> <th colspan="2">Individual microentrepreneur</th> <th colspan="2">Microenterprises</th> <th colspan="2">Small firms</th> </tr> <tr> <th>R\$</th> <th>US\$ (approx.)</th> <th>R\$</th> <th>US\$ (approx.)</th> <th>R\$</th> <th>US\$ (approx.)</th> </tr> </thead> <tbody> <tr> <td>Invoicing (exclusive)</td> <td>10 000</td> <td>1 925</td> <td>60 000</td> <td>12 000</td> <td>100 000</td> <td>20 000</td> </tr> <tr> <td>Fixed investment with or without associated working capital</td> <td>30 000</td> <td>5 777</td> <td>200 000</td> <td>40 000</td> <td>300 000</td> <td>60 000</td> </tr> <tr> <td>Exports (pre-shipment)</td> <td>60 000</td> <td>12 000</td> <td>300 000</td> <td>60 000</td> <td>500 000</td> <td>100 000</td> </tr> <tr> <td>Technological development and innovation</td> <td>100 000</td> <td>20 000</td> <td>400 000</td> <td>80 000</td> <td>700 000</td> <td>135 000</td> </tr> </tbody> </table>	Type of credit	Maximum amount guaranteed						Individual microentrepreneur		Microenterprises		Small firms		R\$	US\$ (approx.)	R\$	US\$ (approx.)	R\$	US\$ (approx.)	Invoicing (exclusive)	10 000	1 925	60 000	12 000	100 000	20 000	Fixed investment with or without associated working capital	30 000	5 777	200 000	40 000	300 000	60 000	Exports (pre-shipment)	60 000	12 000	300 000	60 000	500 000	100 000	Technological development and innovation	100 000	20 000	400 000	80 000	700 000	135 000
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Source: Prepared by the authors, on the basis of an interview with the Brazilian Micro and Small Business Support Service (SEBRAE) Technical Director and official information provided by SEBRAE.

2. Challenges and considerations for recovery

Table 9, below, summarizes the main issues highlighted in the interview, from the standpoint of their contribution to economic reactivation strategies.

Table 9
Brazil: implementation challenges and issues in economic reactivation

Strategies	Implementation achievements	Challenges	Considerations
Business financing	<p><i>Collaboration with large firms and government to create targeted credit lines</i></p> <p>Collaboration with large firms to reduce costs and facilitate access to credit and access to markets for small firms, within the framework of support for productive chains.</p> <p>Partnership with <i>Caixa Econômica Federal</i> to create credit facilities</p> <p>Guidance to the government to support the creation of PRONAMPE</p> <p><i>Collaboration with the judiciary for debt relief</i></p> <p>It is estimated that nearly 7 million small businesses have debts owing to the pandemic, accumulating more than R\$ 106 billion in liabilities (roughly US\$ 20.5 billion).</p> <p>SEBRAE has focused on providing advice and guidance for out-of-court settlement of commercial disputes to support the reactivation phase of activities.</p>	<p>PRONAMPE implementation is still modest in scale.</p> <p>The expansion of credit facilitation programmes will continue to be one of the major challenges for reaching additional business segments.</p>	<p>It is essential to keep channels of communication with firms open, in order to provide continuous, qualified, and useful information on the actions of financial institutions.</p> <p>Social measures have economic repercussions; and it is necessary to assist firms by offering support in financial management and decision making.</p> <p>More work must be done to promote differentiated strategies for access to financing with a strong territorial focus.</p>
Business transformation	<p><i>Experience in collaboration with the public and private sector</i></p> <p>The broadening of spaces for dialogue with the government and the business system made it possible to act quickly to understand the critical points, define priorities and support the effective implementation of policies.</p> <p><i>Adjusting methodologies to minimize the devastation of the business fabric</i></p> <p>Two decades of work experience and a close relationship with the private sector have enabled SEBRAE to create programmes that adjust to the current situation, without losing sight of the structural productivity problems of small enterprises. Two key programmes are: <i>Brasil Mais</i>: 131 State projects are linked to the programme throughout 2020, in the sector development in territories line. In some cases, firms in the same segment are invited to participate in sectoral projects (e.g.: graphics industry, tourism agencies, audiovisuals, furniture, fashion sales, etc.).</p> <p><i>Up Digital</i>: to encourage better digital integration by small businesses, through the practical use of digital technologies as a way to access new markets, improve management, reduce costs, innovate, and generate value-added for the customer.</p> <p><i>Immediate results</i></p> <p>Online assistance has had positive results: SEBRAE's web portal has recorded 50% more hits than in 2019. Online courses nearly doubled their number of participants, and satisfaction rates have never been higher.</p>	<p><i>Preserving production chains</i></p> <p>Resumption of activity levels among large firms also depends on preserving SMEs as their strategic partners. It is important not only to keep small firms active and operational, but also for large firms to better understand the role that MSMEs play in production and distribution chains.</p> <p>The aim is to raise productivity by reformulating business models and promoting the need to innovate. This requires new models of technical assistance.</p> <p><i>Addressing informality</i></p> <p>Individual microentrepreneurs account for 2/3 of the entrepreneurial universe. The pandemic calls for greater awareness of the importance of designing specific policies for this segment, which will increase due to the crisis.</p> <p><i>Digitalization process</i></p> <p>Functional digital illiteracy persists. For the most part, the digital challenge remains a cultural issue.</p> <p>Measures to disseminate and incorporate digital technologies are essential to enhance the competitiveness of small businesses, especially during the pandemic, where survival depends on these tools.</p>	<p><i>Promoting the methodology of productive linkages for economic reactivation.</i></p> <p>Identify prospects for small business development in partnership with large firms. Benefit thousands of small businesses in various sectors by 2021 (agribusiness, food and beverages, fashion, home and construction, energy, beauty, health, mobility, technology, creative economy, retail, financial services, etc.).</p> <p>Open-source innovation for small firms to develop innovative solutions and products for application in large firms.</p> <p>There are plans to maintain new models of technical assistance for shorter periods, providing sector-focused support through mentorships.</p> <p><i>Digital immersion with sector hubs</i></p> <p>Process change is being driven from a direct and practical perspective and is being developed around homogeneous sectoral groups.</p> <p>While the dissemination of technologies is an important first step, the differentiating factor is increasingly in how these technologies are used to generate additional value-added for firms and their customers.^a</p>

Source: Prepared by the authors, on the basis of data compiled from an interview with the Brazilian Micro and Small Business Support Service (SEBRAE) representative.

^a SEBRAE study on the impact of COVID-19 on small firms produced the following data: 65% of firms already sell online, 15% have started selling online due to the crisis, 44% of small firms use management software, 44% have used online paid advertising, 23% have a customer relationship management (CRM) system and 17% use process automation.

VI. MSME support policies amid COVID-19 in Chile

A. MSME strategic framework

Chile has a wide range of production development instruments, implemented by a variety of public entities that support businesses according to their specific competencies (Dini and Stumpo, 2020). Nonetheless, the analysis in this report focuses on the actions of the Ministry of Economy, Development and Tourism, since it is the entity tasked with designing MSME development policies.

The Ministry of Economy, Development and Tourism¹⁶ has taken on a more prominent role in the MSME domain since the passing of Law 20.416 of 3 February 2010, known as the “SME Statute”. This law for the first time establishes a special regulation for firms according to their size and level of development; and it seeks to create facilities for MSMEs, or “smaller firms”. The Ministry’s Small Business Division is tasked with harmonizing and implementing policies to support MSMEs throughout the country, acting through its dependent agencies: the Production Development Corporation (CORFO) and the Technical Cooperation Service (SERCOTEC). In the context of the pandemic, mention should also be made of the work of BancoEstado as an independent agency that has collaborated with the Ministry of Economy, Development and Tourism to implement measures to address the COVID-19 crisis.

Production Development Corporation (CORFO)

The Production Development Corporation is a decentralized state agency attached to the Ministry of Economy, Development and Tourism, with a mission to promote production nationally. Since its creation in 1939, it has evolved to gain extensive experience in designing programmes and instruments to support the development of the competitive capacities among firms, especially smaller ones. It has a multisectoral remit, addressing the following spheres: financing or co-financing of production-oriented investment; harmonization and strengthening of technological capacities; entrepreneurial support; fostering of collaboration between actors to stimulate the development of

¹⁶ The Law tasked the Ministry of Economic Affairs, Development and Reconstruction at the time with the coordination and formulation of development policies and plans that take into account the specifics of smaller firms.

collective strategies among groups of firms or territorial production systems; promotion of innovation; and the creation of solutions to facilitate access to financing through bank and non-bank financial intermediaries (FIs).

Technical Cooperation Service (SERCOTEC)

The Technical Cooperation Service is a private-law corporation that is also attached to the Ministry of Economy, Development and Tourism. It was created in 1952 through a technical cooperation agreement between CORFO, the Government of Chile and the Institute of Inter-American Affairs. It currently has 16 regional directorates and eight provincial offices that provide technical assistance and services focused on capacity-building and providing advice and support to microenterprises. To that end, it has built a network of more than 50 business centres nationwide, and it has created a wide range of development instruments and funds.

BancoEstado

BancoEstado has a 165-year history, dating back to 1855 with the inauguration of the Mortgage Credit Savings Bank. It became Banco del Estado in 1953 after merging with four other financial institutions.¹⁷ Having grown into one of Chile's largest banks in the 1990s, it changed its name to BancoEstado in the early twenty-first century. The institution's historical evolution has enabled it to deploy banking services nationwide, covering 100% of all of the country's boroughs (comunas) in late 2009.

BancoEstado has also played an important social role since its actions to support reconstruction work in the areas affected by the earthquake of 27 February 2010. As a result, it has consolidated its leadership in the microfinance market and has contributed actively to financial inclusion through both financial and non-financial services.

B. The COVID-19 context

Chile declared a state of catastrophe due to public calamity on 18 March 2020 (Supreme Decree 104) for an initial period of 90 days, which was extended in June (Decree 269)¹⁸ and again in September (Decree 400),¹⁹ for an additional 90 days in each case. In response to the health emergency, a permanent strategy was established, named "Paso a paso, nos cuidamos" (Step by step, we take care of ourselves),²⁰ which defines five scenarios for a gradual reopening that takes into account the health conditions prevailing in the boroughs of the country's 16 administrative regions. Each stage involves specific restrictions and obligations.

In terms of economic and social policies, several measures have been implemented, which have been divided into two stages for follow-up and evaluation. The first of these is the Economic Emergency Plan in its versions I and II,²¹ announced on 19 March and 8 April respectively, which deploys immediate measures to mitigate the effects of the crisis, by maintaining employment, generating liquidity and increasing access to credit. The second is "Paso a paso, Chile se recupera" (Step by step, Chile recovers), a plan to foster the reactivation of the economy, mainly prioritizing the resumption of economic activities. In this context, the work of the Ministry of Economy, Development and Tourism focuses on three major

¹⁷ The Mortgage Credit Savings Bank, the National Savings Bank, the Agrarian Credit Savings Bank and the Industrial Credit Institution were all merged.

¹⁸ Decree 269 of 12 June 2020.

¹⁹ Decree 400 of 10 September 2020.

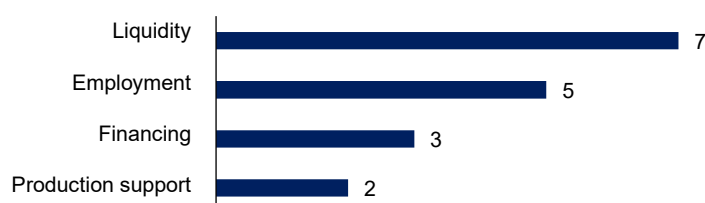
²⁰ For further information see [online] <https://www.gob.cl/pasoapaso/>.

²¹ For further information see Ministry of Finance, "Plan de Emergencia y Plan de Recuperación: Avances y Cumplimiento" [online] <https://reporte.hacienda.cl/>.

topics for MSME support: financing, digitalization, and bureaucratic simplification. These stand alongside programmes for attracting investment and enhancing productivity, which target larger firms.

Based on a mapping of the MSME support measures implemented by the countries of the region amid the COVID-19 emergency (ECLAC, 2020), the information has been updated and refined, taking into account the constant evolution of the pandemic. In this regard, a total of 17 measures can be identified for Chile up to December 2020, as detailed in table 10.

Figure 7
Chile: MSME support measures



Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), "Sectors and businesses facing COVID-19: emergency and reactivation", COVID-19 Special Report, No. 4, Santiago, 2020.

Table 10
Chile: MSME support measures

Category	Measure
Liquidity	<p>Suspension of monthly provisional payments (PPM) of annual income tax: initially for the months of April, May and June, subsequently extended to July, August and September (Decree 420 of 30 March 2020). In September, the PPM rate was halved for firms covered by the Pro-SME^a regime until 2022 (Law 21.256 of 2 September 2020).</p> <p>Early income tax refund in April 2020 (Resolution 40 of 13 April 2020)</p> <p>Refund of VAT tax credit accumulated between January and May for SMEs that have seen their sales drop by 30% or more (Law 21.256 of 2 September 2020).</p> <p>Reduction to 0% of the stamp duty levied on credit operations, for six months (Law 21.225 of 30 March 2020).</p> <p>Postponement of VAT payment: initially for the April–June quarter (Resolution 77 of 8 July 2020), then extended for the July–September 2020 quarter for firms covered by the Pro-SME regime (Law 21,256 of 2 September 2020).</p> <p>Postponement of the First Category Tax (IDPC) payment, payable in April of each year: an extension is granted until 31 July 2020 (Resolution 40 of 13 April 2020). Subsequently, a temporary reduction was introduced for firms under the Pro-SME regime from 25% to 10% for income earned during 2020, 2021 and 2022 (Law 21,256 of 2 September 2020).</p> <p>Extension of the deadline for payment of the first instalment of <i>contribuciones</i>, a tax levied on real estate according to its fiscal valuation. The benefit applies to firms with properties that have a fiscal valuation of less than 133 million pesos (Ch\$ 133 million or approximately US\$ 187,000) as of March 2020. It was established that the amount payable would be distributed in three equal instalments without fines or interest to be paid in June, September and November 2020 (Decree 420 of 1 April 2020).</p>
Employment	<p>Employment Protection Act (Law 21.227 of 1 April 2020): allows access to unemployment insurance benefits and reductions in working hours of up to 50% through agreements between the parties:</p> <p>The employee is entitled a wage that is proportional to the working day agreed upon, payable by the employer, plus a supplementary amount to be paid from his/her individual unemployment insurance account. If this account is exhausted, the supplement will be charged to the Solidarity Unemployment Fund. The maximum value of the benefits associated with payments from the Solidarity Unemployment Fund will be Ch\$ 419,757 (roughly US\$ 589) and the minimum Ch\$ 255,000 pesos (roughly US\$ 358) per worker.</p> <p>It was established that an agreement for a temporary reduction of working hours will last for at least one month. The maximum period will be five continuous months for workers with an indefinite contract and three continuous months for workers with a fixed-term contract for a specific work, job or service.</p> <p>The validity of the benefits was extended until 6 March 2021 (Decree 2.097 of 26 November 2020).</p>

Category	Measure																																											
Employment	<p>Employment subsidy: two subsidy lines for the reactivation of employment were established (Resolution 763 of 17 November 2020):</p> <p>Return subsidy: firms with a cumulative drop in sales or gross income from April to July 2020 of 20% or more will be able to apply in respect of workers who were on suspended contracts (effective until 28 September 2020) and have since returned to work. The payment will be Ch\$ 160,000 pesos (roughly US\$ 225) per month per worker for a maximum of six months.</p> <p>Hiring subsidy: for new hires with gross monthly pay of no more than three times the minimum monthly wage (Ch\$ 979,500 or roughly US\$ 1,374). MSMEs may apply until 31 March 2021, for the following groups of beneficiaries</p> <table border="1"> <thead> <tr> <th>Beneficiary</th> <th>Gross monthly wage</th> <th>Subsidy</th> </tr> </thead> <tbody> <tr> <td>Women over 18 years of age Persons with disabilities</td> <td>≤ Ch\$ 450 000 (roughly US\$ 631)</td> <td>60% of gross monthly pay</td> </tr> <tr> <td>Men aged between 18 and 23 years</td> <td>≥ Ch\$ 450 000 but ≤ Ch\$ 979 500. (between US\$ 631 and US\$ 1 374)</td> <td>Ch\$ 270 000 pesos (roughly US\$ 379)</td> </tr> <tr> <td rowspan="2">Men aged 24 years or older</td> <td>≤ Ch\$ 500 000 (roughly US\$ 701)</td> <td>50% of gross monthly pay</td> </tr> <tr> <td>≥ Ch\$ 500 000 but ≤ Ch\$ 979 500 (between US\$ 701 and US\$ 1 374)</td> <td>Ch\$ 250 000 pesos (roughly US\$ 351)</td> </tr> </tbody> </table> <p>Minimum guaranteed income (Law 21.218 of 3 April 2020): establishes a monthly allowance paid directly to low-income employed workers earning a gross wage of less than Ch\$ 384,363 (roughly US\$ 539). The objective is to guarantee a net wage of Ch\$ 300,000 (roughly US\$ 421), with a maximum subsidy contribution of Ch\$ 45,353 (roughly US\$ 64). The law became effective as of May 2020 and will remain in force until 31 December 2023. The amounts will be adjusted annually.</p> <p>Insurance to protect the incomes of self-employed workers: benefits self-employed workers who have paid the annual insurance contribution and have experienced a drop in income of at least 30% relative to their average income in 2019. An amount based on the drop in income of each beneficiary, relative to the 12 months prior to the pandemic, is paid directly. The proportion covered by the insurance will be 70% for those earning no more than Ch\$ 320,500 pesos (roughly US\$ 440). The measure will be permanent and will be financed with a levy of 0.4% on the gross monthly income of self-employed workers.</p> <p>Middle Class Bonus (Law 21.252 of 31 July 2020): once-only direct grant of Ch\$ 500,000 pesos (roughly US\$ 701). It is aimed at workers who had formal income in 2019 of between Ch\$ 400,000 and Ch\$ 1.5 million (between US\$ 561 and US\$ 2,104) and who have suffered a reduction in their monthly income of at least 30% owing to the pandemic.</p>	Beneficiary	Gross monthly wage	Subsidy	Women over 18 years of age Persons with disabilities	≤ Ch\$ 450 000 (roughly US\$ 631)	60% of gross monthly pay	Men aged between 18 and 23 years	≥ Ch\$ 450 000 but ≤ Ch\$ 979 500. (between US\$ 631 and US\$ 1 374)	Ch\$ 270 000 pesos (roughly US\$ 379)	Men aged 24 years or older	≤ Ch\$ 500 000 (roughly US\$ 701)	50% of gross monthly pay	≥ Ch\$ 500 000 but ≤ Ch\$ 979 500 (between US\$ 701 and US\$ 1 374)	Ch\$ 250 000 pesos (roughly US\$ 351)																													
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Financing	<p>COVID-19 Credit line with State guarantee from the Small Businesses Credit Guarantee Fund (FOGAPE), administered by BancoEstado: provides State guarantees on bank loans for working capital, including payment of wages and social security obligations, rent, supplies, etc. The fund was recapitalized with US\$ 3 billion (Law 21.229 of 21 April 2020), and a number of temporary flexibilities were introduced for its implementation. These include eligibility expanded to firms with sales of up to UF 1 million (previously UF 350,000) and an increase in the guarantee coverage rate to 85% for small firms. The terms of the credit involve a repayment period of between 24 and 48 months, including a grace period of at least six months and a nominal annual interest rate of 3.5%.</p> <table border="1"> <thead> <tr> <th>Beneficiaries</th> <th>Annual sales (denominated in <i>unidades de fomento</i> - UF)^b</th> <th>Guarantee</th> </tr> </thead> <tbody> <tr> <td>Micro and small businesses</td> <td>≤ 25 000</td> <td>85%</td> </tr> <tr> <td>Medium-sized firms</td> <td>25 000 ≤ 100 000</td> <td></td> </tr> <tr> <td>Large firms I</td> <td>100 000 ≤ 600 000</td> <td></td> </tr> <tr> <td>Large firms II</td> <td>600 000 ≤ 1 000 000</td> <td></td> </tr> </tbody> </table> <p>Financing through the Production Development Corporation (CORFO) to support MSMEs affected by COVID-19. As of December 2020, 62,004 guarantee operations equivalent to US\$ 2.215 billion had been processed. At the same date, 54,211 CORFO MSME credits had been issued, equivalent to US\$ 68 million. Solidarity-based loan included among contributions to support the middle class (Law 21.252 of 31 July 2020): up to Ch\$ 650,000 (roughly US\$ 912 per month) for a maximum of three months, whether or not continuous) as from 8 August 2020. The loan has a four-year term and a 1-year grace period and no interest rate (indexed to IPC). The first instalment is payable in April 2022 for 10% of the amount requested; and the remaining three instalments 30% each.</p> <table border="1"> <thead> <tr> <th>Credit line</th> <th>Modality</th> <th>Amount</th> <th>Maximum amount guaranteed</th> <th>Use of credit</th> <th>Beneficiary</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Guarantees issued by the Investment Guarantee Fund (FOGAIN)</td> <td rowspan="4">Support for MSME credit operations with maximum coverage of up to 80% of the loan amount.</td> <td>Type of firm</td> <td>Up to 60 months</td> <td>More than 60 months</td> <td rowspan="4">Growth or operating investments</td> <td rowspan="4">Firm with annual sales of less than 100 000 UF</td> </tr> <tr> <td>Microenterprises</td> <td>UF 5 000</td> <td>UF 5 000</td> </tr> <tr> <td>Small firms</td> <td>UF 7 000</td> <td>UF 12 000</td> </tr> <tr> <td>Medium-sized firms</td> <td>UF 9 000</td> <td>UF 18 000</td> </tr> <tr> <td>MSME credit</td> <td>Expand the supply of financing through non-bank financial intermediaries (NBFIs).</td> <td></td> <td></td> <td>Credit and leasing transactions of up to 10 years and/or factoring transactions</td> <td></td> </tr> </tbody> </table>	Beneficiaries	Annual sales (denominated in <i>unidades de fomento</i> - UF) ^b	Guarantee	Micro and small businesses	≤ 25 000	85%	Medium-sized firms	25 000 ≤ 100 000		Large firms I	100 000 ≤ 600 000		Large firms II	600 000 ≤ 1 000 000		Credit line	Modality	Amount	Maximum amount guaranteed	Use of credit	Beneficiary	Guarantees issued by the Investment Guarantee Fund (FOGAIN)	Support for MSME credit operations with maximum coverage of up to 80% of the loan amount.	Type of firm	Up to 60 months	More than 60 months	Growth or operating investments	Firm with annual sales of less than 100 000 UF	Microenterprises	UF 5 000	UF 5 000	Small firms	UF 7 000	UF 12 000	Medium-sized firms	UF 9 000	UF 18 000	MSME credit	Expand the supply of financing through non-bank financial intermediaries (NBFIs).			Credit and leasing transactions of up to 10 years and/or factoring transactions	
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Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), "Sectors and businesses facing COVID-19: emergency and reactivation", COVID-19 Special Report, No. 4, Santiago, 2020; Ministry of Economy, Development and Tourism, and official information.

^a The Pro-pyme tax regime is targeted on MSMEs that are liable for First Category Tax (IDPC) with a rate of 25%. Its benefits include: expensing of inventories and business supplies acquired or manufactured at the end of the year, and instantaneous depreciation of fixed assets. Owing to the pandemic, the deadline for affiliating to this regime was extended until 31 July 2020 (SII Exempt Resolution 43 of 20 April 2020).

^b Inflation-indexed unit of account. In January 2021, UF 100,000 was equivalent to about US\$ 4 million.

C. Interview: Small Business Division

1. Experience in implementing measures

The COVID-19 pandemic is causing structural changes to the management of production development mechanisms. Firstly, the health crisis has stimulated the simplification of procedures for accessing support tools; secondly, it is fostering a more in-depth review of the programmatic supply of instruments and agency-service models, to more effectively target the resources that are available to support MSMEs.

In the context of the open dialogue held with the head of the Small Business Division of the Ministry of Economy, Development and Tourism, the results achieved by several of the support measures are presented below. For ease of analysis, they have been grouped into two main categories: technical support and financial support.

Institution	Post	Name
Small Business Division of the Ministry of Economy, Development and Tourism	Head of Small Business Division	Felipe Vial

The technical support measures include several of the tools that are now available through the *Digitaliza Tu Pyme* programme, which has been operating since early 2019. These included *Compra Pyme*, a measure developed to support the post-pandemic reactivation process among local MSMEs, in

addition to promoting awareness, literacy and the adoption of tools to facilitate the MSME digital transformation process. Meanwhile, in terms of financial support, in addition to relief measures to maintain liquidity, efforts have been made to increase lines of financing through non-refundable subsidies and loans with flexible conditions. The details are presented in the following tables:

Table 11
Chile: technical support initiatives to address the effects of COVID-19

Initiatives	Description
Technical assistance focused on digitalization	<p><i>Digitaliza tu Pyme</i> platform</p> <p><i>Assessment of a firm's level of digitalization</i></p> <p><i>Digital checkup</i>: an online self-diagnostic tool to determine the level of digital maturity of SMEs and guide them in their digital transformation process. This tool has been available since October 2019, having been developed with IDB. It is currently being exported for implementation in other countries. As of 31 January 2021, 4,345 firms had completed the digital checkup process.</p> <p><i>Access to content to promote digital literacy and skills</i></p> <p><i>Atrévete Digital</i> (Dare Digital) programme: access to webinars that were developed between August and November 2020 to promote the digital culture in SMEs; and support in the process of understanding the use and exploitation of these technologies in business, as well as to raise awareness of the range of public and private sector tools available to improve digital skills. Regional events were held in 2019; and owing to the COVID-19 crisis, the programme has migrated to a digital format that has received major take-up. As of 31 January 2021, 17,273 users had attended the <i>Atrévete Digital</i> workshops.</p> <p><i>Despega MIPE</i> (MSE take-off): initiative developed by the National Training and Employment Service (SENCE) which offers free training courses to improve digital skills in several areas, such as: introduction to digitalization, electronic invoicing, digital marketing and e-commerce, apps and digital tools, etc. As of 31 January 2021, 1,231 firms had participated in <i>Despega MIPE</i> courses.</p> <p><i>Support towards commercialization</i></p> <p><i>Pymes en Línea</i> (SMEs online): permanent and free access to training content, which also includes live courses on Saturdays. This tool, which focuses on supporting the transformation processes needed to sell online, is implemented by CORFO with support from Chilean entrepreneurs specialized in e-commerce. A total of 86,058 firms had participated in the <i>Pymes en Línea</i> workshops as of 31 January 2021.</p> <p><i>Ruta Digital</i> (Digital route): SERCOTEC's online training platform on various digitalization topics and how to open new marketing channels. The programme gives access to a Digital Kit that includes a portfolio of freely available digital tools and financing for equipment. As of 31 January 2021, 56,244 firms had participated in <i>Ruta Digital</i> training sessions.</p> <p><i>Promotion and market access spaces</i></p> <p><i>Pymes de Barrio</i> (Neighbourhood SMEs): this free platform was launched in 2020, as a virtual assistant to connect MSMEs' goods and services supply with the needs of customers at the local level. The aim is to increase the digital presence of MSMEs and promote sales channels through agreements with firms specialized in e-commerce logistics. As of 31 January 2021, 2,362 MSMEs were registered on the <i>Pymes de Barrio</i> website.</p> <p><i>Compra Pyme</i> (Buy from SMEs): operates a platform that functions as a virtual showcase once a month. The objective is to raise the profile of SMEs and offer a different value proposal to the market. The online space is accompanied by communication campaigns to promote the products and services registered. To register, MSMEs must already have a delivery service or purchase pick-up option, as well as an online payment method and a website. The initiative began in September and ended in December with in-person fairs. As of 31 January 2021, the <i>Compra Pyme</i> programme had 6,418 firms registered.</p>
Reduction of bureaucracy	<p><i>Tu Empresa en 1 día</i> (Your firm in 1 day): website that makes it possible to create firms and companies online and at no cost, via an electronic form that can be validated with an advanced electronic signature or with a signature through a notary. The advanced electronic signature is valid for one to three years and can be obtained through entities accredited as certification service providers. As of 31 December 2020, 158,586 firms were incorporated, 85% of them created through <i>Tu Empresa en 1 Día</i>. Of these firms, 64% used the Notaries Advanced Electronic Signature.</p> <p><i>Draft law to modernize insolvency and restructuring regulations</i>: it is proposed to modernize the current insolvency legislation. The draft law includes: (i) streamlining and simplification of the bureaucratic aspects of current bankruptcy procedures; (ii) creation of simplified procedures for rapid processing and low administration costs for individuals, microenterprises and small firms; and (iii) an increase in credit recovery rates by prioritizing the restructuring of liabilities over the liquidation of assets. It is proposed to amend the law's articles of general application and create two new simplified procedures: one for individual and MSE liquidations, and another for MSE restructuring.</p>

Source: Prepared by the authors, on the basis of Ministry of Economy, Development and Tourism and official information.

Table 12
Chile: financial support initiatives to address the effects of COVID-19

Initiatives	Description																																	
Maintain revenues and liquidity	<p>Emergency plan</p> <p>Employment protection: The Employment Protection Act (Law 21.227 of 1 April 2020) allowed for a temporary reduction in working hours to mitigate the impact on employment. As of December 2020, a total of 122,407 employers (95% MSMEs) and 879,896 employees were covered by this law. A total of US\$ 2 billion has been committed for its implementation.</p> <p>Financial support to the middle class: based on the initiative to support self-employed workers, Law 21.252 of 31 July 2020 generated specific benefits for workers who had suffered a 30% drop in their income owing to the pandemic, through a non-refundable bonus of Ch\$ 500,000 (roughly US\$ 701) and a solidarity-based soft loan of up to Ch\$ 650,000 (approximately US\$ 912 per month) for a maximum of three months. As of December 2020, more than 1.6 million people had received the bonus (totalling US\$ 974 million) and more than 2.8 million people had applied for the loan (US\$ 1.2 billion). As of 18 January 2021, a total of 3,341,949 solidarity loans had been issued, of which 25% went to self-employed workers, 72% to employed workers and 3% to individual entrepreneurs.</p>																																	
	<table border="1"> <thead> <tr> <th>Measure</th> <th>Beneficiaries (data as of 19 October 2020)</th> </tr> </thead> <tbody> <tr> <td>Suspension of Monthly Provisional Payments (PPM)</td> <td>551 133 firms More than 1 million taxpayers</td> </tr> <tr> <td>Early Income Tax refund for April 2020</td> <td>341 687 SMEs</td> </tr> <tr> <td>Deferral of First Category Tax payment deadline</td> <td>89 364 SMEs 70 472 taxpayers</td> </tr> <tr> <td>Stamp tax reduction to 0% for 6 months</td> <td>54 209 taxpayers</td> </tr> <tr> <td>Extension of VAT payment deadline for April-September 2020</td> <td>565 014 taxpayers</td> </tr> </tbody> </table>	Measure	Beneficiaries (data as of 19 October 2020)	Suspension of Monthly Provisional Payments (PPM)	551 133 firms More than 1 million taxpayers	Early Income Tax refund for April 2020	341 687 SMEs	Deferral of First Category Tax payment deadline	89 364 SMEs 70 472 taxpayers	Stamp tax reduction to 0% for 6 months	54 209 taxpayers	Extension of VAT payment deadline for April-September 2020	565 014 taxpayers																					
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Reactivation	<p>"Paso a Paso, Chile se recupera" recovery plan</p> <p>Employment subsidy: since its implementation in November, over 40,000 firms have applied for the measure to support the reinstatement of workers and new hiring (Resolution 763 of 17 November 2020).</p> <p>Reinstatement subsidy: 95,135 applications</p> <p>Hiring subsidy: 169,793 applications</p> <p>As of 30 December 2020, a total of 322,130 applications had been registered, 32% corresponding to the reinstatement subsidy and 68% to the hiring subsidy (44,900 applicant firms).</p> <p>Non-reimbursable contestable funds: Through the different support programmes (SERCOTEC's Reactivate line, CORFO's PAR IMPULSA, among others), a total of US\$ 117 million has been provided, reaching 31,866 beneficiaries, 45% of whom are women. Within the Reactivate line, four calls for proposals have been made nationally and around 30 at the regional and/or provincial levels, with resources from local governments drawn from the National Fund for Regional Development (FNDR). As of 31 December the following results were reported:</p>																																	
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Source: Prepared by the authors, on the basis of Ministry of Economy, Development and Tourism and official information.

2. Challenges and considerations for recovery

Table 13 below sets out the main issues highlighted in the interview, from the standpoint of their contribution to economic reactivation strategies.

Table 13
Chile: implementation challenges and considerations for economic reactivation

Strategies	Implementation achievements	Challenges	Considerations
Business financing	<p><i>Non-reimbursable contributions</i></p> <p>Due to the crisis, resources were migrated, and existing programmes were changed in order to concentrate support in a single reactivation line. More than US\$ 100 million has been provided in direct subsidies to MSMEs. The National Fund for Regional Development (FNDR) has made it possible to increase the scope of direct non-reimbursable subsidies. One third of the resources come from regional governments. In the subprime crisis benefits were delivered to 75,000 firms in its year of implementation; FOGAPE COVID started in May and as of December 1, 268,790 credit operations had been processed and delivered.</p>	<p>In the context of reactivation, re-entrepreneurship should not be overlooked, and a mix of financing options (non-refundable subsidies and flexible credits) will be needed.</p>	<p>Budgetary allocation for subsidies for new entrepreneurs and re-entrepreneurs: For example, SERCOTEC in 2021 has a budget of approximately Ch 100 billion and will receive an increase of nearly Ch 80 billion.</p> <p>Targeting: criteria will be defined on a case-by-case basis, depending on calls for proposals, sectors and instruments.</p> <p>Simplification: access to subsidies as such is intended to be simple and quick.</p> <p>An evaluation will be made of how resources are delivered from CORFO and SERCOTEC through operators. This should be analysed in terms of the complete circuit, in order to assess the speed with which resources reach the final beneficiary.</p>
	<p><i>Credit lines</i></p> <p>FOGAPE-COVID is one of the most important credit lines, with more than 300,000 loans approved since May 2020. As of 1 December, there were already 268,790 credit operations in the hands of entrepreneurs for a total US\$ 11.5 billion. Of this amount, 58% has been delivered to MSMEs.</p> <p>CORFO-FOGAIN: Nearly 58,000 loan operations totalling US\$ 2.078 billion, including new loans, refinancing and rescheduling.</p> <p>CORFO MSME loans: delivered through NBFIs, targeted on MSEs. As of September 2020, 40,987 operations were registered. Currently, the aim is to expand this line to reach 200,000 operations with an amount close to US\$ 150 million.</p>	<p>Owing to the evolution of the pandemic, some businesses that already have loans have not yet been able to resume their activities, so they will not be able to repay them. It is therefore necessary to envisage instruments to reschedule these debts.</p> <p>Financial inclusion is the greatest challenge. In the long term, a broader spectrum is needed so as not to depend solely on credit through commercial banks. In other words, the involvement of financial technology firms (Fintechs), investment funds, etc., should be encouraged.</p>	<p>FONDO CRECE: a new modality, through general fund managers and non-bank financial players. The objective is to offer complementary coverage with an 80% government guarantee for 1 year.</p> <p>Small Businesses Credit Guarantee Fund (FOGAPE) 2.0: extension of the programme offering three new elements: flexible rate, renegotiation of loan terms until 2028, and financing for investment in addition to working capital.</p> <p>Meetings will be held with other stakeholders to deepen MSME access to financing, for example, with the Chilean Venture Capital Association.</p>
Business transformation	<p><i>Digitaliza Tu Pyme</i></p> <p>The provision of digitalization tools at zero cost has been consolidated. The path to digitalization is promoted by considering three stages: understanding, learning and adoption. Adoption focuses especially on preparing firms to sell online. The level of acceptance of the tools is high and their use has increased.</p>	<p>The most recent survey of ICTs in MSMEs was conducted in 2018. The results showed that 96% of firms have an Internet connection but use it mainly for email; 6% make sales over the internet; and 4% export. The main objective of the tools was to boost the use of technologies to make transactions.</p>	<p>The next ICT survey will be held in 2021 and is also expected to measure the impact of the <i>Digitaliza Tu Pyme</i> programme.</p> <p>In general, there is a need to promote a culture of data analysis in order to continuously monitor the measures and to obtain information that will enable better targeting of proposals and allow for budget reallocations if necessary.</p>

Strategies	Implementation achievements	Challenges	Considerations
Business transformation	The target proposed for 2021 was for the programme to have impacted 250,000 firms. To date, 212,699 firms have been engaged in the process. As of 2019, the just under 20,000 had been impacted, which shows how the level of interest has gathered pace during the pandemic. There are close to 50,000 MSMEs interested in participating in CORFO's online courses.	This situation changed because of the pandemic. The crisis has served as a catalyst for digitalization out of necessity; and although the <i>Digitaliza Tu Pyme</i> programme has made clear progress, there is an incentive to improve the value proposal of the tools, taking into account the change of habits (consumer behaviour), new forms of interaction (teleworking, Fintech, e-commerce); and the intervention of large firms (development and investment of platforms, involvement of MSMEs, etc.).	Under the rationale of consolidating tools, the idea is to work on a single platform to display the services offered for entrepreneurship according to the different stages of the cycle, and the support provided by the public sector to the process. The aim is to encourage formalization as a way of accessing a series of State benefits. Communication on production development instruments, which goes beyond bank financing, needs to be improved.
	<i>Tu empresa en 1 día</i> In the first 10 months of 2020, 145,631 new firms were incorporated, 85% of which were through the " <i>Tu empresa en 1 día</i> " (124,001). The advanced electronic signature requirement came into force in late April 2020, so 34% of these incorporations could be done without the need for a notary.	In addition to containing information, the platform is intended to enable greater interaction with public entities in order to incorporate services.	Position the platform not only to support the incorporation of new firms, but also their management. This is an objective for the first half of 2021. Work is ongoing to integrate the platform with the municipalities for the purpose of obtaining the commercial license and other business operating requirements

Source: Prepared by the authors, on the basis of data compiled from an interview with the Ministry of Economy, Development and Tourism representative.

VII. MSMEs support policies amid COVID-19 in Colombia

A. MSME strategic framework

Colombia has had institutional elements in place to support the MSME segment since Law 905 of 2004,²² which created the National MSME Support System, comprising the High-level Council for Small and Medium-sized Enterprises, the High-level Council for Microenterprises, and the regional councils. The two high-level councils are chaired by the Ministry of Trade, Industry and Tourism (MINCIT). They provide a permanent vehicle for dialogue enabling the various MSME stakeholders to contribute to the formulation and execution of public policy for the sector.²³

In this regard, the institutions attached to the National MSME Support System serve firms according to their different competencies and support the strategies defined to promote MSME development in the following areas: (i) access to financing; (ii) export promotion; (iii) innovation and technological development; (iv) business development; (v) promotion of entrepreneurship; (vi) promotion of the domestic market; (vii) formalization; and (viii) productive and social inclusion. In 2019, the System as a whole executed funds totalling 42.23 billion Colombian pesos (Col\$ 42.23 billion or approximately US\$ 12.2 billion), serving 1.4 million firms.²⁴ The funds contributed by these institutions represented 3.98% of GDP, exceeding the 3.53% contributed in the previous year (MINCIT, 2019).

²² Law No. 905 of 2 August 2004 amends Law No. 590 of 10 July 2000.

²³ At the public level, the High-level Councils have participation by the Ministry of Agriculture and Rural Development, the Ministry of Labour, the National Planning Department, the National Apprenticeship Service (SENA), Bancóldex, the National Guarantee Fund, and the Administrative Department of Science, Technology and Innovation (Colciencias). The private sector includes the Colombian Association of Small and Medium-Sized Enterprises, the National Federation of Tradespersons, the Colombian Confederation of Chambers of Commerce, and representatives of business people.

²⁴ Each institution submits reports according to its specific areas of action. However, the National MSME Support System does not have an information system that makes it possible to monitor its work as a whole. This generates a complexity, for example, with the allocation of credit, since MSMEs may have credits with several institutions.

Coordinated by MINCIT as the governing body,²⁵ the following public institutions comprise the National MSME Support System: the Ministry of Agriculture and Rural Development; the Ministry of Science, Technology and Innovation (Minciencias); Bancóldex; the National Guarantee Fund, the Agricultural Sector Financing Fund (FINAGRO); the National Apprenticeship Service; and ProColombia. In addition, the councils include representatives from academia, banks, the private sector, and non-governmental organizations (NGOs) engaged in research and technological development.²⁶ In the COVID-19 context, it is also important to mention the Ministry of Information and Communication Technologies (MINTIC) for its role in the digital transformation of MSMEs, in conjunction with MINCIT.

The following is a brief description of the main institutions mentioned and highlights the field of action targeted, especially MSMEs:

Ministry of Trade, Industry and Tourism (MINCIT)

The MSME Directorate of the Office of the Deputy Minister of Business Development is tasked with guiding and implementing strategies to strengthen MSME development. In addition, two autonomous bodies attached to MINCIT, Colombia Productiva (Productive Colombia) and the national government's entrepreneurship and innovation agency, iNNpulsa Colombia, are particularly relevant given the business support mechanisms they provide:

Colombia Productiva was created in 2008 with a mission to promote productivity and competitiveness in industry. Since 2015, it has implemented technical assistance programmes in the framework of the Productive Development Policy²⁷ based on five pillars: productivity, knowledge transfer, quality, linkages and sophistication. iNNpulsa Colombia was created in 2012 to support high-potential entrepreneurs and firms in the growth stage in developing their innovation strategies. It advocates for the importance of transforming the business culture, based on a holistic, innovation-focused vision, to rethink business structures and ways of doing business (CAF, 2015).

Ministry of Information Technologies and Communications (MINTIC)

The Ministry of Information and Communication Technologies (MINTIC) was created in 2009 from²⁸ the former Ministry of Communications, recognizing the role of accessibility and use of information and communication technologies (ICTs) as pillars of the information and knowledge society. Among its functions, MINTIC is in charge of generating policies and programmes to promote the use of ICTs in firms. The ministry has two major strategies for supporting MSMEs: (i) *Empresario Digital* (Digital Entrepreneur), which provides certification in several training areas that promote the use of digital tools for business; and (ii) the MSME Digitalization Plan, which provides training and assistance for MSMEs in setting up websites.

Within this framework, and based on a joint strategy with MINCIT and *iNNpulsa Colombia*—in conjunction with chambers of commerce, business associations, social welfare funds (*cajas de compensación*)²⁹ and higher education institutions—digital business transformation centres are being set up nationwide. This programme began in 2018 as a strategy to support MSMEs in their digital transformation processes. It provides free services, ranging from raising awareness of the importance

²⁵ Based on an annual plan of action, the institutions report results to the MSME Directorate of the Ministry of Trade, Industry and Tourism (MINCIT) in the capacity of Permanent Technical Secretariat of the High-level Councils.

²⁶ Representatives from academia, banks and non-governmental organizations (NGOs) are appointed by MINCIT itself.

²⁷ The Productive Development Policy (CONPES document No. 3866) identifies 90 actions for the entities involved in its implementation, in seven areas: (i) transfer of knowledge and technology; (ii) innovation and entrepreneurship; (iii) human capital; (iv) financing; (v) productive linkages; (vi) quality; and (vii) foreign trade. MINCIT leads 45 of these actions.

²⁸ Law 1341 of 30 July 2009.

²⁹ *Cajas de compensación* are sector-level organizations that provide subsidies and services financed out of employer social security contributions of 4% of their workers' wages.

of the strategic use of ICTs and training to develop digital skills, to the implementation of ICT solutions for the digitalization and automation of processes.

Ministry of Agriculture and Rural Development (Minagricultura)

The Agriculture Sector Financing Fund (FINAGRO) was created in 1990³⁰ and is attached to the Ministry of Agriculture and Rural Development. The Fund operates as a second-tier bank to provide financing for the development of agricultural projects; its regional presence enabled it to reach 98% of the country's municipalities in 2019. FINAGRO works with a dual strategy targeting: (i) the most vulnerable population (rural microentrepreneurs, small and medium emerging producers); and (ii) medium- and large-scale producers.

Ministry of Science, Technology and Innovation (Minciencias)

The Ministry of Science, Technology and Innovation (Minciencias) was created in 2019³¹ as the governing body for the science, technology and innovation sector and coordinator of the National Science, Technology and Innovation System. In terms of MSME support, interest in promoting research and development and innovation in business activities has been reflected recently through Decree 1011 of July 2020,³² which seeks to stimulate private investment in research by granting MSMEs a tax credit for 50% of the investment made.³³

National Guarantee Fund (FNG)

The National Guarantee Fund issues guarantees specifically to support MSME loan applications. Since its creation in 1982, it has evolved continuously to align itself with the conditions and needs of enterprises. In 2020, as a result of the emergency provoked by COVID-19, FNG created the *Unidos por Colombia* (United for Colombia) special guarantee programme targeting own-account workers and formal and informal entrepreneurs. The programme provides guarantees covering up to 90% of payroll and working capital loans.

Bancóldex

Bancóldex was created in 1991 to support business development through financial and non-financial instruments. Through its credit lines, it operates as a second-tier bank and provides financing mechanisms for a series of programmes pursuing four main strategies: fostering MSME development; supporting internationalization processes; promoting sustainable projects; and creative-economy projects.

In the context of the pandemic, Bancóldex created the special credit line *Colombia responde* (Colombia responds), which encompasses a group of national, sectorial and regional financing tools mainly to provide liquidity solutions. Moreover, Bancóldex and *iNNpulsa Colombia* have traditionally collaborated to create credit lines to support entrepreneurship and firms in growth stages. Amid the COVID-19 pandemic, in November 2020 an additional credit line, named *Economía para la gente* (Economy for the people) was launched to support the economic reactivation of MSMEs. Details of this credit line are presented in the next section.

National Apprenticeship Service (SENA)

The National Apprenticeship Service (SENA), attached to the Ministry of Labour, was created in 1957³⁴ and currently has a tripartite structure involving workers, employers and the government. Its

³⁰ Law 16 of 22 January 1990.

³¹ Law 1951 of 24 January 2019.

³² Decree 1011 of 14 July 2020.

³³ The investment may be 50% of the value of a project or 50% of the wages of new staff with a doctoral degree. The tax credit can be used to offset national taxes or can be converted into marketable tax-refund securities.

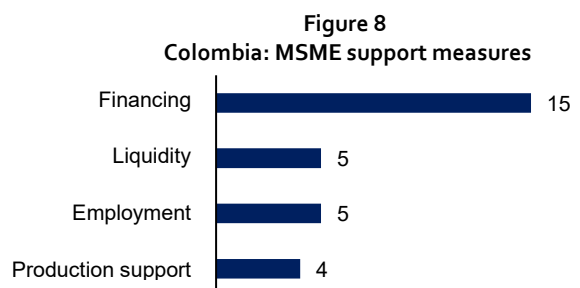
³⁴ Decree 164 of 6 June 1957.

main function is to provide vocational technical training to help enhance individual employability profiles. It also provides business strengthening programmes for SMEs. Currently, SENA is collaborating with MINTIC and MINCIT in the framework of the *Colombia Productiva* programme, to support digital transformation among MSMEs, through virtual technical assistance modules.

B. The COVID-19 context

Colombia declared a state of economic, social and ecological emergency on 17 March 2020 through of Decree 417. Thereafter, a series of legislative decrees were issued, adopting measures targeting specific areas, such as public service delivery; the alleviation of financial, tax and other liabilities; protection of jobs; and access to financing to support the operation and reactivation of economic activities.

Based on a mapping of the MSME support measures implemented by the countries of the region amid the COVID-19 emergency (ECLAC, 2020), the information has been updated and refined, taking into account the constant evolution of the pandemic. In this regard, a total of 29 measures can be identified up to December 2020, most of which are aimed at granting credit.



Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), "Sectors and businesses facing COVID-19: emergency and reactivation", COVID-19 Special Report, No. 4, Santiago, 2020.

Table 14 below presents these measures in greater detail:

Table 14
Colombia: MSME support measures

Category	Measure
Liquidity	<p>Debtor Support Programme: The Financial Superintendency of Colombia instructed credit institutions to establish structural payment solutions by redefining the credit conditions of debtors whose income or payment capacity has been impaired by COVID-19 (Circular 022 of 1 July 2020). The differentiated measures must involve, at least, the reduction of the value of the instalments and no increase in the agreed-upon interest rate, with respect to three groups of debtors: (i) those who can continue with the agreed-upon payment structure; (ii) those whose income or payment capacity has been partly diminished; (iii) and those facing a substantial or total reduction their income or payment capacity.</p> <p>Sales tax (VAT) exemption for certain products (Decree 551 of 15 April 2020)</p> <p>Sales tax (VAT) exemption for hotel and tourist services; restaurants, cafeterias, bakeries and bars (Decree 789 of 4 June 2020).</p> <p>Extension of the deadline for payment of the second income tax instalment until 7 December 2020 for MSMEs (Decree 655 of 13 May 2020).</p> <p>Legal provisions to agree on payment terms in respect of real estate rental for residential or commercial purposes.</p> <p>Seeks to introduce a legal framework for (i) the suspension of rental evictions; and (ii) readjustment, extensions and start of contracts (Decree 579 of 15 April 2020).</p>

Category	Measure																								
Employment	<p>Formal Employment Support Programme (PAEF): subsidy per employee equivalent to 40% of the minimum wage, for firms that have seen their sales drop by at least 20% (Law 2060 of 22 October 2020).</p> <p>Service Premium Payment Support Programme (PAP): a single contribution of Col\$ 220,000 (roughly US\$ 64) is paid to the employer for every worker recognized as beneficiary, that is workers affiliated to the Comprehensive Social Security System in the integrated contributions payroll, with a base income for contributions ranging from the current minimum monthly wage of up to Col\$ 1 million (roughly US\$ 290) (Decree 770 of 3 June 2020).</p> <p>Employers will have additional mechanisms such as reimbursable paid leave; alterations to working hours and wage agreements; reform or suspension of non-legal benefits, and an agreement on conventional benefits (Circular 033 of 17 April 2020).</p> <p>Temporary suspension of pension contributions to improve enterprise cash flow: the rate of contributions to the general pension system is reduced to 3% for April and May. In order to guarantee access to pension insurance services, the 3% payment comprises an employers' contribution of 2.25% and a worker's contribution of 0.75% (Decree 558 of 15 April 2020).</p> <p>Subsistence funds for tourist guides registered in the National Tourism Register: subsidy paid directly to about 1,500 guides in the different departments amounting to Col\$ 585,000 (roughly US\$ 170) (Decree 557 of 15 April 2020).</p>																								
Financing	<p>Agriculture Sector Financing Fund (FINAGRO) Special Credit Line - <i>Colombia Agro Produce</i>: this credit line was launched on 31 March 2020 to maintain the production capacity of the agriculture sector and counteract the effects of the emergency. The rediscount resources provide an interest rate subsidy to small-scale producers to finance working capital. The repayment term is three years with a grace period of 12 months. The maximum subsidy per beneficiary is Col\$ 250 million (roughly US\$ 72,000).</p> <p>Increase in FNG guarantee coverage: Small firms: 80% to 90%. Medium-sized firms: 80% in general, and 90% for those belonging to the affected sectors; Large firms: 90% if they belong to affected sectors. Requirement: revenue reduction of at least 20% between March and November (previously between April and May).</p> <p><i>Unidos por Colombia</i> special FNG guarantee programme - guarantee lines to support loans to MSMEs, self-employed workers and large firms, providing coverage of between 60% and 90%.</p> <table border="1"> <thead> <tr> <th>Bancóldex credit lines</th> <th>Use of funds</th> <th>Total amount</th> <th>Maximum loan amount per firm</th> <th>Term (years)</th> <th>Grace period (months)</th> </tr> </thead> <tbody> <tr> <td><i>Colombia Responde</i></td> <td>Working capital, targeting the productive sectors most affected in March: aviation, tourism, public entertainment and the supply chain.</td> <td>Col\$ 250 billion (roughly US\$ 72 million)</td> <td>MSMEs: Col\$ 3 000 million (roughly US\$ 867 554) Large firms: Col\$ 5 billion (roughly US\$ 1.4 million)</td> <td>3</td> <td>6</td> </tr> <tr> <td><i>Colombia Responde para todos</i> (Colombia responds for everyone)^a</td> <td>Working capital targeting the business sector in general (except for front-line and agricultural sectors).</td> <td>An additional Col\$ 350 billion (roughly US\$ 101 million) SMEs: Col\$ 175 billion (roughly US\$ 50 million) Microenterprises: Col\$ 100 billion (roughly US\$ 28 million) Large firms: Col\$ 75 billion (roughly US\$ 22 million)</td> <td>MSMEs: Col\$ 3 billion (roughly US\$ 867 554) Large firms: Col\$ 5 billion (roughly US\$ 1.4 million)</td> <td>3</td> <td>6</td> </tr> </tbody> </table>	Bancóldex credit lines	Use of funds	Total amount	Maximum loan amount per firm	Term (years)	Grace period (months)	<i>Colombia Responde</i>	Working capital, targeting the productive sectors most affected in March: aviation, tourism, public entertainment and the supply chain.	Col\$ 250 billion (roughly US\$ 72 million)	MSMEs: Col\$ 3 000 million (roughly US\$ 867 554) Large firms: Col\$ 5 billion (roughly US\$ 1.4 million)	3	6	<i>Colombia Responde para todos</i> (Colombia responds for everyone) ^a	Working capital targeting the business sector in general (except for front-line and agricultural sectors).	An additional Col\$ 350 billion (roughly US\$ 101 million) SMEs: Col\$ 175 billion (roughly US\$ 50 million) Microenterprises: Col\$ 100 billion (roughly US\$ 28 million) Large firms: Col\$ 75 billion (roughly US\$ 22 million)	MSMEs: Col\$ 3 billion (roughly US\$ 867 554) Large firms: Col\$ 5 billion (roughly US\$ 1.4 million)	3	6						
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Financing	<table border="1"> <thead> <tr> <th>Bancóldex credit lines</th> <th>Use of funds</th> <th>Total amount</th> <th>Maximum loan amount per firm</th> <th>Term (years)</th> <th>Grace period (months)</th> </tr> </thead> <tbody> <tr> <td>Reactivate^b</td> <td>Costs associated with the implementation of biosecurity measures, including consulting fees for protocol definition and certifications.</td> <td>Col\$ 7 600 million (roughly US\$ 2 million).</td> <td>Up to Col\$ 80 million (roughly US\$ 22 863).</td> <td>3</td> <td>6</td> </tr> <tr> <td>Mipymes competitivas (Competitive MSMEs)^c</td> <td>Fixed assets Investment in biosecurity Sustainable development, energy efficiency and renewable energy projects.</td> <td>Col\$ 300 billion (roughly US\$ 86.7 million).</td> <td>Col\$ 3 billion Col\$ 3 billion (roughly US\$ 867 238).</td> <td>3-7</td> <td>12-18</td> </tr> <tr> <td>Economy for the people^d</td> <td>Working capital (raw materials, supplies, payroll and other operating costs and expenses) Investment in fixed assets, including biosecurity investments.</td> <td>Col\$ 78 billion (roughly US\$ 23 million)</td> <td>Col\$ 50 million (roughly US\$ 15 000).</td> <td>3</td> <td>12</td> </tr> </tbody> </table>	Bancóldex credit lines	Use of funds	Total amount	Maximum loan amount per firm	Term (years)	Grace period (months)	Reactivate ^b	Costs associated with the implementation of biosecurity measures, including consulting fees for protocol definition and certifications.	Col\$ 7 600 million (roughly US\$ 2 million).	Up to Col\$ 80 million (roughly US\$ 22 863).	3	6	Mipymes competitivas (Competitive MSMEs) ^c	Fixed assets Investment in biosecurity Sustainable development, energy efficiency and renewable energy projects.	Col\$ 300 billion (roughly US\$ 86.7 million).	Col\$ 3 billion Col\$ 3 billion (roughly US\$ 867 238).	3-7	12-18	Economy for the people ^d	Working capital (raw materials, supplies, payroll and other operating costs and expenses) Investment in fixed assets, including biosecurity investments.	Col\$ 78 billion (roughly US\$ 23 million)	Col\$ 50 million (roughly US\$ 15 000).	3	12
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In April, three specific guarantee lines were launched to support business financing:

Guarantee line	Total amount	Coverage	Amount per firm	Term (months)	Grace period (months)
MSME payrolls	Col\$ 12 trillion (roughly US\$ 3,277 billion)	90%	Up to Col\$ 2 billion (roughly US\$ 577 013)	36	6
MSME working capital	Col\$ 3 trillion (roughly US\$ 819 billion)	80%	Col\$ 2.4 billion (roughly US\$ 692 416)	36	4
Self-employed workers	Col\$ 1 trillion (roughly US\$ 273 billion)	80%	Up to 25 minimum wages with traditional financial intermediaries and up to Col\$ 4.5 million (roughly US\$ 1 298) through Fintechs.	36	Agreed on with intermediary

In July, three additional credit lines were launched for sectors that have been unable to resume their activities, and large firms were incorporated as beneficiaries:

Guarantee line	Use of funds	Total amount	Coverage	Maximum loan amount	Term (months)	Grace period for principal (months)
Most affected sectors – MSMEs	Restaurants entertainment and accommodation sectors; to support working capital	Col\$ 1 trillion	90%	From a minimum of Col\$ 21.9 million (roughly US\$ 6 320) up to Col\$ 4.4 billion (roughly US\$ 1.2 million) in credit value	60	12
Large firms	Working capital and investment in fixed assets	Col\$ 5 trillion	80%	Up to 12% of income from ordinary activities or a maximum of Col\$ 100 000 million in credit value	60	6
Most affected sectors – Large firms	Working capital and investment in fixed assets	Col\$ 1 trillion	80%	Col\$ 36 billion (roughly US\$ 10 million)	60	12

EMERGE credit line (National Federation of Tradespersons (FENALCO), Fintech Referencia, Banco Caja Social): the initiative was launched in July 2020 and is backed by *iNNpulsa Colombia* and FNG to make loans of between Col\$ 1 million and Col\$ 21.5 million (roughly US\$ 288 - US\$ 6,205). The credit line targets self-employed workers (80% coverage) and microentrepreneurs (90% coverage).

Compromiso Colombia (Colombia commitment): credit line provided by Banca de Desarrollo Territorial – FINDETER, with rediscount resources and total funding of Col\$ 713 billion (roughly US\$ 205.7 million) for: (i) working capital: Col\$ 461 billion (roughly US\$ 133 million), with a 7-year term and a grace period of up to 2 years; and (ii) investment: Col\$ 252 billion (roughly US\$ 72.7 million), with a term of up to 12 years and principal grace period of up to 2 years.

Support production support	<p>Business transformation is pursued through certification processes in biosecurity protocols - biosecurity seal: technical assistance programme for the implementation of quality improvement actions, which aims to benefit 500 MSMEs per year.</p> <p>Estrategia Compra Lo Nuestro (Buy what's ours): strategy led by <i>Colombia Productiva</i> that provides e-commerce and digital transformation tools for MSMEs, through a cost-free platform that promotes the online purchase of domestic products. This strategy was strengthened in 2020 to enhance the connection between suppliers and buyers; for the digital transformation of businesses; and to receive free bar codes; among other items.</p> <p>Digital Business Transformation Centres (CTDEs) (MINCIT/MINTIC/<i>iNNpulsa</i>): the second phase of implementation of the CTDEs was launched in August with an investment of Col\$ 8 billion (roughly US\$ 2.3 million) to impact 10,000 MSMEs with the programme's tools. Includes a diagnostic assessment of the firms' digital maturity and a transformation plan specific to their activity.</p> <p>Support for the tourism sector:</p> <p>Biosecurity Seal - Check-in Certificate: a voluntary seal supported by the World Tourism Organization, based on national biosecurity protocols specific to each sector of the tourism value chain (Resolution 576 of 27 May 2020).</p> <p><i>Ruta Exportadora en Turismo</i> (Export route in tourism). The <i>Procolombia</i> service is adapted to offer virtual training modules that respond to the needs of entrepreneurs and business people in the tourism sector, amid the current situation caused by the pandemic. It provides tools for entrepreneurs to develop plans to refocus and redesign the supply of tourism products and experiences, recognizing the new type of consumer and the change in market behaviour.</p>					
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Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), "Sectors and businesses facing COVID-19: emergency and reactivation", COVID-19 Special Report, No. 4, Santiago, 2020; and official information.

^a Circular 006 of 2 April 2020.

^b Circular 020 of 19 June 2020.

^c Circular 030 of 10 August 2020.

^d Circular 045 of 12 November 2020.

C. Interview: micro, small and medium-sized enterprise directorate

1. Experience in implementing measures

Micro, small and medium-sized enterprises account for 99.6% of Colombia's business fabric and generate 79.1% of total employment.³⁵ Since the declaration of the COVID-19 state of emergency, the government has placed special emphasis on measures to: (i) support liquidity and generate financing alternatives for firms, mainly MSMEs; and (ii) protect the employment of the most vulnerable sectors, considering that 42.4% of workers are self-employed and 56.4% are not wage earners (Decree 417).

However, the need to maintain the lockdown and its consequent impact on economic activities also accentuated worries about the deterioration of formal employment, owing to the total or partial closure of small, medium-sized and even large firms. Accordingly, as the health emergency has evolved the measures have been successively adjusted, incorporating large firms from the affected sectors, and providing tools to move from response to economic reactivation.

The following tables describe some of the support measures that were highlighted during the open dialogue with the representative of MINCIT's MSME Directorate. For ease of analysis, the measures have been grouped into two broad categories: technical support and financial support, as presented in the following tables.

Institution	Post	Name
Micro, Small and Medium-Sized Enterprise Directorate of the Ministry of Trade, Industry and Tourism	Director	Sandra Acero Walteros

Table 15
Colombia: technical support initiatives to address the effects of COVID-19

Initiatives	Description
Biosecurity	<p><i>Support for the creation of biosecurity protocols for business reopening</i></p> <p>The implementation of biosecurity protocols implies generating conditions appropriate to the specifics of each sector. The private sector contribution and the review with trade associations to generate the appropriate protocols was essential for this purpose.</p> <p>The implementation of the protocols has a financial support component, involving the launch of special credit lines to support entrepreneurial efforts: <i>Reactivar, Mipymes Competitivas, Economía para la gente</i> (further details are provided in the following table on financial support).</p> <p>As of June, 186,641 manufacturing, trade and service firms had been authorized to resume their activities.</p> <p><i>Biosecurity quality seals programme</i></p> <p>Expected to support the implementation of biosecurity protocols, with the certification of 500 MSMEs per year.</p> <p>Non-reimbursable co-financing provided to obtain the biosecurity seal and technical assistance in implementing quality improvement actions.</p> <p>Free certification by conformity assessment bodies, with verified compliance</p> <p><i>Línea de confianza</i> (Trust phone line)</p> <p>Through an alliance between <i>Colombia Productiva</i> and the Colombian Institute of Technical Standards and Certification (ICONTEC), the trust phone line was created as a free hotline to provide information on procedures and requirements, as well as expert guidance on the process of implementing biosecurity protocols for business reopening.</p> <p>The hotline currently has the capacity to handle at least 3,000 queries per month.</p>
Entrepreneurship	<p><i>Entrepreneurship Law</i></p> <p>Draft law submitted in July and approved on 11 December 2020.</p> <p>The law is viewed as the tool making it possible to consolidate entrepreneurship as one of the pillars of economic reactivation.</p> <p>The aim is to establish a regulatory framework to promote entrepreneurship and MSME growth, consolidation and sustainability, based on five key areas: (i) access to the public procurement market; (ii) financing measures; (iii) reform of the regulatory framework; (iv) education; and (v) skill development for entrepreneurs.</p>

³⁵ Official information sent by the MINCTI MSME Directorate, in follow-up to the interview held in October 2020.

Productivity	<p><i>Dona un Consejo Productivo</i> (Share a production tip) campaign <i>Colombia Productiva</i> initiative launched in April 2020 to promote an exchange of best practices between entrepreneurs. Sharing knowledge, opinions and suggestions through the <i>Colombia Productiva</i> networks is encouraged. Entrepreneurs, trade associations, chamber of commerce members, productivity experts and citizens in general can participate through a registration form.</p> <p><i>Productivity Factories Programme</i> Existing programme in the framework of <i>Colombia Productiva</i>, which provides assistance and specialized consulting to improve productivity. Its lines of work are: labour and operational productivity, commercial strategy, quality, logistics, energy efficiency, sophistication, digital transformation and sustainability. The programme has remained operational during the pandemic, serving 1,220 firms in 2020, 93% of which are MSMEs.</p>
Digital transformation	<p><i>Digital Business Transformation Centres</i> Initiative that began in 2018 through the operation of 18 centres, as a result of collaboration between MINCIT, MINTIC and <i>iNNpulsa</i>. Since August 2020, 14 centres have started operations with an investment of Col 8 billion (roughly US\$ 2.2 million). The centres provide individual technical assistance to support the implementation of technologies in MSME processes, as a long-term strategy. The tools include: (i) diagnostic assessment of the digital status of the business; (ii) formulation of the digital transformation path; (iii) training to develop digital skills; (implementation of technological solutions); and (iv) support in the implementation of the transformation plan.</p> <p><i>Compra lo nuestro</i> platform The <i>Compra lo nuestro</i> campaign was launched in 2018 as a strategy to increase the demand for domestically produced goods. The platform, which is one of the main components of the strategy, began operations in 2019, with a view to enhancing the connection between supply and demand, mainly by reducing information barriers. The platform provides free access to an information catalogue that makes it possible to ascertain the demand for products and services of other firms; find partners and potential customers; identify suppliers of inputs and support services; and apply directly for financing from five associated banks (BBVA, ScotiaBank, Banco de Occidente, Banco de Bogotá and Bancóldex). The aim is to promote integration in local, regional and global value chains. There are currently over 13,500 firms registered, from 30 of Colombia's departments, of which more than 87% are MSMEs. In the context of the pandemic, dissemination of the platform has been enhanced and some additional services have been incorporated, such as: procurement notices for health entities; specialized community for the health sector; digital acceleration and incursion into e-commerce. <i>Yo me quedo en mi negocio</i> (I'm staying in my business). Platform launched in March 2020 specifically to support the reactivation of small businesses affected by the pandemic. The platform seeks to connect supply and demand, providing information on sector behaviour. It also provides technological tools to facilitate e-commerce, such as activation of payment buttons both for home use and for permanent businesses.</p>

Source: Prepared by the authors, on the basis of information from an interview with a Ministry of Trade, Industry and Tourism representative.

Table 16
Colombia: financial support initiatives to address the effects of COVID-19

Initiatives	Description
Support for formal employment	<p><i>Formal Employment Support Programme (PAEF)</i>: This programme is mainly aimed at alleviating social security costs, to support the continuity of business operations. It pays a subsidy of 40% of the minimum wage per worker to firms suffering a reduction in turnover of at least 20%. As of August 2020, a total of 134,369 enterprises (legal and natural persons) had accessed the subsidy, and 3.3 million formal jobs had been protected. Finance provided for the payment of payrolls amounted to Col\$ 3.1 billion pesos, of which 52.5% went to MSMEs. In September, the programme was extended until March 2021, along with new benefits under a sectoral and gender focus: Firms that reincorporate or keep women on their payroll will receive an additional 20% subsidy per worker. Sectors such as tourism, gastronomy, hotels, art, entertainment and recreation will receive a 70% subsidy.</p>
Co-financing of innovation projects	<p><i>SENAInnova programme</i> Within the <i>Colombia Productiva</i> framework, this programme provides co-financing for projects that lead to innovation, technological development or the sophistication of processes, products or services, through the incorporation and transfer of knowledge and technologies. Co-financing is up to Col\$ 200 million (roughly US\$ 57,000) per project: up to 90% MSMEs and up to 50% large firms. An open call for proposals was issued until September 2020, and 120 projects are currently being evaluated.</p>

Expansion of loan amounts and guarantee coverage	Prior to the declaration of emergency, liquidity support was directed mainly to the tourism sector and airlines. Eligibility was extended to all sectors following the declaration of the state of emergency, and evolved in terms of increased loan amounts and guarantee coverage. Currently there is a guarantee coverage of up to 90% of the loan, which is unprecedented and also includes large firms.
Credit lines with territorial considerations	Nine regional credit lines were created in partnership with governors' and mayors' offices, so that local entities can also allocate resources to satisfy conditions and needs that are specific to the regions in question. Collaboration with the local authorities to ensure that, within the framework of the special credit lines created, the credit definitions are adjusted to what is to be supported at the local level. Thus, while commercial banks offer rediscount lines according to their own policies, the requirements (circulars) are adjusted to the conditions of the territories.
Allocation of resources to support biosecurity strategies	<i>Reactivate credit line - Bancóldex</i> This loan is intended for the physical adaptation of facilities, acquisition of inputs and protective equipment, and payment of biosecurity certifications by sector. The initial total size of the credit line was Col\$ 7.6 billion (roughly US\$ 2 million). In two months since its launch in June 2020, over 90% of the fund was disbursed, benefiting a total of 160 MSMEs (54% small, 38% micro and 8% medium-sized). In September, additional funding was provided (Col\$ 7 billion - approximately US\$ 2 million) to continue supporting business reopening and the implementation of biosecurity protocols. <i>Mipymes competitivas credit line - Bancóldex</i> The loan seeks to provide financial solutions to develop investment plans for the recovery of production. Funds may be used for: purchase or rental of real estate; machinery and equipment; adaptations and improvements; investments in biosecurity (inputs and adjustments); sustainable development, energy efficiency and renewable energy projects. Fintech entities linked to Bancóldex are included under the direct credit mechanism. <i>Línea iNNpulsa para Microempresas - Economía para la Gente - Bancóldex:</i> Funds can be used for: (i) working capital, which may include costs and expenses associated with the implementation of biosecurity measures, protocols and certifications; and (ii) modernization, which involves investments in fixed assets to help resume the activity, including biosecurity investments to guarantee the firm's operations. The credit line includes a microfinance credit facility
Credit for self-employed workers	Credit line from the <i>Colombia Emprende</i> (Colombia ventures) and <i>Innova</i> programme Col\$ 1.5 billion with 80% coverage of the <i>Unidos por Colombia</i> special guarantee programme. Maximum amount per firm of Col\$ 4.5 million
Credit through non-traditional entities	Microfinance institutions: a credit fund is provided for microfinance institutions through FNG. Fintech: the local Fintech industry has grown by more than 40% during the pandemic. The aim is to take advantage of its incorporation to promote greater financial inclusion.

Source: Prepared by the authors, on the basis of information from an interview with a Ministry of Trade, Industry and Tourism representative.

2. Challenges and considerations for recovery

Although government support for MSMEs initially targeted financing for urgent and immediate issues, the measures have been adjusted to the dynamic of the pandemic, with the aim of responding to the needs of the different actors in a differentiated manner. In general terms, about Col\$ 1.37 trillion (roughly US\$ 380 million) was made available through special credit lines, of which Col\$ 1.1 trillion (roughly US\$ 301 million) had been disbursed up to October, with 83% going to MSMEs.

Although the credit lines were initially targeted to working capital (raw materials, payroll, rental and other operating expenses) to confront the emergency, later there was a transition towards funding for the development of investment plans anticipating the resumption of activities. In terms of non-financial services, the deployment of existing tools and instruments has been accelerated, especially within the framework of enterprise digital transformation.

Table 17, below, shows the main issues highlighted in the interview, from the standpoint of their contribution to the development of economic reactivation strategies.

Table 17
Colombia: implementation challenges and considerations for economic reactivation

Strategies	Implementation achievements	Challenges	Considerations
Business financing	<p>Participation by local stakeholders</p> <p>Regional credit lines adjusted to local conditions</p> <p>Contribution of resources and strategic definitions by local stakeholders</p> <p>Differentiated credit</p> <p>Evolution of second-tier banking towards direct credit to MSMEs.</p> <p>Access to financing for the self-employed</p> <p>Strengthening of guarantee fund</p> <p>Expansion of coverage</p> <p>Access to FNG-backed credit for MSMEs and large firms, as well as entrepreneurs and self-employed workers.</p> <p>Progress on financial inclusion</p> <p>Placement of loans through non-traditional entities, such as microfinance institutions and Fintechs.</p> <p>Resources for economic reactivation</p> <p>Capacity to have resources for investment in fixed assets and innovation in line with the implementation of biosecurity protocols.</p>	<p>Although the economic situation has made it possible to include more people in financial services, formalization remains a fundamental issue in the process of accessing benefits.</p> <p>The growth of Fintechs calls for a review of a specific regulatory framework</p>	<p>It is important to continue to pay attention to the self-employed and to design a public policy for this segment.</p> <p>A high-level committee has been set up to analyse other alternatives apart from credit (bond guarantees, rescue measures, etc.).</p>
Business transformation	<p>Promoting the adoption of adjustments to the new normality</p> <p>Protocols for operational reactivation at the sector level</p> <p>Biosecurity seals and certifications</p> <p>Leveraging business opportunities</p> <p>Increased promotion of e-commerce</p> <p>Promote the use of platforms to connect buyers and sellers (<i>Compra lo nuestro, Yo me quedo en mi negocio</i>).</p> <p>Accelerating digital transformation</p> <p>Increased awareness of the importance of digital technologies has boosted existing training programmes</p> <p>During the first phase of implementation of the Digital Business Transformation Centres in 2019, 18 centres were successfully operated. Transformation plans were created for 11,400 entrepreneurs, surpassing the goal of 10,000 established. Recently 14 new CTDEs have been launched.</p>	<p>Continuing to strengthen digital capacity building</p> <p>Promote e-commerce as a marketing channel with greater emphasis on its enablers (consulting, financing and regulatory improvement).</p>	<p>Increase the adoption of biosecurity seals.</p> <p>Support for the tourism sector:</p> <p>National and international promotion campaigns</p> <p>Incentive plan for reactivation</p> <p>Strengthening tourism information systems</p> <p>Sustainable tourism policies</p> <p>Integrated programmes of destination management</p> <p>Tourism infrastructure policy</p>

Source: Prepared by the authors, on the basis of information from an interview with a Ministry of Trade, Industry and Tourism representative.

VIII. MSME support policies amid COVID-19 in Costa Rica

A. MSME strategic frameworks

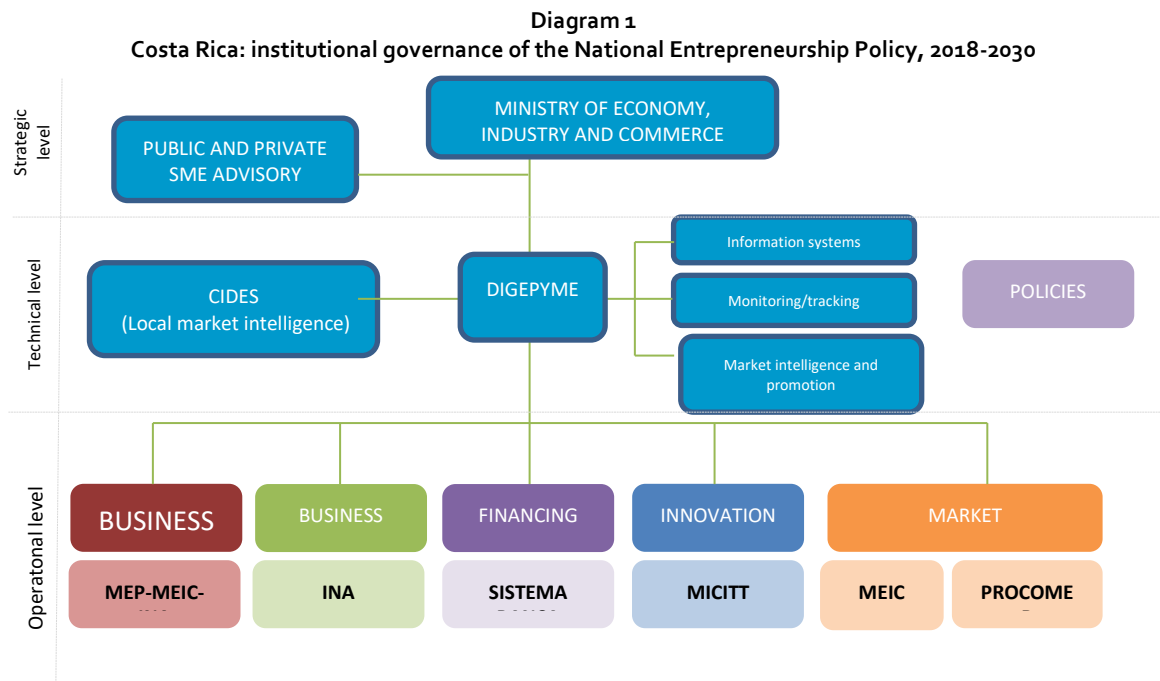
In 2002, Costa Rica established the public policy framework of action to foster the development of MSMEs by law. Law No. 8262 on Strengthening Small and Medium-Sized Enterprises underscores the role of the Ministry of Economic Affairs, Industry and Commerce (MEIC) as the highest authority tasked with formulating, coordinating and supervising policy execution, through the Directorate-General for Support to Small and Medium Enterprises (DIGEPYME). A Joint Advisory Council for SMEs is also created, comprising representatives from the public, private, financial and academic sectors; and the roles of a number of institutions, such as the Foreign Trade Corporation of Costa Rica (PROCOMER), the National Apprenticeship Institute (INA) and Banco Popular y de Desarrollo Comunal, are amended to specifically incorporate SME support according to their areas of competency.

Although Law No. 8262 creates specific instruments, such as the Fund for the Development of Micro, Small and Medium Enterprises (FODEMIPYME), under the responsibility of Banco Popular y de Desarrollo Comunal, and the Programme for the strengthening of SME innovation and technological development (PROPYME) attached to the Ministry of Science, Technology and Telecommunications (MICITT), the regulatory framework in general has served as both foundation and support for the implementation of strategies for MSMEs for over 10 years. In this context, several institutions contribute to the business development environment through different lines of work, coordinated by the MEIC as the governing body. The following is a brief description of the key institutions:

Ministry of Economic Affairs, Industry and Commerce (MEIC)

The Ministry of Economic Affairs, Industry and Commerce (MEIC) is responsible for steering and guiding the actions of the entities and bodies of central and decentralized administration and private entities to promote business development, especially among SMEs.

The National Entrepreneurship Policy 2018-2030 (PNE), which is the current policy framework supported by Law No. 8262, provides for institutional governance under MEIC leadership (diagram 1). This specifies the operational participation of other public institutions, based on categories of interaction to support business development, including entrepreneurship. The categories are: access to and supply of financing; promotion of a business culture; support for business management; human capital; and market. The Policy also lays down strategic guidelines in seven areas of action: (1) strengthening institutional steering and coordination; (2) improving the business climate; (3) promoting a business culture and mentality; (4) developing entrepreneurial capacities and business management; (5) permanently improving the financial environment with credit products; (6) promoting innovation and closing technological gaps; and (7) fostering the harmonization of production and access to markets.



Source: Ministry of Economic Affairs, Industry and Commerce, Política Nacional de Empresariedad 2030: Administración Alvarado Quesada 2018 -2022, San José, 2020.

Development Banking System (SBD)

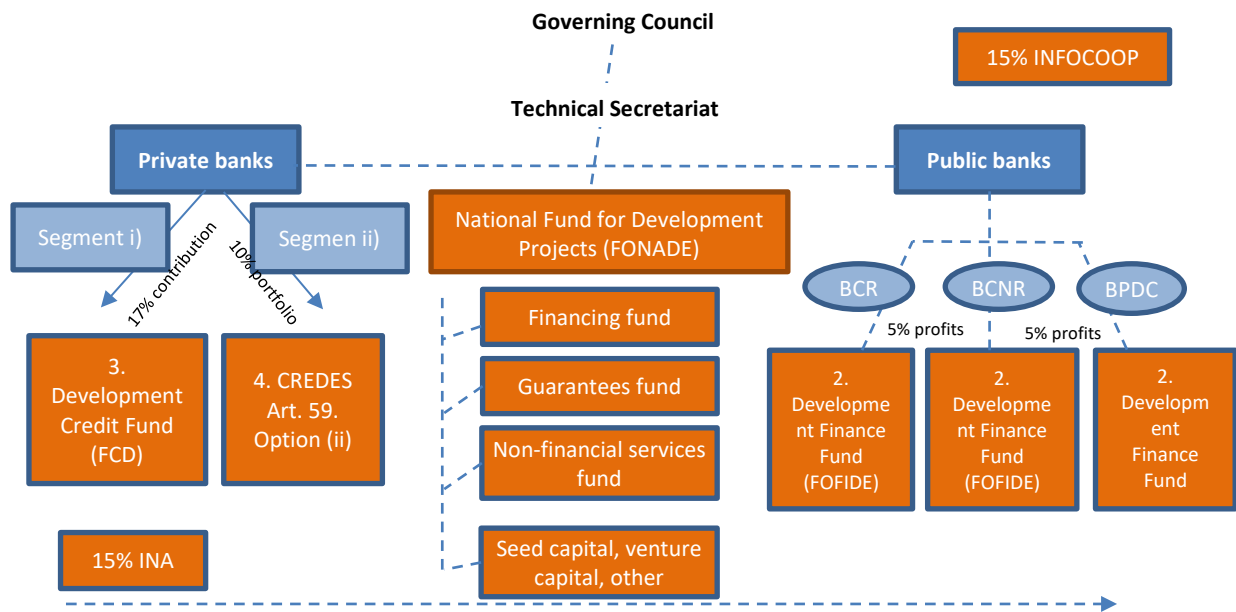
The Development Banking System (SBD) was created by law in 2008 with the aim of providing a mechanism to finance and promote production projects in a comprehensive and coordinated manner between public and private financial intermediaries, as well as public institutions providing non-financial and business development services.³⁶ The system’s Governing Council oversees the design of relevant policies and actions to channel resources to entrepreneurs, MSMEs, and micro, small and medium-scale farmers. The Governing Council consists of authorities from MEIC and the Ministry of Agriculture and Livestock and the Chamber of Industries, representatives of the National Chamber of Agriculture and Agribusiness, and an independent member appointed by the Governing Council from a shortlist of three from the Association of Economic Science Professionals.

³⁶ The Development Banking System was created in 2008 through Law No. 8634 and has since been amended by Law No. 9274 of 2014 and Law No. 99654 of 2019.

The Development Banking System’s funding sources include contributions from public and private banks (diagram 2).

- *Public banks:* SBD requires every public bank to create a Development Finance Fund (FOFIDE) financed with 5% of its net profits.
- *Private banking:* SBD establishes two ways for private banks to contribute funds to the system: (i) by allocating 17% of their total deposits to the Development Credit Fund (FCD),³⁷ which is administered by a public bank chosen by the Board of Directors; or (ii) by putting 10% of their deposits into a loan portfolio of their own, targeted to SMEs at preferential rates administered by each bank.
- *National Fund for Development Projects (FONADE):* SBD also creates an autonomous capital fund administered by the Technical Secretariat of the Governing Council. FONADE deploys its resources mainly to finance lending operations; capital for issuing guarantees; non-financial and business development services; and the promotion of seed capital and venture capital.

Diagram 2
Costa Rica: functional organization of the Development Banking System



Fuente: Development Banking System.

In addition, the National Apprenticeship Institute (INA) and the National Institute for Cooperative Development (INFOCOOP) are identified as the key SBD collaborators, and are required to allocate at least 15% of their annual budgets to support the implementation of programmes targeted to SBD beneficiaries.

³⁷ Article 59, Law No. 1644, Organic Law of the National Banking System.

National Apprenticeship Institute (INA)

The National Apprenticeship Institute has been tasked with promoting vocational training and education nationally since the 1960s. Under Law No. 8262 and in the PNE, it is responsible for providing technical assistance programmes to support business management; and as an SBD partner, it allocates a minimum of 15% of its regular and extraordinary annual budget for the implementation of activities and services to MSEs and producers.

The execution of funds obtained from the 15% allocated to SBD is approved by the Governing Council within a general framework of activities for priority development. These activities are: promotion of the business culture; use of entrepreneurship laboratories to support technology transfer in the formulation and implementation of business ideas; business training and education programmes; technical advice and support; and the creation of an INA administrative area specializing in development banking.³⁸

In general terms, INA's main lines of action are as follows:

- Training for employment: generating skills and competencies to make a person attractive in the labour market.
- Training: provide access to knowledge that makes it possible to identify what is needed to create a line of business.
- Ongoing support: to make the most of the knowledge acquired with commitment and co-responsibility.
- Access to finance: leveraging funds for implementation.

Foreign Trade Corporation of Costa Rica (PROCOMER)

The Foreign Trade Corporation of Costa Rica (PROCOMER) has had general responsibility for promoting Costa Rican exports since 1996. In the case of exporting SMEs, or those with export potential, it focuses specifically on supporting their internationalization process by providing information, services, training, and promotion at international fairs.

Ministry of Science, Technology and Telecommunications (MICITT)

The PROPYME Programme created by Law No. 8262 is a budgetary transfer from the central government to the Ministry of Science, Technology and Telecommunications (MICITT), for the purpose of creating a fund to provide non-reimbursable financial support for technological development and innovation projects. Annual calls for proposals are made, in which only MSMEs registered with MEIC are eligible for funding. Projects are evaluated and approved by the National Council for Scientific and Technological Research (CONICIT), which consists of five individuals appointed by the Government Council.

B. The COVID-19 context

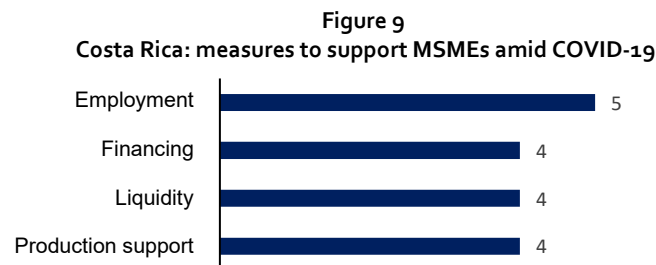
The first case of COVID-19 infection in Costa Rica was confirmed on 6 March 2020, and a national emergency was declared through Executive Decree 42227 on 16 March. In April, MEIC conducted a survey to analyse the degree to which firms were affected, through an online questionnaire sent to the universe of 21,155 active SMEs registered in the Costa Rican Business Information System (SIEC) as of March 2020.

³⁸ Agreement No. AG-1331-167-2015. SBD Governing Council policies and guidelines for the execution of INA resources allocated to the SBD.

The most recent study of the status of SMEs, conducted by MEIC in 2019, shows that less than 10% of MSMEs are SIEC-registered. In this context, the survey elicited complete replies by just 13% of the firms surveyed, most of them being microenterprises, followed by SMEs.³⁹ Of these firms, 61% reported having been in business for more than five years and 16% for less than two; in sectoral terms, 43% were in the service sector, 39% in commerce and 8% in tourism.

Despite data shortcomings and the fact that the survey was conducted shortly after the national emergency decree, the results already contained a number of warning variables. For example, as a consequence of the mobility restrictions and their effect on the level of sales, it became clear that nearly 80% of the registered SMEs that responded to the survey were selling directly, and only 3% mentioned having already implemented digital platforms. In terms of the impact on employment, 25% of the firms that responded at that time reported a payroll cut of more than 75%.

The strategies adopted by the government to respond immediately to the pandemic include measures to support the needs of businesses in terms of maintaining their operations, mitigating their financial burdens and safeguarding employment. Based on a mapping of the MSME support measures implemented by the countries of the region amid the COVID-19 emergency (ECLAC, 2020), the information has been updated and refined, taking into account the constant evolution of the pandemic. In this regard, a total of 17 support measures with a business focus can be identified for Costa Rica up to December 2020.



Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), "Sectors and businesses facing COVID-19: emergency and reactivation", COVID-19 Special Report, No. 4, Santiago, 2020.

While some measures arise in response to the emergency, such as specific fiscal and tax relief, and measures to facilitate compliance with social obligations, others are the result of adjustments based on existing support tools or regulations. These include the relief programme and alternatives for accessing SBD financing. Table 18, below, gives the main details of these measures.

³⁹ Of a total of 2,718 complete responses, 62% came from microenterprises, 32% from small businesses and 3% from medium-sized enterprises (MEIC, 2020).

Table 18
Costa Rica: MSME support measures

Category	Measure
Liquidity	<p>COVID 19 Tax Relief Law: moratorium on the payment of value-added tax (VAT), income tax and tariffs for April, May and June (Law No. 9830).</p> <p>Temporary reduction of social charges: initially the suspensions was to last for three months; then, in June, an extension for three months was approved subject to application and affidavit.</p> <p>Three-month moratorium on the payment of electricity charges for industry and commerce.</p> <p>Suspension of collection actions and fines for non-payment of utility charges.</p>
Employment	<p>Law authorizing a reduction in working hours: three-month reduction in working hours by 50% in firms suffering a reduction of at least 20% in gross income relative to 2019; and 75% for a 60% reduction in gross income with respect to 2019 (Law 9832 of 21 March 2020). In June, an extension for a further three months was approved subject to application and affidavit.</p> <p>Regulation on suspension of contracts adjusted to the context of COVID-19 (Decree 42248-MTSS of 19 March 2020).</p> <p>Reduction of the Minimum Tax Base (BMC): BMC is the base wage at which workers must contribute for health insurance and pensions. For employer payrolls, BMC is reduced to 25% with respect to the February 2020 amount; for voluntary insured and independent workers, its is reduced to 75% (March 19, 2020).</p> <p><i>Proteger bonus</i>: temporary unemployment subsidy to contribute to social protection for households affected by the change in their working conditions and/or income as a result of the COVID-19 emergency. The bonus targets individuals who have been laid off, employees whose employment contract has been temporarily suspended, employees with reduced working hours, self-employed workers, and temporary or informal workers affected by COVID-19 (Executive Decree 42329-MTSS-MDHIS of 29 April 2020).</p> <p>Draft law to allow payment from the labour capitalization fund to workers affected by the economic crisis, if their employment contract is suspended (File 21.874).</p>
Financing	<p>Refinancing of credit operations with SBD resources.</p> <p>In May, an injection of 900 billion colones (C 9 billion, or approximately US\$ 1.493 billion) was announced to provide guarantees for production-oriented loans at preferential rates.</p> <p>SBD First Impact Programme: channels C 8 billion (roughly US\$ 13.2 million) for the economic recovery and reactivation of business and productive activities. Operations include both portfolio and individual guarantees. Details are presented in the following section.</p> <p>On September 16, a US\$ 300 million credit agreement was signed between the government and the Central American Bank for Economic Integration (CABEI), which will form the basis for creating a National Guarantees Fund.</p>
Production support	<p>Streamlining of 119 procedures through affidavits (Directive No. 085 of the Ministry of National Planning and Economic Policy (MIDEPLAN) - Ministry of Economic Affairs, Industry and Commerce, of 14 May 2020). 55% of the procedures are considered to have a direct impact on the development of productive activities.</p> <p>AGROINNOVA 4.0 Programme: to promote the improvement of agricultural productivity and sustainability through the use of high technology, human capital formation, applied research and specialized support.</p> <p>Design of the SBD's <i>Neobanco</i> financial platform: to enhance the connection between supply and demand and facilitate microcredit operations for the production sector. This is a 100% digital first-tier direct bank that will grant short-term working capital loans to MSMEs.</p> <p><i>Alivio</i> Programme: provides relief to firms affected by COVID-19, in three stages (stabilization, restructuring and acceleration) to be implemented over 1 year. The first stage of the programme will provide non-reimbursable funds and specialized business support to 200 exporting MSMEs or those with export potential, as well as MSME farming units. It is an interagency effort between PROCOMER, INA and SBD.</p>

Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), "Sectors and businesses facing COVID-19: emergency and reactivation", COVID-19 Special Report, No. 4, Santiago, 2020; and official information.

C. Institutional interviews

In Costa Rica, it was possible to interview representatives of three key public institutions on MSME support measures: MEIC, SBD and INA.

Institution	Post	Name
Ministry of Economy, Industry and Commerce (MEIC)	Director Directorate-General of Small and Medium Enterprises	Gabriela Leon
National Apprenticeship Institute (INA)	Deputy Administrative Manager	David Hernández
Development Banking System (SBD)	Executive Management Assistant	Luis Ramírez Vega

1. Experience in implementing measures

Acting through DIGEPYME, MEIC collaborates with other public actors on the implementation of all measures to support MSMEs under the National Entrepreneurship Policy. In the context of the emergency, it seeks to align the various programmes to contribute to the post-COVID recovery of the business fabric. In this regard, MEIC mainly emphasized the role of development banks as key actors in the pandemic, while MSMEs stressed debt restructuring and access to credit as among their most pressing needs in the survey conducted in April 2020. The SBD Governing Council approved a plan of action to support MSEs in coping with the economic effects of COVID-19.⁴⁰

In contrast, INA generates business management support services, and therefore acts as a strategic enabler. Although the instruments targeting MSMEs are decided on by MEIC as the governing entity, INA has specific responsibilities that enable it to experience the effectiveness of programme implementation close at hand. Its role in the context of COVID-19 is thus fundamental. In response to the current needs of firms, INA has hastened the implementation of several programmes, easing conditions for accessing its existing training alternatives through virtual tools and by offering scholarships funded by SBD.

The following are the results of the dialogue held with the representatives of the three institutions. For ease of analysis, the measures are divided into two broad categories: technical support and financial support.

Table 19
Costa Rica: technical support initiatives to address the effects of COVID-19

Initiatives	Description
Business approach gender	<p><i>National Programme for Women Entrepreneurs "Women and Business"</i>: initiative by the MEIC to provide business training with a gender perspective free of charge.</p> <ul style="list-style-type: none"> The second edition of this programme was scheduled to begin in April 2020 but was delayed until the second half of the year owing to the pandemic, which also forced the programme to be reformulated in a virtual format. Its main objective is to strengthen enterprises or businesses with more than six months of operations to cope with the effects of the pandemic. This initiative is developed in collaboration with the MEIC, INA^a and the National Institute of Women. The programme consists of nine modules (including formalization, accounting and business models) and will provide virtual support to 225 women out of a total of 6,000 who responded to the call for applications nationwide.
Digital transformation	<p><i>Chequeo digital</i> (Digital checkup): An MEIC initiative implemented jointly with MICITT and supported by IDB. The tool was launched on 21 October 2020, as an online platform to measure a firm's digital maturity level, in terms of technology adoption and digital skills. Firms perform a self-diagnostic assessment and receive personalized recommendations.</p> <ul style="list-style-type: none"> The long-term aim is to align with other institutions working on digital transformation, to standardize the tool as an initial diagnostic step, and to close gaps and scale up the digitization of processes. <i>E-commerce for SMEs</i>: MEIC programme that aims to generate e-commerce skills in 500 firms nationwide. Started with the mapping of entities that can help implement e-commerce in domestic firms and change their business logic. A seed capital fund was recently launched for eight firms to promote the development of e-commerce capabilities in MSMEs. <i>Continuity for the transformation</i>: MEIC programme in the design phase.

⁴⁰ The plan, approved on 20 March, contains eight specific measures to be implemented by 35 operators accredited by the system.

Initiatives	Description
Digital transformation	<ul style="list-style-type: none"> This programme targets SMEs that are further ahead in their digital transformation, to support them in converting their business models. <i>MSME Digitalization Plan 2019-2022</i>: MEIC's digital platform promoted by the Organization of American States (OAS), Google and Kolau Free and easy-to-use tool enabling MSMEs to set up an online store by creating websites, adding payment buttons and maintaining a presence in Google search engines. <i>INA stabilization and digital transformation programme for traditional SMEs</i> Virtual training in five modules Focused on promoting the adaptation of business models in digital platforms.
Productivity	<p><i>Domestic production linkages programme</i>: MEIC programme to stimulate the forging of alliances to enable SMEs to connect with national chains (supply channel of larger firms or supermarkets).</p> <ul style="list-style-type: none"> The demands of the leading firms are analysed and gaps are identified (formalization of firms, registrations, certifications) that SMEs need to bridge in order to connect to these firms' national production chains. There are currently 41 SMEs linked to leading firms that have succeeded in becoming suppliers of goods and services. A programme to develop consortia among firms in the tourism, gastronomy, culture and design sectors is also under development. <p><i>Acceleration 2020 programme</i>: PROCOMER-INA alliance to support enterprise internationalization. The second edition of this programme will select 10 firms.</p> <ul style="list-style-type: none"> It is proposed to scale-up the business models of exporting SMEs in the agrifood, services or advanced manufacturing sectors. The profile of the target firms involves: exports of at least US\$ 10,000 in the last year; being up to date with the Costa Rican Social Security Fund and the Ministry of Finance; fewer than 100 employees; registration in PROCOMER's Single Export Diagnostic Facility (DUE). Firms will receive a grant from INA covering 95% of the programme cost. <p><i>Business Development Centres (CDEs): MEIC-INA alliance</i></p> <ul style="list-style-type: none"> This initiative is inspired by the small development centre model in the United States. In November 2020, the first centre was opened in San José, which plans to serve 400 firms per year; and it is expected to open another eight nationwide. The main activities of the centres will be: support, training and free specialized individual counselling tailored to the specific needs of the region, line of business and productive sector. The main target group consists of SMEs registered with MEIC and enterprises with growth potential. If the SME is not registered, the CDE will assist in the process to complete the registration, thus promoting its formalization. Because of its focus, each centre tends to adjust to the specific needs of the region, business line and characteristics of the production sector with which it works.
Public procurement	<ul style="list-style-type: none"> Specific intervention by MEIC to provide training and business advice to enable SMEs to become government suppliers. Analysis of regulatory factors Strengthening of the SME supplier register, which currently contains 42 firms.
Specialized technical support to address the COVID-19 crisis	<p><i>Programa Alivio</i> (Relief programme): This is being implemented through an alliance between INA, PROCOMER and SBD. Its main purpose is to support firms affected by the COVID-19 crisis, by providing non-reimbursable funds and specialized technical assistance in three stages:</p> <ol style="list-style-type: none"> <i>Stabilization</i>: seed capital for working capital and production inputs <i>Restructuring</i>: seed capital for inputs and production equipment. Advice on adjusting products to new post-COVID-19 needs. Tailor-made restructuring plan with assistance from an expert consultant and the firm's manager. <i>Acceleration</i>: seed capital, consulting and credit facilitation to strengthen position in international markets. <ul style="list-style-type: none"> Targeted at MSME farm units and exporting MSMEs or those with export potential. Sectors: agriculture, food, industry or services (excluding tourism). Approximately 1,200 firms applied, 500 were analysed and 200 are being worked with (26% belong to the agricultural sector; 20% to the food sector; 26.5% to industry; and 27.5% to services). <p>Rigorous entry profile: at least two years of operations with good practices (membership of the Definitive Regime; registration as an employer with the Costa Rican Social Security Fund, and being up to date as of February 2020; sales proven by financial statements; MSMEs registered with MEIC).</p>

Source: Prepared by the authors, on the basis of information from an interview with representatives from the Ministry of Economic Affairs, Industry and Commerce and the National Apprenticeship Institute.

^a The National Apprenticeship Institute is in charge of the bidding process to select a firm to support and develop business services for four months.

Table 20
Costa Rica: SBD action plan to address the effects of COVID-19

Measures	Description
Moratorium on principal and interest payments	Moratorium for up to six months on the payment of principal and interest on loans financed by SBD. The target group are firms, activities and sectors suffering serious economic impact (drop in sales, suspension of contracts, partial or total closures).
Grace period	Grace periods of up to 12 months for the payment of principal on operations financed by SBD for firms, activities and economic sectors with medium economic impact (reduction in cash flow).
Refinancing of credit operations	Refinancing of loans to MSMEs to enable them to adjust to the current requirements of production activity.
Emergency working capital	Channelling of urgent credits for MSME working capital, in order to reduce the risk of business closure and maintain the minimum necessary operations, pay suppliers and cover minimum payroll costs. These loans may be backed by individual guarantees from FONADE with 90% coverage.
First Impact Programme	Channelling of C 8 billion (roughly US\$ 13.2 million) for prevention, rescue, recovery and economic reactivation of business and productive activities. This programme traditionally focuses on providing support in weather emergencies (hurricanes, volcanic eruptions, etc.); it is currently incorporated into COVID-19 as a risk situation.
Portfolio guarantees	Up to C 10 billion (roughly US\$ 17 million) is allocated to FONADE's Guarantees Fund to guarantee the MSME credit portfolio for their financing, refinancing or restructuring, with 50% coverage.
Individual guarantees	For the first time, individual guarantees are issued for a maximum amount to guarantee credit operations, with up to 90% coverage for new operations.
Draft law to support SDB beneficiaries in the COVID-19 emergency	A draft law was presented to write off the liabilities of 2,705 MSE farmers that have debts with FONADE arising from past natural emergencies. The portfolio is 85% overdue.

Source: Prepared by the authors, on the basis of information from an interview with a Development Banking System representative.

2. Challenges and considerations for recovery

In general terms, the representatives of the three institutions interviewed mentioned challenges relating to the adjustment of institutional capacity, budget constraints and the need to implement rapid responses in a dynamic and uncertain context caused by the pandemic.

Table 21, below, presents the main issues mentioned in the interviews, to highlight both the challenges faced in implementing the actions and consideration for moving towards economic recovery.

Table 21
Costa Rica: implementation challenges and issues for economic reactivation

Institutions	Institutional capacity	Implementation achievements	Challenges	Considerations
Directorate-General for Support to Small and Medium Enterprises (Ministry of Economic Affairs, Industry and Commerce)	<ul style="list-style-type: none"> ▪ Institutional capacity has not increased. ▪ Services provided had to migrate to a virtual format ▪ Self-learning and learning on the job 	<ul style="list-style-type: none"> ▪ Collaboration with other public actors has been used in the face of the emergency. ▪ Existing initiatives within the framework of the National Entrepreneurship Policy have been strengthened. 	<ul style="list-style-type: none"> ▪ Increase formality and registration to enable firms to access support programmes. ▪ Registration of firms will also improve results monitoring and evaluation. 	<p>Priorities</p> <ul style="list-style-type: none"> ▪ Working with production chains ▪ Digital transformation of firms and conversion to ICTs to reconvert business models ▪ Improve access to credit: a different measurement of payment capacity should be made, differentiated financial products should be offered and the requirements requested by the credit operator should be adjusted to these conditions.

Institutions	Institutional capacity	Implementation achievements	Challenges	Considerations
National Apprenticeship Institute (INA)	<ul style="list-style-type: none"> • INA has an institutional team of 22. • In addition, there is an outsourced team of 63 additional experts to assist and support firms in the different support areas. 	<ul style="list-style-type: none"> • Accommodate budget to issues that respond more to the emergency context. • 15% of the annual budget is allocated for business support (around US\$ 20 million) and is mainly targeted to promotion activities, technology programmes, incubation and acceleration. Only US\$ 2 million is earmarked specifically for support. 	<ul style="list-style-type: none"> • The virtual training offering environment has connectivity and access challenges. • Institutional changes were made to adjust services • Not only in terms of curriculum change and technical assistance, but also in the form of scholarships for beneficiaries to access services. 	<ul style="list-style-type: none"> • Personalized advice is essential to accompany the firms and ensure best use of the non-refundable funds.
Development Banking System	<ul style="list-style-type: none"> ▪ 50 people coordinate the system ▪ At the operational level, there are a total of 47 accredited operators, including 19 institutions regulated by the General Superintendency of Financial Institutions (3 public banks, 3 private banks, 10 savings and credit cooperatives, 2 finance firms, 2 financial institutions, 1 credit union, 1 credit union, 1 financial institution), 2 finance firms, 1 mutual fund) and 28 unregulated institutions (13 service cooperatives, 12 microfinance institutions and others) ▪ 74% of the operators are authorized to implement COVID-19 support measures 	<ul style="list-style-type: none"> ▪ As of August 2020, 53,574 loan readjustments have been made, representing 82% of the funds administered by SBD. ▪ Production-oriented credit is granted at an interest rate of 3.99%. ▪ The 75%-coverage guarantees were increased to cover up to 90% owing to the emergency ▪ The FONADE Guarantee Fund received an allocation to provide coverage of up to 50% for insufficient guarantees. ▪ Preparation of a draft law to write off the first-tier portfolio of past natural emergencies 	<ul style="list-style-type: none"> ▪ The benefits provided by second-tier banking need to be made more visible. ▪ New financial operators are being sought for direct application of funds with less paperwork. ▪ Efforts are being made to involve SBD in firms' digital transformation: collaboration with MEIC, on a platform to include a component in firms' digital file that will enable them to analyse the type of financing they need (tentative for January 2021). 	<ul style="list-style-type: none"> ▪ Implementation of second-tier banking from SBD is under analysis. ▪ Work must be done in the ecosystem to improve the dissemination of benefits, both with potential borrowers and with the loan officers of lending institutions. ▪ The aim is to work on the regionalization of resources, with a special focus on rural areas. ▪ MEIC considers it important to go beyond traditional instruments, by starting to design sector-specific financial products and strengthening support programmes to enable firms to adapt to economic reactivation needs.

Source: Prepared by the authors, on the basis of interviews and official information.

IX. MSME support policies amid COVID-19 in Ecuador

A. MSME strategic framework

The Production, Trade and Investment Code (COPCI) published in 2010⁴¹ establishes the Sectoral Production Council as the governing institution for production development,⁴² with responsibilities that include defining and coordinating policies for the cross-cutting promotion and development of MSMEs. In 2017, the then Ministry of Industry and Productivity took over the Council's MSME promotion responsibilities. In 2018, the responsibilities of the Sectoral Production Council were transferred to the newly created Sectoral Economic and Production Council,⁴³ which a year later became Sectoral Economic and Production Office.⁴⁴ This entity is tasked with formulating and approving intersectoral policy, coordinated by the Office of the Vice President and the Office of the Secretary-General of the Presidency.

In late 2018, in keeping with the government's optimization plan, the Ministry of Production, Foreign Trade and Investments merged with the Ministry of Industry and Productivity, the Institute for Export and Investment Promotion, and the Ministry of Aquaculture and Fisheries (Executive Decree 559).⁴⁵ The new entity, named Ministry of Production, Foreign Trade, Investments and Fisheries (MCPEIP),

⁴¹ Registro Oficial del Ecuador (Official Gazette) of 29 December 2010.

⁴² In 2010-2017, the Sectoral Production Council consisted of the ministries, secretariats and institutions coordinated by the then Ministry of Production Coordination, Employment and Competitiveness (MCPEC). In June 2017, the coordinating ministries were abolished (Decree 7 of 16 June 2017), and Sectoral Councils linked to the Executive Branch were created as mechanisms for the review, articulation, coordination, harmonization and approval of ministerial and interministerial policy (Ecuador, Presidency of the Republic, 2017). In December, the Sectoral Production Council and Economic Sectoral Council were merged into a single Sectoral Economic and Production Council.

⁴³ The Sectoral Economic and Production Council is chaired by the Ministry of Economy and Finance and encompasses a further nine institutions from the economic and productive sector: MCPEIP, Ministry of Agriculture and Livestock, Ministry of Labour, Ministry of Tourism, Central Bank of Ecuador, Internal Revenue Service, National Customs Service of Ecuador, and National Public Procurement Service (Decree 1012 of 9 March 2020).

⁴⁴ Executive Decree 660 of 5 February 2019.

⁴⁵ Executive Decree 559 of 14 November 2018.

created four vice ministries within its institutional structure to address the areas of production and industries, aquaculture and fisheries, foreign trade, and export and investment promotion. Strategic management in the MSME area falls specifically to the Vice Ministry of Production and Industries through the Undersecretariat of MSMEs and Crafts, which is responsible for directing plans, programmes and projects for the development, strengthening and training of MSMEs, artisanal production and entrepreneurship (Ministry of Production, Foreign Trade, Investments and Fisheries, 2019).⁴⁶

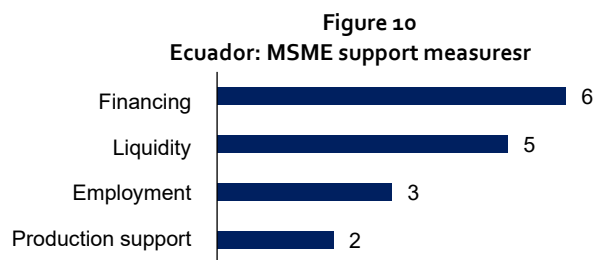
This study has targeted the Undersecretariat of MSMEs and Crafts to learn about the experience in implementing support measures in the context of COVID-19.

B. The COVID-19 context

Ecuador declared a COVID-19 health emergency on 11 March 2020;⁴⁷ and, five days later, it issued Executive Decree 1017 declaring a state of emergency due to public calamity. The state of emergency restricted freedom of transit and mobility nationwide for 60 days and was renewed twice, for a total of 150 days until September 2020.⁴⁸

In March, at least 70% of the production apparatus was at a standstill; and, according to estimates by the Ministry of Labour, in May over 60,000 workers had been laid off from their jobs.⁴⁹ As in other countries in the region, the first-response measures to address the pandemic focused on alleviating financial and tax obligations, avoiding a job losses, and increasing access to credit. Measures include the following: the drafting of a regulation to allow for new hiring modalities; the establishment of guidelines on teleworking due to the suspension of the working day in both the public and private sectors; and the creation of the Reactivate Ecuador credit support programme to promote a resumption of production activities.⁵⁰ Details of these and other relevant measures are provided in table 22.

Based on a mapping of the MSME support measures implemented by the countries of the region amid the COVID-19 emergency (ECLAC, 2020), the information has been updated and refined, taking into account the constant evolution of the pandemic. In this regard, a total of 16 measures can be identified for Ecuador up to December 2020.



Source: Prepared by the authors based on ECLAC 2020.

⁴⁶ Ministerial Agreement 19025 of 29 October 2019.

⁴⁷ Ministerial Agreement 126-2020 of 11 March 11, 2020.

⁴⁸ Executive Decree 1052 of 15 May and Executive Decree 1074 of 15 June 2020.

⁴⁹ Executive Order 1074 of 15 June 2020.

⁵⁰ Decree 1070 of 11 June 2020.

Table 22
Ecuador: MSME support measures

Category	Measure										
Liquidity	<p>Pre-bankruptcy payment agreements for firms, businesses and individuals with their debtors, whether customers, suppliers, or others: for three years following the date of entry into force of the Organic Law on Humanitarian Support to Combat the COVID-19 Health Crisis, agreements may be entered into to define conditions, terms, reduction, capitalization or restructuring of obligations. The agreements have specific content according to their nature; and precautionary, judicial and coercive measures may not be imposed during their application.</p> <p>Deferral of the payment of 2019 income tax and value added tax (VAT) for April, May and June 2020: for microenterprises, all taxpayers with annual gross income of up to US\$ 300,000 in 2019 will be able to pay income tax in six instalments between April and September 2020; and VAT will be declared on a semi-annual basis (Executive Decree 1021 of 27 March 2020). In May, small and medium-sized firms were included, except for firms providing financial services (Executive Decree 1030 of 4 May 2020).</p> <p>Temporary suspension basic utilities (drinking water, electricity, telecommunications and Internet) being cut off owing to non-payment. This will remain in effect for 60 days after the end of the state of emergency. The Organic Law on Humanitarian Support to Combat the COVID-19 Health Crisis of 19 June 19, 2020 establishes that within 30 days after its entry into force, these services may be paid for in 12 equal instalments without interest or surcharges.</p> <p>Social security payment facilities for individuals engaged in economic activities and MSEs that have unpaid liabilities for March, April, May and June 2020. Employer's liability will not be generated, and payments will be resumed as from September 2020. The amount may be deferred for 12 months without accruing interest, fines or surcharges (Resolution No. 604 of August 5, 2020).</p> <p>Exceptional deferral of credit obligations for up to 60 days without surcharges for the collection of instalments of personal, microcredit and small business loans. Private financial entities will analyse the refinancing of debts according to needs on a case-by-case basis (Resolution 569-2020 of 22 March 2020). This measure is extended until 30 June 2021 (Resolution 609-2020 of 28 October 2020).</p>										
Employment	<p>Guidelines for the teleworking modality: initially to be applied during the declaration of health emergency, for both the public and the private sector (Ministerial Agreement MDT-2020-076 of 12 March 2020). The Organic Law on Humanitarian Support to Combat the COVID-19 Health Crisis, of 2020, established that this modality may be chosen at any time during the employment relationship according to the needs of the business or activity. The employer must provide the equipment, supplies and guidelines for the development of teleworking, as well as notify guidelines for monitoring the execution of activities, guaranteeing the right to disconnection; which must be at least 12 continuous hours in a period of 24 hours. Remuneration may be paid daily, weekly fortnightly or monthly upon agreement between the parties (MDT-2020-181 of 14 September 2020).</p> <p>Reduction of working hours (Organic Law on Humanitarian Support to Combat the COVID-19 Health Crisis of 2020): the employer may reduce working hours by a maximum of 50%. The wage will correspond to the proportion of hours worked and will not be less than 55% of the amount set prior to the reduction. The social security contribution must be paid according to the reduced working hours. The reduction may last for 1 year, renewable for the same period once only and must be notified to the Ministry of Labour (MDT-2020-133 of 15 July 2020).</p> <p>New hiring modalities: special fixed-term contract (Organic Law on Humanitarian Support to Combat the COVID-19 Health Crisis of 2020): this new hiring modality may be used for a maximum 1 year and may be renewed for the same period once only. Employment may be part-time or full-time, with a minimum of 20 and a maximum of 40 hours per week, distributed over a maximum of six days per week and not exceeding eight hours per day. Pay and benefits will be proportional to the working day agreed upon, by hours or days if the work is discontinuous due to events, or periodic or seasonal; and weekly or monthly, if the work is stable and continuous (MDT-2020-132 of 15 July 2020).</p> <table border="1"> <thead> <tr> <th>Special contracting regime (Regulation October 30, 2020)</th> <th>Conditions</th> </tr> </thead> <tbody> <tr> <td>Contracts for young people up to 26 years of age (MDT-2020-223)</td> <td> <ul style="list-style-type: none"> ▪ May not exceed 1 year, during which a trial period of up to 90 days may be agreed upon. ▪ The contract can be renewed for an additional year, as long as the employee does not exceed the age limit. ▪ Includes young people who are undergoing training and education. </td> </tr> <tr> <td>New ventures (TDM-2020-222)</td> <td> <ul style="list-style-type: none"> ▪ Businesses registered in the National Entrepreneurship Register (RNE) may hire on a full or part-time basis for one year with a trial period of up to 90 days. Renewal may be for the current RNE certification term; and, if it continues, it will be understood as an indefinite contract, maintaining the initial conditions. </td> </tr> <tr> <td>Tourism and/or cultural or creative sectors (TDM-2020-221)</td> <td> <ul style="list-style-type: none"> ▪ Contracts may specify the number of days of service provision for one year, when the employer requires discontinuous services. </td> </tr> <tr> <td>Production sectors (TDM-2020-220)</td> <td> <ul style="list-style-type: none"> ▪ Activities requiring the provision of uninterrupted services may not exceed 20 consecutive working days. </td> </tr> </tbody> </table>	Special contracting regime (Regulation October 30, 2020)	Conditions	Contracts for young people up to 26 years of age (MDT-2020-223)	<ul style="list-style-type: none"> ▪ May not exceed 1 year, during which a trial period of up to 90 days may be agreed upon. ▪ The contract can be renewed for an additional year, as long as the employee does not exceed the age limit. ▪ Includes young people who are undergoing training and education. 	New ventures (TDM-2020-222)	<ul style="list-style-type: none"> ▪ Businesses registered in the National Entrepreneurship Register (RNE) may hire on a full or part-time basis for one year with a trial period of up to 90 days. Renewal may be for the current RNE certification term; and, if it continues, it will be understood as an indefinite contract, maintaining the initial conditions. 	Tourism and/or cultural or creative sectors (TDM-2020-221)	<ul style="list-style-type: none"> ▪ Contracts may specify the number of days of service provision for one year, when the employer requires discontinuous services. 	Production sectors (TDM-2020-220)	<ul style="list-style-type: none"> ▪ Activities requiring the provision of uninterrupted services may not exceed 20 consecutive working days.
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Category	Measure								
Financing	<p><i>Reactivate Ecuador</i>: credit support programme to channel public funds through public and private financial entities and the popular and solidarity-based financial sector, for the implementation of credit lines targeting MSMEs, craft workers and organizations of the popular and solidarity-based economy (Decree 1070 of 11 June 2020). The programme has US\$ 1.15 billion in funding earmarked as follows:</p> <ul style="list-style-type: none"> ▪ Public Fund: US\$ 500 million (international allies) ▪ National Financial Corporation (CFN): US\$ 260 million (World Bank) ▪ National Corporation for Popular and Solidarity Finance (CONAFIPS): US\$ 90 million (Inter-American Development Bank IDB) ▪ Private financial system: US\$ 300 million (International Development Finance Corporation -DFC) <p><i>Reactivate Ecuador</i> credit line: from the public fund of the <i>Reactivate Ecuador</i> programme (US\$ 500 million) a credit line is created with amounts starting at US\$ 500, with a fixed interest rate of 5%, maturity of 36 months, and grace periods of up to six months. These loans may be used for working capital, including payroll and operating costs for six months, overdue obligations with suppliers, and obligations until 31 December 2020. The maximum amount is US\$ 30,000 for microenterprises, up to US\$ 300,000 for small firms and up to US\$ 500,000 for medium-sized firms. These loans may apply to the National Guarantee Fund, which covers up to 80% of the amount in question.</p> <p>Credit lines for the popular and solidarity-based economy sector through National Corporation for Popular and Solidarity Finance CONAFIPS:^a second-tier loans granted to individuals for up to US\$ 50,000 and to firms for up to US\$ 200,000. Maturity of up to 30 months and six-month grace period. Nominal interest rates for saving and loan associations range from 9.9% to 15% for credit unions with assets of over US\$ 80 million and up to 17% for those with assets up to US\$ 1 million.</p> <p><i>Mipymes-BM</i> (MSMEs-World Bank) production-oriented financing (National Financial Corporation –CFN): in September 2020 CFN received US\$ 120 million as the first disbursement of the World Bank loan. These funds will be channelled to financial intermediaries (FIs), which may determine the minimum loan amounts, with a maximum of US\$ 2 million per final beneficiary. Each FI will determine the term and grace period of the loan, as well as the interest rate, which may not exceed the current effective interest rate published by the competent agency on the date on which the loan is granted. Thirteen agreements have been signed with FIs, banks and cooperatives nationwide.</p> <p>Fixed assets of infrastructure, equipment and machinery, and working capital, including payments to suppliers in the line of business, may be financed. For the microcredit segment, working capital financing is allowed for amounts up to US\$ 25,000.</p> <p><i>Pyme Express</i> (SME Express) CNF-BIESS: with an investment from the National Financial Corporation - Bank of the Ecuadorian Social Security Institute (BIESS), US\$ 50 million is earmarked for rapidly disbursing loans for small and medium-size firms, in amounts ranging from US\$ 25,000 to US\$ 100,000 at a rate of 8.95% and a term of 18 months. Firms with sales turnover between US\$ 84,000 and US\$ 1 million may apply for credit to cover working capital, liability solvency, payroll, compliance with basic contributions and commercial operations.</p> <p>Incentives for financial system entities to grant loans for economic reactivation and employment protection in the private sector:</p> <table border="1"> <thead> <tr> <th>Conditions</th> <th>Incentive for financial entities</th> </tr> </thead> <tbody> <tr> <td>Ordinary commercial, production-oriented or microcredit loans in excess of US\$ 25,000 with a minimum term of 48 months.</td> <td>Income tax deduction of 50% of the amount of interest received on loan repayments until the transaction is completed.</td> </tr> <tr> <td>Extension of maturity by at least 12 months in addition to the original term in the case of loans exceeding US\$ 10,000.</td> <td>Exemption from income tax on 50% of the value of interest received on loans from the alteration of maturity until the end of the operation.</td> </tr> <tr> <td>Loans financed, rescheduled or restructured</td> <td>Exemption from the payment of the contribution relating to the Fourteenth Provision of the Organic Monetary and Financial Code</td> </tr> </tbody> </table>	Conditions	Incentive for financial entities	Ordinary commercial, production-oriented or microcredit loans in excess of US\$ 25,000 with a minimum term of 48 months.	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Loans financed, rescheduled or restructured	Exemption from the payment of the contribution relating to the Fourteenth Provision of the Organic Monetary and Financial Code								
Production support	<p>Opening of new ventures from day one with no requirements. Decentralized autonomous governments may issue provisional operating permits valid for 180 days. During this period, tax and municipal issues must be regularized (Organic Law on Humanitarian Support to Combat the COVID-19 Health Crisis of 19 June 2020).</p> <p><i>Juntos Ecuador</i> platform: an initiative launched in May 2020 to promote the consumption of local products and connecting MSMEs with large commercial chains and production associations.</p>								

Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), "Sectors and businesses facing COVID-19: emergency and reactivation", COVID-19 Special Report, No. 4, Santiago, 2020; and official information.

^a Since 2011, the popular and solidarity-based economy sector has been recognized as a form of economic organization formed by community, associative and cooperative organizations. Its members engage in production processes, trade, marketing, financing and consumption of goods and services (Organic Law of the Popular and Solidarity-based Economy and the Popular and Solidarity-based Financial Sector of 10 May 2011).

C. Interview: Undersecretariat of MSMEs and Crafts

1. Experience in implementing measures

The Ecuadorian business fabric consists of about 1 million production units that generate over 3 million jobs. MSMEs represent 99% of establishments and generate 68% of all employment (Executive Decree 1070). Prior to the pandemic, the Undersecretariat for MSMEs and Crafts was promoting a support plan based on five key points: (i) training to strengthen processes focused especially on market access; (ii) technical assistance on issues related to quality, trademarks and patents; (iii) incentives to promote formalization through business registration; (iv) access to financing to promote better conditions for different segments; and (v) digital transformation to promote the use of digital technologies and integration into the e-commerce chain. Actions to address the pandemic have been channelled within this framework. The most important new instruments include the *Juntos Ecuador* campaign, as a measure to promote the consumption of domestic products; and the *Reactívale Ecuador* programme, which through an MCPEIP investment project, is channelling resources to the financial system serving the public and private sectors and the popular and solidarity-based economy sector.⁵¹ The experience in implementing these and other measures is described below, based on the open dialogue held with the head of MCPEIP's Undersecretariat of MSMEs and Crafts.

Institution	Post	Name
Undersecretariat of MSMEs and Crafts Ministry of Production, Foreign Trade, Investments and Fisheries (MCPEIP)	Deputy Secretary	Marcela Chávez

For ease of analysis, the information is grouped into two broad categories: technical support and financial support. Details are presented in the following tables:

Table 23
Ecuador: technical support initiatives to address the effects of COVID-19

Initiatives	Description
Training and technical assistance	<p><i>Online training workshops:</i> in the context of the pandemic, and in addition to the general guidance provided by the MCPEIP on quality, trademarks, patent registration, and other issues, workshops were held in several practical areas ranging from motivational processes to topics specific to the emergency, such as:</p> <ul style="list-style-type: none"> ▪ Implementation of government measures ▪ New staff hiring mechanisms ▪ Brand management for linking with e-commerce mechanisms <p><i>Use of banking services:</i> in partnership with the Ministry of Telecommunications and the Information Society (MINTEL) and the Central Bank of Ecuador, MCPEIP has coordinated training processes with the following contents:</p> <ul style="list-style-type: none"> ▪ Basic business financial management ▪ Use of bank payment services ▪ Electronic banking ▪ Financial risk rating and credit history ▪ E-commerce <p><i>Territorial action:</i> Transfer of technical assistance methodologies from central government to strengthen the capacities of the decentralized autonomous governments.</p>

⁵¹ In July, the programme created the public fund to support the reactivation of production in Ecuador and set up a trust operated by CFN to manage the resources in question.

Initiatives	Description					
Training and technical assistance	<i>Internationalization</i> : market access assistance services using the traffic light methodology (Exporter Route)					
	<table border="1"> <thead> <tr> <th>Red – Guidance and counselling for entrepreneurs</th> <th>Yellow – Training and technical assistance</th> <th>Green – Commercial promotion</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> ▪ Advice and initial support in foreign trade. ▪ Introductory training sessions. ▪ Information guides. ▪ Specialized assistance for HPS and fair trade actors </td> <td> <ul style="list-style-type: none"> ▪ Test of entrepreneurial potential ▪ Specific training ▪ Consulting services to strengthen and educate on export activities ▪ Projects and specialized information for product - market adaptation ▪ International business rounds </td> <td> <ul style="list-style-type: none"> ▪ Interagency coordination: <ul style="list-style-type: none"> - Sector dialogues - Coordination with public and private institutions ▪ Development of business contacts: <ul style="list-style-type: none"> - Commercial opportunities - Personalized business agendas - Visits to firms - Management of commercial offices. ▪ Commercial promotion events: <ul style="list-style-type: none"> - Fairs, missions - National and international business rounds </td> </tr> </tbody> </table>	Red – Guidance and counselling for entrepreneurs	Yellow – Training and technical assistance	Green – Commercial promotion	<ul style="list-style-type: none"> ▪ Advice and initial support in foreign trade. ▪ Introductory training sessions. ▪ Information guides. ▪ Specialized assistance for HPS and fair trade actors 	<ul style="list-style-type: none"> ▪ Test of entrepreneurial potential ▪ Specific training ▪ Consulting services to strengthen and educate on export activities ▪ Projects and specialized information for product - market adaptation ▪ International business rounds
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Coordination with the private sector	<p>Several initiatives were promoted:</p> <ul style="list-style-type: none"> ▪ Initiatives by large firms were supported by small businesses to strengthen logistical support for distribution in emergency areas. For example, the distribution of basic necessities was coordinated through stores nationally and support from Cervecería Nacional. ▪ The technical assistance provided to MSMEs has generated useful information to support the implementation of private sector initiatives in value chains. For example, large firms serving both the domestic and international market, such as Tonicorp, have supported suppliers by providing technical assistance to complement their legal and marketing capabilities and include them in their product portfolios and marketing channels. The selected MSMEs receives support aimed at formalization, image and brand improvement, among other things. 					
Incentives for formalization	<p><i>Unified MSME Register (RUM)</i>: targeted at MSMEs that need to carry out procedures in government institutions and access MCPEIP benefits. Registration in the RUM allows:</p> <ul style="list-style-type: none"> ▪ Participation in events, fairs and exhibition points ▪ Technical assistance and support <p><i>National Entrepreneurship Register (RNE)</i>: targeted at individuals or legal entities with five years of existence, less than 49 employees and sales of less than US\$ 1 million. Benefits are granted according to the Organic Law of Entrepreneurship and Innovation.</p> <ul style="list-style-type: none"> ▪ International trade promotion of entrepreneurial products and services. ▪ Timely payments (public sector - plus 90 days, private sector - plus 30 days) ▪ 50% discount on National Service of Intellectual Rights (SENADI) rates. ▪ Discounts at the National Agency for Health Regulation, Control and Surveillance (ARCSA) for operating permits, health notifications, certificates of good manufacturing practices, etc. ▪ Entrepreneurship contract <p><i>Unified Craft Register (RUA)</i>: targeted at craft workers or their guilds to provide access the benefits of the Craft Promotion Law. Benefits include the following:</p> <ul style="list-style-type: none"> ▪ Exemption of up to 100% from import duties on machinery and equipment. ▪ Total exemption from duties on raw materials not produced in the country. ▪ Total exemption from export taxes on crafts and craft products. ▪ Exemption from fiscal, provincial and municipal duties and taxes. 					
Digital transformation	<p><i>National e-commerce strategy</i>: The strategy is the result of collaboration between MCPEIP and MINTEL to consolidate the digital economy. Four components are established to boost the e-commerce value chain: legal framework, promotion of e-commerce in MSMEs, electronic payment system, and logistics.</p> <p><i>Virtual fairs</i>: implementation of various forms of virtual promotion through a platform to support the marketing of MSME products:</p> <ul style="list-style-type: none"> ▪ Permanent commercial showcases for artisans and entrepreneurs ▪ Virtual sectorial fairs for microenterprises ▪ Business rounds with participation by international buyers <p><i>Juntos Ecuador</i> (Together Ecuador) platform launched in May 2020 to promote the consumption of national products. Contains a catalogue of MSME products; helps link these firms with potential strategic partners in the private sector (commercial partners and production associations); and consolidates services and tools to support entrepreneurs and MSMEs, especially in marketing and e-commerce.</p>					

Source: Prepared by the authors, on the basis of an interview with the Deputy Secretary of the Undersecretariat of MSMEs and Crafts and official information.

Table 24
Ecuador: financial support initiatives to address the effects of COVID-19

Initiatives	Description
Financing for entrepreneurs	<p>On 26 June 2020, the MCPEIP launched the <i>Emprende Ecuador Productivo</i> Fund with an allocation of US\$ 10 million to promote productive innovation through two financial instruments:</p> <ul style="list-style-type: none"> ▪ <i>Capital Crece</i> (Seed capital): co-financing fund of US\$ 100,000 to support innovative ideas, and up to US\$ 250,000. to start innovation projects. In both cases, the beneficiary must contribute at least 20%. US\$ 1 million has been earmarked for entrepreneurs and US\$ 7 million for MSMEs. ▪ <i>Capital Progreso</i> (Venture capital): aimed at consolidating or expanding businesses with innovative products and processes. US\$ 2 million has been earmarked for MSMEs. <p>The following sectors have been prioritized: fresh and processed foods; biotechnology; apparel and footwear; renewable energies; pharmaceuticals; metalworking; forestry wood products; construction, transportation and logistics; automotive, bodywork and parts; environmental services; and software, hardware and computer services.</p>
Loans for the popular and solidarity economy sector	<p>Within the framework of the <i>Reactivate Ecuador</i> programme, in July 2020 a loan was signed with IDB to finance a credit line targeting the popular and solidarity-based economy sector. The value of this loan was US\$ 93.8 million, of which US\$ 85 million is earmarked for production-oriented credits and US\$ 8.8 million for the issuance of guarantees from the National Corporation for Popular and Solidarity Finance (CONAFIPS). The first disbursement of US\$ 50 million was received at the end of July.</p> <p>Between March and September 2020, a total of US\$ 128 million of production-oriented loans was granted with these resources, of which 4% corresponds to loans made since August and September.</p>
Loans for MSMEs	<p>The <i>Reactivate Ecuador</i> programme credit line mechanism is established through the purchase and sale of the portfolio with recourse options. Within this framework, a quota of US\$ 150 million is initially assigned to Banco del Pacifico as the first executing financial entity.</p> <p>As of July 2020, the Ministry of Economy and Finance had recorded 2,056 loans approved for a total of US\$ 89.9 million, of which 54.1% corresponded to small firms, 38% to medium-sized firms and 7.9% to microenterprises.^a</p>

Source: Prepared by the authors, on the basis of an interview with the Deputy Secretary of the Undersecretariat of MSMEs and Crafts; W. Torres, "Reactivate Ecuador, el programa de estímulos que entrega recursos a cuentagotas", Quito, Primicias, 27 July 2020 [online] <https://www.primicias.ec/noticias/economia/reactivate-ecuador-entrega-creditos-cuentagotas/>; and official information.

^a <https://www.primicias.ec/noticias/economia/reactivate-ecuador-entrega-creditos-cuentagotas/>.

2. Challenges and considerations for recovery

Table 25 below sets out the main issues highlighted in the interview, from the standpoint of their contribution to economic reactivation strategies.

Table 25
Ecuador: implementation challenges and considerations for economic reactivation

Strategies	Implementation achievements	Challenges	Considerations
Corporate financing	<p><i>Emergency MSME credit line:</i></p> <ul style="list-style-type: none"> ▪ The <i>Reactivate Ecuador</i> credit line managed by Banco del Pacifico, has been operational since 25 May 2020. ▪ As of October 2020, there were 1,521 credit operations with a total disbursement of US\$ 61.4 million. An additional 1,503 operations have been approved for an amount of US\$ 57.6 million that have not yet been credited. <p><i>Financing for entrepreneurs</i></p> <p>The launching of the <i>Emprende</i> (Venture) Fund is an important milestone that had been under development for several years and was able to start amid the crisis as another support mechanism. The calls for proposals are still open.</p>	<ul style="list-style-type: none"> ▪ The main challenge is the effective availability of resources for execution in a context of significant fiscal budget cuts: although the <i>Reactivate Ecuador</i> credit line has an allocation of US\$ 500 million for 2020, due to the pandemic conditions only US\$ 200 million was certified, of which US\$ 70 million had been transferred as of November 2020. ▪ The operation of the fund has therefore been slow relative to demand. 	<p>A new US\$ 50 million credit facility is scheduled for launch in February 2021 with the support of the Development Bank of Latin America (CAF).</p> <ul style="list-style-type: none"> ▪ This credit line will be targeted to MSMEs, offering preferential conditions and reduced rates through a business segment discount, with a 48-month amortization period and a six-month grace period. ▪ This new modality proposes a shared contribution: 35% from the State and 65% from the financial intermediaries.

Strategies	Implementation achievements	Challenges	Considerations
Business transformation	<p><i>Training</i></p> <ul style="list-style-type: none"> From 30 March to December 2020, 207 online workshops have been implemented, attracting participation by 26,660 beneficiaries. <p><i>Digital transformation</i></p> <ul style="list-style-type: none"> Between May and December 2020, 10 virtual fairs were held for different segments and sectors, with the aim of inviting MSMEs, entrepreneurs and artisans to join the platform as a new marketing mechanism. <p><i>Entrepreneurship</i></p> <ul style="list-style-type: none"> The Organic Law of Entrepreneurship and Innovation had been under discussion for some time. Its enactment and the development of its regulations is an important milestone amid the emergency. The Entrepreneurship and Innovation Advisory Council (National Council for Entrepreneurship and Innovation (CONEIN)^a is created as the permanent strategic body to promote entrepreneurship, innovation and systemic competitiveness, through interagency coordination and public-private partnership including academia (Executive Decree 1113 of 4 August 2020). <p><i>Dialogue with the private sector</i></p> <ul style="list-style-type: none"> An open and continuous dialogue has been maintained with the private sector to strengthen inter-enterprise linkages and the management of new electronic marketing channels. 	<ul style="list-style-type: none"> Marketing through digital channels has increased as a result of the pandemic, but digital literacy in production development still needs to be strengthened. The potential for market access requires an understanding of the logic of how e-commerce works, from the standpoint of logistics, investment in portals and payment buttons, etc. Strengthening digital capabilities and skills is essential for adoption. To date, there are 12,563 MSMEs registered in the RUM, 3,325 craft workers in the RUA and 76 entrepreneurs in the RNE. No information on exporting MSMEs can be obtained from these records. 	<ul style="list-style-type: none"> There are plans to implement the IDB's digital checkup tool to assess firms' digital maturity. It is planned to continue with the sectoral competitive improvement plan, which includes 23 sectors that maintain a dialogue space in the implementation of production roundtables. Work has been done on the draft law on digital transformation and electronic commerce to propose a regulatory framework that will strengthen strategies for the digital economy.

Source: Prepared by the authors, on the basis of an interview with the Deputy Secretary of the Undersecretariat of MSMEs and Crafts.

^a The National Council for Entrepreneurship and Innovation (CONEIN) consists of the Office of the President of the Republic, in the chair; the Ministries of Production; Economy and Finance; Higher Education, Science, Technology and Innovation; and representatives of the Interagency Committee of the Popular and Solidarity-based Economy; Consortium of Provincial Autonomous Governments of Ecuador; Ecuadorian Association of Municipalities; Advisory Council for Entrepreneurship and Innovation; Chambers of Production; and Universities, Polytechnic Schools and Institutes of Higher Education, both public and private.

X. MSME support policies amid COVID-19 in Mexico

A. MSME strategic framework

Mexico enacted the Law for the Development of the Competitiveness of Micro, Small and Medium Enterprises in 2002.⁵² The Secretariat of Economy, acting through its Production Development Unit (UDP), is in charge of the law's application and is tasked with coordinating a favourable environment for the competitive development of MSMEs with the various authorities at the federal, state and municipal levels. Sector-level programmes are established within this framework, defining priority sectors and strategic lines of action for business development paying special attention to gender issues.⁵³

The Production Development Unit operates through the National Microenterprise Financing Programme (PRONAFIM); and, since October 2019, it has absorbed the functions of the National Institute of the Entrepreneur (INADEM),⁵⁴ with which it also operates through the National Entrepreneur Fund. The purpose of the latter is to grant direct subsidies to entrepreneurs or MSMEs through specific public calls for proposals. These target strategic sectors and regional development; business development programmes; and programmes for MSMEs. In contrast, prior to the COVID-19 crisis PRONAFIM granted strategic financing to microfinance institutions to expand the coverage and increase the volume of microcredits; and in the pandemic context it retargeted its operation to allocate resources directly and eliminate the intermediation role.

Support for MSMEs in the context of the pandemic is framed by the guidelines of the National Development Plan 2019–2024. The Plan emphasizes the development of social programmes, which are prioritized all the more in the context of the health crisis. Accordingly, the government's strategy to support MSMEs in coping with the effects of the pandemic prioritizes MSEs, seeking to promote job

⁵² Law published in the Federal Official Gazette (Diario Oficial de la Federación – DOF) on December 30, 2002. The most recent amendment, currently in force, was published in DOF 13 August 2019.

⁵³ The gender perspective is included in the operating rules of federal budget programmes in 2016 (DOF of 29 June 2016).

⁵⁴ DOF of 17 October 2019.

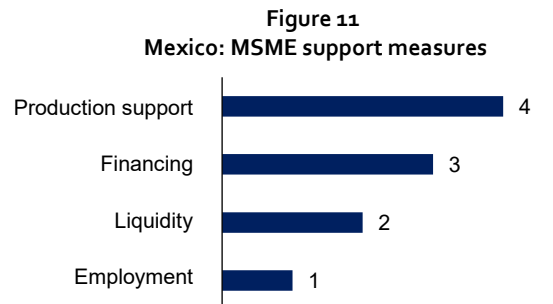
creation and facilitate access to credit. In this context, Banco del Bienestar was created out of the National Savings and Financial Services Bank (Bansefi), with the aim of improving financial inclusion among the beneficiaries of social programmes.

B. The COVID-19 context

Mexico declared a COVID-19 health emergency on 30 March 2020,⁵⁵ ordering the immediate suspension of non-essential activities, initially until 30 April and subsequently extended until May 30.⁵⁶ A resumption of activities is set to begin as from June, using a traffic light system based on an epidemiological analysis by region. The “new normality” strategy involves a system of health alert applied at the state or municipal level, which is analysed weekly to determine the degree of restriction of labour, economic and social activities. The alert levels are dictated by the federal authority; and firms that comply with the “specific technical guidelines for the reopening of economic activities”⁵⁷ published in the Official Journal of the Nation (*Diario Oficial de la Federación* – DOF) may operate subject to prior approval by the Mexican Social Security Institute (IMSS).

In this context, the government defined social programmes as a priority, including the following: the *Tandas del Bienestar* (Welfare microcredits) programme, which is one of Mexico’s comprehensive welfare programmes;⁵⁸ and the family microenterprise financial support programme, *Créditos a la palabra*, implemented by the Secretariat of Economy as part of new support measures in response to the pandemic. Details of these and other measures are presented below in table 26.

Based on a mapping of the MSME support measures implemented by the countries of the region amid the COVID-19 emergency (ECLAC, 2020), the information has been updated and refined, taking into account the constant evolution of the pandemic. In this regard, a total of 10 measures can be identified in Mexico up to December 2020.



Source: Prepared by the authors based on ECLAC 2020.

⁵⁵ DOF of 30 March 2020.

⁵⁶ DOF of 21 April 2020.

⁵⁷ DOF of 29 May 2020.

⁵⁸ The National Development Plan 2019-2024 prioritizes several programmes in the social policy area. The “comprehensive welfare programmes” encompass the following: Pension Programme for the Elderly Programme for the Welfare of the Elderly; Pension Programme for the Welfare of People with Disabilities; Benito Juárez Scholarships for Well-being; Youth Building the Future, Youth Writing the Future, Sowing Life, National Reconstruction Programme, Urban Development and Housing; and Welfare Microcredits.

Table 26
Mexico: MSME support measures

Category	Measure
Liquidity	<p>Permanency in low-consumption rates is authorized for users of the domestic electricity service: the increase in electricity consumption by domestic users during the pandemic will not be considered if the average monthly consumption implies a higher price bracket (DOF, 17 April 2020).</p> <p>Total or partial deferral of principal or interest payments for up to four months, with the possibility of extension for an additional two months, on loans outstanding as of 28 February 2020: balances may be frozen without interest charges, including personal loans, payroll loans, credit cards and microcredit, as well as commercial loans to individuals or legal entities with business activities, including agricultural and livestock (National Banking and Securities Commission press release No. 16/2020 of 25 March 2020).</p>
Employment	<p>Office of the Attorney for Digital Affairs: In April 2020, the Secretariat of Labour and Social Welfare and the Office of the Federal Attorney for the Labour Protection launched a virtual tool for the protection of labour rights. Legal advice and follow-up is provided in cases of dismissal and temporary suspension of work without pay due to COVID-19. Agreements to support firms and preserve sources of employment are facilitated.</p>
Financing	<p><i>Crédito a la Palabra</i> (a family microenterprise financial support programme): aims to meet the financing needs of formal and informal microenterprises, firms, and self-employed individuals.^a Financial support has been provided since 4 May through banks participating in the programme,^b for an amount of up to 25,000 Mexican pesos (Mex\$ 25,000, or approximately US\$ 1,263) per business, which are provided in conjunction with a solidarity commitment by the beneficiaries to repay the funds within three years, including a three-month grace period and an annual interest rate of 6%. The programme has two modalities:</p> <ul style="list-style-type: none"> ▪ <i>Crédito a la palabra</i>: targeted at non-farming family microenterprises with at least six months of operations, identified as potential beneficiaries through the 2018 Welfare Census of the Secretariat of Welfare. ▪ <i>Apoyo solidario a la palabra</i> (Solidarity support on your word) targeted at firms that maintained their average workforce for the first quarter of 2020 as of 15 April. In May, the programme's operating guidelines were amended to extend the modality of solidarity support to self-employed workers and domestic workers, with voluntary affiliation to the Mexican Social Security Institute (IMSS) in force as of 30 April 2020 (DOF of 7 May 2020). <p><i>Programa Tandas del Bienestar</i> (PTB): welfare microcredit programme targeted at small family businesses (microentrepreneurs, traders and artisans) with at least six months of operations. The programme provides cash support in four consecutive instalments of Mex\$ 6,000, Mex\$ 10,000, Mex\$ 15,000 and Mex\$ 20,000 pesos (roughly US\$ 303, US\$ 505, US\$ 758, US\$ 1,010 respectively) with a zero interest rate. Beneficiaries have 10 months to make repayments to access the next instalment of support. This programme has been operational since 2019; and, in the context of the health emergency the grace period for the first and second instalment was extended to three months instead of one (DOF 15 April 2020).</p> <p><i>Crédito de Apoyo 10 mil</i> (Support credit of 10,000 pesos) of the Institute for the National Fund for Employee Consumption (FONACOT): targeted at workers who have been working for at least 1 year under an indefinite-term contract or on a permanent basis in firms affiliated to FONACOT. Mex\$ 3 billion (roughly US\$ 151.5 million) will be allocated to grant loans of Mex\$ 10,000 (roughly US\$ 505), with an annual cost of 10% to be paid in 33 monthly instalments with a three-month grace period. This measure is expected to benefit 300,000 workers.</p>
Production support	<p><i>Mipymes MX</i>: platform of the Secretariat of Economy for Mexican MSMEs that consolidates information and tools to support firms in five dimensions: learning, entrepreneurship, sales, growth and export.</p> <p><i>Mercado Solidario</i>: a platform operated by the Secretariat of Economy that generates a space for the exchange of commercial information for MSMEs affected by the pandemic.</p> <p>E-commerce roundtables: targeted at small and medium-sized export firms to generate business meetings with potential buyers and participate in workshops on topics of interest for accessing specific markets.</p> <p>Registration for the online self-assessment of firms' health safety protocols: as part of the strategy for the return to activities that began on 1 June 2020, a registration platform and support material are provided to enable firms to follow the "Specific technical guidelines for the reopening of economic activities", which is an official document that describes reactivation measures for firms. These measures differ according to the type of business, level of risk, size of the workplace and internal characteristics (DOF of 29 May 2020). Firms in essential sectors that can resume activities are required to perform the self-assessment, which is approved by IMSS. This initiative is of the Ministry of Health, the Secretariat of Economy, the Secretariat of Labour and Social Welfare and IMSS.</p>

Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), "Sectors and businesses facing COVID-19: emergency and reactivation", COVID-19 Special Report, No. 4, Santiago, 2020; data provided by the Secretariat of Economy and official information.

^a DOF of 24 April 2020.

^b Banco Santander, Banco Azteca and Banorte.

C. Interview: Production development Unit of the Secretariat of Economy

1. Experience in implementing measures

The government's approach to stimulating the recovery of the economy and employment is based on three pillars: (i) credit to microenterprises and small businesses; (ii) continuity of welfare programmes; and (iii) construction of infrastructure projects⁵⁹ financed from the public budget (Secretariat of Labour and Social Security, 2020b). Within this framework, strategies have prioritized protection for the smallest and most vulnerable businesses. MSMEs represent 99.8% of Mexico's business fabric and generate more than 70% of all employment. The National Institute of Statistics and Geography (INEGI) estimates that over 1 million MSMEs have closed permanently owing to the impact of the pandemic (Forbes, 2020).

Based on the dialogue held with the General Director of MSME Programmes of the Production Development Unit of the Secretariat of Economy, the following is a description of the experience in implementing several of the support measures, which for ease of analysis have been grouped into two main categories: technical support and financial support.

Institution	Post	Name
Production Development Unit Ministry of Economy	General Director of MSME Programmes	Alfredo González

Details are presented in the following tables:

Table 27
Mexico: technical support initiatives to address the effects of COVID-19

Initiatives	Description
Access to external markets (virtual business rounds)	<p><i>Pacific Alliance e-business roundtables</i>: three virtual meetings were held in two parts: (i) training workshops on how to do business in specific markets; and (ii) business rounds with an agenda of up to four 30-minute meetings per day.</p> <ul style="list-style-type: none"> ▪ United Kingdom (June 23–July 2, 2020): participation by 28 British firms, with a quota for 15 Mexican firms (60 firms in total from the Pacific Alliance). ▪ <i>Intralianza</i> (Intra-alliance) (Colombia, Chile and Peru) and Central America (4–13 August 2020): participation by 40 Latin American firms, with a quota for 20 Mexican firms (80 firms in total from the Pacific Alliance). ▪ Asia (1–10 September 2020): participation by China, Japan, Taiwan province of China, Republic of Korea, India, Indonesia, Singapore and Thailand, with a quota for 30 Mexican firms (120 firms in total from the Pacific Alliance). <p><i>Sectoral e-business roundtables</i>: Mexico joined the global e-business rounds run by IDB for the information technology sector (13–22 July 2020) and for the essential medical supplies sector (second half of 2020). In addition, four business rounds were planned for specific sectors in the country in partnership with IDB:</p> <ul style="list-style-type: none"> ▪ Agribusiness (6–12 July 2020) ▪ Miscellaneous manufacturing (17–23 August 2020) ▪ Tourism (28 September–4 August 2020) ▪ Information technologies (9–15 November 2020)

⁵⁹ The activities promoted include the following: maintenance and conservation of highways and service roads, the completion of dams and canals, refurbishment of six refineries, the airport system, among others. These activities have generated around 85,000 jobs (Secretariat of Labour and Social Security, 2020a).

Initiatives	Description
Strengthening knowledge and capabilities	<p><i>Mipymes MX</i>: the digital platform began operations in June 2020 and registered around 9,000 interested persons in 313 cities in the country. Several tools are offered free of charge in the following areas:</p> <ul style="list-style-type: none"> ▪ Learning: free access to courses, webinars and content on different topics (business models, soft skills, digital skills, financial culture, digital advertising, etc.) and access to a selected range of specialized business development services. ▪ Entrepreneurship: support for setting up businesses cost-free, access to guides and workshops for brand registration and municipal operating permits. ▪ Selling: information on e-commerce tools, digital payments, promotion and diffusion. ▪ Growth: information on financing alternatives and good use and management of credit, certifications, connection with venture capital funds. ▪ Exporting: access to guides and tools for exporting, and information on cooperation programmes and trade opportunities within the framework of trade agreements.
Boosting local commerce	<p><i>Mercado solidario</i>: this platform started operations in May 2020 with the aim of encouraging the consumption of local products and services to provide economic relief to sectors with activities halted. This initiative specifically targeted artisans, small producers and family businesses, who can register and must provide a brief description of the product or service they offer. The platform allows potential buyers to identify the products or services in question, and it promotes a support scheme based on three consumption modalities:</p> <ul style="list-style-type: none"> ▪ Advance purchase: payment for future consumption of products and services to support businesses that have had to halt their activities. ▪ Home delivery: orders to be delivered at home ▪ Buy local: finds businesses to support local consumption <p>As of June 2020, about 8,000 small businesses from 712 municipalities were registered.</p>
Alliances with the private sector to promote online commerce	<p><i>Joint working group with the private sector</i>: a working group was created with participation by seven delivery platforms, two chambers of commerce and seven associations from the information technology and communications, restaurant and pharmaceutical sectors to promote the use of platforms to encourage online purchases.</p> <ul style="list-style-type: none"> ▪ E-commerce: the <i>#LeAtiendoporInternet</i> campaign aims to integrate 2 million MSMEs into the digital economy (Mexican Association of Online Sales). ▪ Guidelines for safe home delivery: standard recommendations on safety processes and health protocols for preparation, sale and home delivery (Mexican Online Sales Association). ▪ Home delivery platform services brochure: information on platform services and businesses in the emergency (alliance between home delivery platforms and associations of restaurants, retailers and pharmacies). ▪ AIUDA.ORG platform: supporting retailers and businesses in supplying products and services online.

Source: Prepared by the authors, on the basis of data provided by the Productive Development Unit and official information.

Table 28
Mexico: financial support initiatives to address the effects of COVID-19

Initiatives	Description
Direct delivery of resources without intermediaries	<p><i>Tandas para el Bienestar</i>: resource transfers began in April 2020. As of 19 October, 473,236 packages had been delivered, equivalent to 93% of the target of 508,540 beneficiaries in the modality of consolidating existing businesses that have been operating for at least six months</p> <p>During the pandemic, the “thirteenth month modality” was also launched to support the start-up of microenterprises run by young people who have completed the <i>Jóvenes Construyendo Futuro</i> (Youth constructing the future) training programme of the Secretariat of Labour and Social Welfare. The programme targets young people between 18 and 29 years of age, who receive a direct grant of Mex\$ 3,748 per month, equivalent to the minimum wage, to be connected to tutors from firms of various sizes in a practical vocational training framework. From 2019 to August 2020, more than 1 million apprentices have benefited, covering 99.6% of the total number of municipalities nationwide. As of August 2020, these two modalities together represented 70% of the progress of the entire programme, with 357,000 packages placed.</p>
Microfinance	<p><i>Crédito a la palabra</i>: the programme was launched in late April 2020 under a scheme to preserve the value of the funds delivered directly to beneficiaries. As of July 2020, this benefit has been granted to more than 700,000 beneficiaries through the two modalities: family microenterprise and solidarity-based support without the need for collateral. In June, a second stage of credits was included, providing support for waiters, cab drivers, chambermaids and market vendors. The amount delivered reached Mex\$ 17,715 million (roughly US\$ 904,413).</p>
Existing credits targeted to segments	<p>Financing from the Secretariat of Economy, in collaboration with development banks, for women entrepreneurs in the commerce, services and industry sectors: targeted at MSMEs or individuals with at least two years of formal business activity (credit available through nine banks).</p> <ul style="list-style-type: none"> ▪ Firms must be owned by a woman or at least 51% of the business must be in the name of woman. Businesses run by women under the Fiscal Incorporation Regime (RIF) only have to be 1 year old. ▪ The maximum loan amount is Mex\$ 5 million (roughly US\$ 255,000) for working capital and fixed assets. ▪ The maximum interest rate is 12% per annum with a term of 36 months for working capital and 60 months for fixed assets if the business belongs to the RIF.

Iniciativas	Descripción						
Créditos existentes dirigidos a segmentos	Financing from the Ministry of Economy in collaboration with development banks for young entrepreneurs (between 18 and 36 years old) to support the growth and/or consolidation of ongoing businesses (credit available through six banks).						
	Modality	Destination of the loan	Age of the firm	Interest rate	Amount	Deadline	Grace period
	Credit for growth				Up to Mex\$ 300 000 (roughly US\$ 15 000)	Up to 36 months for working capital and 60 months for fixed assets.	Not applicable
	Young Entrepreneur SME credit	Working capital and fixed assets	At least 1 year of operations	12% per annum fixed	Up to Mex\$ 2.5 million (roughly US\$ 127 626)	Up to 60 months	Up to 3 months
	Financing from the Ministry of Economy in collaboration with development banks for specific productive sectors:						
	Sector			Interest rate	Amount	Maturity	Grace period
	Manufacturers and customers of molds, dies and tooling in the automotive, aerospace, electrical-electronic, metal-mechanical, and automotive sectors.			Max. 13% p.a. fixed	Up to Mex\$ 30 million (roughly US\$ 1.5 million)	36 months for working capital and up to 84 months for fixed assets	Not applicable
	Textile, clothing and fashion			Max. 9% p.a. fixed in USD			Up to 12 months for principal included in maturity term
	Leather and footwear						

Source: Prepared by the authors, on the basis of data provided by the Productive Development Unit and official information.

2. Challenges and considerations for recovery

Table 29 below shows the main issues highlighted in the interview, from the standpoint of their contribution to economic reactivation strategies.

Table 29
Mexico: Implementation challenges and considerations for economic reactivation

Strategies	Implementation achievements	Challenges	Considerations
Corporate financing	<p><i>Direct delivery of funding</i></p> <ul style="list-style-type: none"> One of the government's strategic focuses has been to eliminate intermediation in the delivery of microcredit. Cash transfers were made directly to the beneficiary. More than 1.5 million microenterprises received US\$ 1,000.^a (Arreguín, 2020). The deployment of comprehensive development centres has been key as points of contact and direct communication without intermediaries. The centres operate in public offices as physical spaces that provide information and services free of charge on federal government programmes, through national civil servants preferably from the same community. They are heterogeneous and depend on the communities. Currently they number 1,500 and the target is to reach 3,000. Strengthening <i>Banco del Bienestar</i> as a first-tier development bank to guarantee access to financial services. 	<ul style="list-style-type: none"> As there are still connectivity problems in several localities, one of the challenges is to close the gaps and improve inclusion. In this sense, the strategy of the integrated development centres is linked to the Internet for All Programme and to the strengthening of <i>Banco del Bienestar</i>. Financial inclusion requires financial education to support efficient resource management. There is still no systematic analysis of the use of cash transfers, but it is known that credit is often used to pay off other loans. It is necessary to support credit management. 	<ul style="list-style-type: none"> <i>Banco del Bienestar</i> will gain greater territorial proximity. By 2021, it is expected to have 2,700 branches nationwide. The implementation of the comprehensive development centres implies close attention from the government, so it is also expected to provide technical assistance for production, restructuring and marketing. National civil servants are being trained for these purposes. There are 17,500 national civil servants for the centres on average.^b (Secretariat of Labour and Social Security, 2020).

Strategies	Implementation achievements	Challenges	Considerations
Business transformation	<p><i>Support for Internet sales (e-commerce)</i></p> <ul style="list-style-type: none"> ▪ <i>Mipymes MX</i>: the platform is working continuously to consolidate tools and content. It has been noted that people register more in the dimensions of “learning” and “financing”. ▪ <i>Mercado Solidario</i>: platform that provides space for effective information exchange; local businesses register and display their products or services, and the consumer can easily identify what is available. ▪ <i>Data México</i>: platform for medium-sized firms, to facilitate access to information that reduces transaction costs 	<ul style="list-style-type: none"> • Regulatory adjustments are important to enable MSMEs to comply with regulations. The problems affecting the development of MSMEs need to be identified. 	<ul style="list-style-type: none"> • In terms of MSME digitalization, work is being done on strategies that support the development of segmented digital capabilities. In other words, understanding of the use of technologies and their potential application in the development of activities must first be improved (microentrepreneurs segment); then, secondly, support must be provided to change the logic of business operations following the incorporation of these technologies (digitalization segment).

Source: Prepared by the authors, on the basis of data compiled from an interview with a Secretariat of Economy representative; L. Arreguín, “México presenta un plan de apoyo a pymes afectadas por la pandemia”, Mexico City, AS News, 17 December 2020 [online] <https://www.asnews.mx/noticias/mexico-presenta-un-plan-de-apoyo-a-pymes-afectadas-por-la-pandemia>; Secretariat of Labour and Social Security, “Centros Integradores del Desarrollo | Conferencias sobre Programas del Bienestar”, Mexico City, 17 June 2020 [online] <https://www.gob.mx/stps/es/articulos/centros-integradores-del-desarrollo-conferencias-sobre-programas-del-bienestar?i%20diom=es>.

^a <https://www.asnews.mx/noticias/mexico-presenta-un-plan-de-apoyo-a-pymes-afectadas-por-la-pandemia>.

^b <https://www.gob.mx/stps/es/articulos/centros-integradores-del-desarrollo-conferencias-sobre-programas-del-bienestar?i diom=es>.

XI. MSME support policies amid COVID-19 in Panama

A. MSME strategic framework

Support for MSMEs in Panama is governed by a specific legal framework that has three key moments. Law 8 of 2000,⁶⁰ which creates the Micro, Small and Medium Enterprise Authority (AMPYME) as the governing entity for MSME development policies in the country; Law 33 of the same year,⁶¹ which defines a series of instruments to stimulate MSME development, including a guarantee fund for loans and to support training and technical assistance; and Law 72 of 2009, which amends the two previous laws, and creates the National System for the Promotion of MSMEs in Panama; and Law 72 of 2009,⁶² which amends the two previous laws, creates the National Business Development System within the AMPYME structure⁶³ and consolidates the Business Development Fund. Executive Decree 126 of 2010⁶⁴ regulates the latter's activities, dividing it into four funds that are still operational today:⁶⁵ (i) the technical assistance and training fund; (ii) the seed capital fund; (iii) the microcredit financing fund; and (iv) the guarantee fund.

The MSME Authority is responsible for executing the national policy to promote the MSME sector, by generating programmes or projects that improve the financial and non-financial services market, and by promoting and coordinating actions between public and private actors. The National Policy for the Promotion of Micro, Small and Medium Enterprises 2017-2022 arose in this context, as a proposal to boost MSME development, by first strengthening the entrepreneurial capacity of the

⁶⁰ Law 8 of 29 March 2000.

⁶¹ Law 33 of 25 July 2000.

⁶² Law 72 of 9 November 2009.

⁶³ The National Business Development System is attached to the AMPYME Directorate-General and is consists of affiliated institutions that provide support within the MSME ecosystem. These institutions can then access the Business Development Fund.

⁶⁴ Executive Decree 126 of 23 June 2010.

⁶⁵ The technical assistance and training fund and the guarantee fund are implemented through AMPYME programmes, whereas the seed capital fund and the microcredit financing fund are implemented through public or private fund managers or trust companies.

individuals who lead and make up these economic units. The policy recognizes the need for differentiated support measures and to embrace gender equity, social inclusion and territorial development. Under this approach, which prioritizes “business and people”, the following have been defined as strategic policy pillars: promotion of business development services; formalization; development of an MSME information system; promotion of entrepreneurship; access to financing; and access to markets.

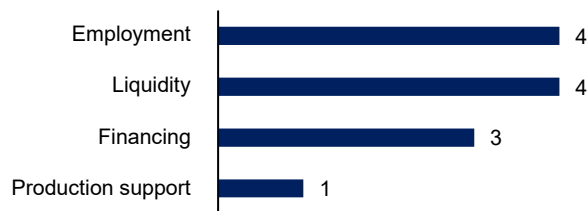
It is within the framework of these lines of action that AMPYME has worked to address the effects of the COVID-19 pandemic. Its actions have built on and strengthened existing instruments to roll out the emergency response measures, such as the digital platform to facilitate the Business Register and a capital increase for the seed capital fund. At the same time, reactivation initiatives have been launched, such as *Banca de Oportunidades* (Opportunities bank) and *Panamá Solidario* (*Supportive Panama*). These measures are described in greater detail in the following section.

B. The COVID-19 context

Panama declared a State of National Emergency through Cabinet Resolution No. 11 of 13 March 2020. Since then, several executive decrees and resolutions have been issued to adopt health measures to reduce the spread of the virus, as well as measures in the employment, tax and economic and financial relief areas. As in other countries in the region, the measures have been adopted as the pandemic has evolved, with a view to counteracting the effects on employment and economic activities, prioritizing the most vulnerable sectors.

Based on a mapping of the measures adopted by the different countries of the region to support firms in coping with the effects of COVID-19 (ECLAC, 2020), the information has been updated and refined to accompany the dynamics of the emergency. In this regard, as of December 2020, Panama has a total of 12 MSME support measures aimed at dealing with the emergency.

Figure 12
Panama: MSME support measures in the COVID-19 context



Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), “Sectors and businesses facing COVID-19: emergency and reactivation”, *COVID-19 Special Report*, No. 4, Santiago, 2020

Table 30, below, gives details of these measures:

Table 30
Panama: MSME support measures

Category	Measure
Liquidity	<p><i>Extension of tax payment amnesty:</i> Laws 160 and 161 of 1 September 2020. Law 160 amends Law 99 on the tax amnesty to incorporate specific provisions related to the pandemic; and Law 161 adds transitory paragraphs to the Tax Code along the same lines. Both laws are retroactive. The key measures are:</p> <ul style="list-style-type: none"> • Taxpayers may avail themselves of the tax amnesty period for late payment of taxes, fees and special contributions until 31 December 2020. • Surcharges and penalties will be waived if payment arrangements are made by 31 December, paying 25% of the nominal tax due and 85% of the total interest. • The deadline for full compliance with the payment agreement may not extend beyond 30 April 2021. • Taxpayers who had paid taxes before the laws came into effect will be eligible for credits and discounts. <p><i>Modified loan modality:</i> Additional, exceptional and temporary measures are established for both consumer and corporate loans (Agreement 2-2020 of 16 March 2020, as amended by Agreement 13-2020 of 21 October 2020).</p> <ul style="list-style-type: none"> • Modification of terms and conditions relating to: grace periods, interest rate adjustment, extension of terms, adjustments in the amount of the monthly instalment, implementation of payment agreements, etc. • Banks will have until 30 June 2021 to evaluate the loans of pandemic-affected debtors <p><i>Reduction of electricity service payments until December 2020:</i> benefiting more than 1 million residential customers and SMEs (Cabinet Resolution 66 of 29 September 2020).</p> <p><i>Suspension of public utility payments</i> (electricity, fixed and mobile telephony and internet) for four months from 1 March: Law 152 of 4 May 2020 is retroactive. The amount owed does not generate interest and will be prorated over a three-year period.</p>
Employment	<p><i>Suspension of employment contract:</i> the COVID-19 pandemic is included as a fortuitous or force majeure event under Article 199 (8) of the Labour Code (Executive Decree 81 of 20 March 2020).</p> <p><i>Temporary modification of working hours:</i> to be agreed upon by the parties in application of Article 159 of the Labour Code (Executive Decree 71 of 13 March 2020).</p> <p>Law 157 - Temporary employment protection measures in firms (draft law approved in August and in force until December 2020).</p> <p>Applies to firms with total or partial closure of operations and to workers with suspended contracts.</p> <p>Suspension of contracts may be extended on a month-to-month basis until 31 December</p> <p>Firms will be able to restart their activities and reinstate workers progressively</p> <p>Termination of the employment relationship by mutual consent, dismissal or unilateral decision of the employer within three months after the reinstatement of a suspended worker, requires the employer to immediately pay the total benefits or entitlements in a lump-sum payment</p> <p>Extension of work permits for foreign nationals until March 2021 (Ministerial Decree 225 of 19 August 2020).</p>
Financing	<p><i>Banca de Oportunidades</i> programme: through AMPYME, providing support and access to financing (Executive Decree 191 of 31 July 2020).</p> <p>Total amount available US\$ 20 million, channelled through the <i>Caja de Ahorro</i> savings bank and <i>Banco Nacional de Panamá</i></p> <p>Targeted at entrepreneurs and microenterprises that have been established for less than two years, generate two or three jobs and have a turnover of up to US\$ 150,000 per year.</p> <p>Loans are granted in amounts between US\$ 2,000 and US\$ 5,000 with a term of 84 months and interest rates between 6% and 9%.</p> <p>The loans are intended to cover economic reactivation expenses (not payroll or rent).</p> <p><i>Global credit programme for the defense of the productive fabric and employment:</i> this programme promotes access to production-oriented financing for the economic recovery of MSMEs affected by the pandemic.</p> <p>The programme is supported by a loan from IDB for US\$ 150 million (this loan is the first tranche of a total loan of US\$ 300 million to be administered by the National Bank of Panama especially for the sectors affected by the pandemic).</p> <p>50% of the funds will be allocated to MSMEs and the other 50% to the agricultural sector.</p> <p>MSMEs: resources available through 30 local banks and financial entities targeting MSMEs that generate revenues in excess of US\$ 150,000 per year.</p> <p>The loan amount for microenterprises is between US\$ 5,000 and US\$ 25,000; and for SMEs between US\$ 25,000 and US\$ 250,000, with a maturity term of 84 months and an interest rate of 7%.</p> <p><i>Crédito Panamá Solidario</i> (Supportive Panama Credit) programme for the agricultural sector: funds made available with the support of the global credit programme to protect the productive fabric and employment.</p> <p>Loans channelled through the Agricultural Development Bank (approved on 13 May 2020).</p> <p>New special loans for up to US\$ 100,000 with 0% interest rate</p> <p>The programme will last two years for agricultural projects and three years in the case of livestock projects. At the end of this period, the interest rate will return to 2% in the absence of other provisions (Resolution 051-2020 and 052-2020 of 11 May 2020).</p> <p>In addition, <i>Banco de Desarrollo Agropecuario</i> approved an interest rate cut to 2% for current loans with rates above 5% (Resolution 050-2020 of 11 May).</p>

Category	Measure
Production support	<p><i>Seed Capital Law</i>: Draft law 363 approved on 17 August 2020, which modifies the amount allocated in Law 33 of 2000 on rules for the promotion of MSMEs.</p> <p>Access to non-reimbursable funds increases from US\$ 1,000 to US\$ 2,000 per firm.</p> <ul style="list-style-type: none"> Financing is available through a competitive bidding process and is targeted on entrepreneurs and microentrepreneurs who have participated in AMPYME Training and Technical Assistance Programmes.

Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), "Sectors and businesses facing COVID-19: emergency and reactivation", COVID-19 Special Report, No. 4, Santiago, 2020; data provided by the Micro, Small and Medium Enterprise Authority (AMPYME) and official information.

C. Interview: Micro, Small and Medium Enterprise Authority (AMPYME)

1. Experience in implementing measures

Micro, small and medium-sized enterprises account for some 97% of all businesses in Panama and generate more than 56% of jobs nationally (AMPYME, 2020). However, the high degree of informality—almost 45% of the employed population before the pandemic—means that the importance of the smallest economic activities in the total business network is underestimated. According to information from the Office of the Comptroller General of the Republic, most of the job growth that occurred between 2018 and 2019 was informal; and new jobs generated through entrepreneurial ventures were related to professional, administrative and commercial activities (Rodríguez, 2020).

Support for entrepreneurship and MSEs was already recognized as a fundamental policy target for Panama's economic development; and amid the pandemic, the focus has shifted to the role these enterprises will play in a potential reactivation. The situation has created a spontaneous market with several ventures emerging, especially in the food preparation sector; and, as in other countries, it has fuelled interest in developing e-commerce strategies. Accordingly, the measures that have been implemented as the emergency has evolved include the boost given to several existing instruments, such as the online registration of formal and informal activities to access benefits; and seed capital to facilitate access to resources that enable businesses to reinvent themselves and consolidate; among others.

Based on the open dialogue held with the Assistant Director-General of the Micro, Small and Medium Enterprise Authority (AMPYME), the following tables present the experience of a number of initiatives. For ease of analysis, these have been divided into two broad categories: technical support and financial support.

Institution	Post	Name
Micro, Small and Medium-Sized Enterprise Authority (AMPYME)	Assistant Director-General	Arturo Arango Osorio

Table 31
Panama: technical support initiatives to deal with the effects of COVID-19

Initiatives	Descripción												
Simplification of bureaucracy	<p>AMPYME Business Register - online:</p> <ul style="list-style-type: none"> The business registration initiative was introduced in Law 33 of 2000 and amended by Law 72 of 2009, which defines the registration parameters. In 2012, Resolution 009-2012 specified registration requirements for the inclusion of natural persons. The current regulation governing the Business Register is Executive Decree 145 of April 9, 2020, which establishes that all registered MSMEs may access AMPYME financial and non-financial programmes according to the parameters of each programme. The online registration process is free and immediate. Although the development of the platform was already under way, its official launch occurred in April 2020 as a joint initiative between AMPYME and the National Authority for Government Innovation (GIA). The platform aims to improve and facilitate the registration of formal and informal activities, undertaken by a natural person or legal entity, to access benefits and serve as a reference to establish future benefits. The current benefits are: (i) exemption from paying income tax during the first two fiscal years after registration; (ii) access to AMPYME financial and non-financial programmes; and (iii) preference in public procurement processes. Informal microentrepreneurs who register in the AMPYME Business Register receive these benefits automatically. 												
Linkage with the private sector	<p>Creation of joint strategies to promote economic reactivation adjusted to the needs of the different sectors: The reopening of activities was classified in 6 blocks, starting on 13 May. Since 12 October nearly all activities have been reactivated and mobility restrictions are minimal.</p> <table border="1"> <thead> <tr> <th>Block 1</th> <th>Block 2</th> <th>Block 3</th> <th>Block 4</th> <th>Block 5</th> <th>Block 6</th> </tr> </thead> <tbody> <tr> <td>E-commerce, technical services, mechanical and spare part workshops, artisanal fishing and industrial aquaculture.</td> <td>Public infrastructure construction, non-metallic mining.</td> <td>Non-essential wholesale and retail trade, automobile sales, professional and administrative services, construction in the private sector</td> <td>Air transportation, hotels and restaurants</td> <td>Education, non-essential transportation, entertainment and bars</td> <td>All sectors</td> </tr> </tbody> </table>	Block 1	Block 2	Block 3	Block 4	Block 5	Block 6	E-commerce, technical services, mechanical and spare part workshops, artisanal fishing and industrial aquaculture.	Public infrastructure construction, non-metallic mining.	Non-essential wholesale and retail trade, automobile sales, professional and administrative services, construction in the private sector	Air transportation, hotels and restaurants	Education, non-essential transportation, entertainment and bars	All sectors
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Business development services	<p><i>AMPYME technical assistance and training programmes</i></p> <ul style="list-style-type: none"> Hiring national and international consultants and business development service providers to support MSMEs in the following areas: increasing competitiveness, quality, and new product markets. The training programmes are targeted at individuals and legal entities, as well as business development service providers, that are affiliated to the National Business Development System. The programmes focus on the following areas to promote the development of entrepreneurial skills: <ul style="list-style-type: none"> Improvement of business administration practices Use of new technologies Improvements in the operation of new and existing firms Capacity building among financial and non-financial service providers <p><i>Mi Plan de Negocios (My business plan) e-learning platform:</i> initiative created jointly between AMPYME and City of Knowledge, specifically to support the development of firms participating in the <i>Banca de Oportunidades</i> programme.</p> <ul style="list-style-type: none"> Free training modules to provide support in refining business ideas for reinvention or reactivation in three specific strategic areas: marketing, finance and business plan. The programme is based on four phases: (i) entrepreneurial profile; (ii) creativity and innovation; (iii) entrepreneurship and business development; and (iv) strategy. Designed for the training of entrepreneurs (with less than 24 months of operation) and microenterprises (in the process of restructuring their line of business). Those who already had previous training in programmes endorsed by AMPYME between 2018 and 2020 can also participate. <p><i>Reinvéntate con AMPYME (Reinvent yourself with AMPYME)</i> programme: daily online chats on specific thematic areas were held between 31 August and 4 September 2020.</p> <ul style="list-style-type: none"> Will address topics of formalization, competitiveness, innovation, financial education, entrepreneurship and business management. The initiative is expected to continue on a quarterly basis. 												
Digital transformation	<p><i>Plataforma Chequeo digital (Digital Checkup platform):</i> a tool developed by <i>Fundación País</i> and IDB, launched in December 2020 to stimulate technological adoption and promote digital skills.</p> <ul style="list-style-type: none"> The platform allows access to an online self-diagnostic assessment to ascertain an MSME's level of digital maturity; after which immediate results and personalized recommendations are received to promote the digital transformation of businesses. Digital maturity is measured across eight dimensions: (i) technology and digital skills; (ii) culture and leadership; (iii) people and organization; (iv) communications; (v) products and innovation; (vi) processes; (vii) data and analytics; and (viii) strategy and digital transformation. In addition, the readiness of firms to adopt digital technologies is analysed on the basis of their attitude, knowledge and preparation. <p><i>E-commerce:</i></p> <ul style="list-style-type: none"> The <i>Digitaliza Tu Empresa (Digitalize your firm)</i> platform: online practical training platform that addresses the different stages of the e-commerce value chain. <p>Implementation of e-commerce services model: pilot scheme to strengthen the capacities of staff, trainers and institutional e-commerce advisors to support MSMEs in the implementation of e-commerce strategies.</p>												

Source: Prepared by the authors, on the basis of data compiled from an interview with the Micro, Small and Medium Enterprise Authority (AMPYME) representative and official information.

Table 32
Panama: financial support initiatives to address the effects of COVID-19

Initiatives	Description													
<i>Banca de Oportunidades</i>	<p><i>Banca de Oportunidades</i></p> <ul style="list-style-type: none"> The programme was proposed as part of government plan and officially created amid the health emergency through Executive Decree 191 of 31 July 2020. The programme was launched a few days later, on 3 August. The programme has total funding of US\$ 20 million in the first phase, and under AMPYME management it is expected to benefit more than 5,000 microenterprises by granting loans of US\$ 2,000–US\$ 5,000 with terms of 84 months and interest rates below 9%. The loans are available through two financial institutions: <i>Caja de Ahorro</i> and <i>Banco Nacional de Panamá</i>. Presentation of a business plan endorsed through participation in the online business management platform is one of the requirements for accessing the resources. 													
Microcredit financing	<p><i>FIDEMICRO</i>: MSME microcredit fund aimed at promoting the microfinance market as part of the Business Development Fund.</p> <ul style="list-style-type: none"> <i>FIDEMICRO</i> operates as a second-tier bank to provide microfinance operators with a credit line to finance lending to microenterprises. It thus benefits both micro and small-scale entrepreneurs registered in the AMPYME Business Register, as well as the financial institutions affiliated to the National Business Development System that receive and intermediate resources. Loans are up to US\$ 25,000 and may be used for: purchase of goods, works and services to increase productivity, working capital, technical advisory expenses, and restructuring of the business' operational debts. 													
Non-reimbursable financing	<p><i>Seed Capital Fund</i>: a non-reimbursable competitive fund, forming part of the Business Development Fund which aims to support both the creation of new businesses and the strengthening microenterprise development.</p> <ul style="list-style-type: none"> Prior to the pandemic, the amount granted by the seed capital fund was US\$ 1,000. Due to the emergency this was increased to US\$ 2,000 through Draft Law 363 approved on 17 August 2020. The fund is intended to support new entrepreneurs, subsistence microenterprises (natural persons) and formal or informal microenterprises; these are defined as economic units that generate a gross income or an annual sales turnover of up to US\$ 150,000. The funds will be used to finance the business plans of beneficiaries that complete AMPYME training and may be used to purchase fixed assets, raw materials and inputs envisaged in the approved business plan. AMPYME has initially identified the following segments for launching calls for proposals: tender for subsistence ventures, tender for ventures of production-oriented entities, tender for strategic economic activities (tourism, agribusiness, commerce, services and handicrafts). 													
Guarantee Fund	<p><i>PROFIMYPE_ MSE financing programme</i>:</p> <ul style="list-style-type: none"> The programme supports access to financing by issuing complementary guarantees under the following modalities: <table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Type of guarantee</th> <th style="text-align: left;">Maximum amount</th> <th style="text-align: left;">Guarantee</th> </tr> </thead> <tbody> <tr> <td rowspan="3" style="vertical-align: top;">Individual</td> <td>Informal workers</td> <td>USD 3 000</td> </tr> <tr> <td>Entrepreneurs and microenterprise</td> <td>USD 25 000</td> </tr> <tr> <td>Small business</td> <td>USD 50 000</td> </tr> <tr> <td>Financial intermediation</td> <td>US\$ 500 000</td> <td>80%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Prioritizes firms that already have an operational track record and require financing of between US\$ 5,000 and US\$ 100,000. In the context of the health crisis, it has been targeted on supporting the resumption of pre-pandemic operations. Progress is currently being made in signing agreements with banks and cooperatives to provide productive loans. 	Type of guarantee	Maximum amount	Guarantee	Individual	Informal workers	USD 3 000	Entrepreneurs and microenterprise	USD 25 000	Small business	USD 50 000	Financial intermediation	US\$ 500 000	80%
Type of guarantee	Maximum amount	Guarantee												
Individual	Informal workers	USD 3 000												
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Reactivation Fund e-commerce	<p><i>SICA Emprende</i>: Central American Integration System (SICA) e-commerce reactivation fund of the e-Commerce Capacity Building Programme in Central America of the Regional Center for the Promotion of Micro, Small and Medium-sized Enterprises (CENPROMYPE): seeks to stimulate the use of new marketing channels for firms with e-commerce training.</p> <ul style="list-style-type: none"> This is a non-reimbursable competitive fund totalling US\$ 120,000 targeting MSMEs in Guatemala, El Salvador, Honduras, Costa Rica and Panama. In Panama, it prioritizes firms registered in the AMPYME Business Register that have experience in e-commerce platforms and have been in the market for at least three months, even if only discontinuously. Awards will be made to at least 10 firms for a maximum individual amount of US\$ 2,400 to finance expenses related to: development of an online sales platform; investment in machinery, equipment or tools; improvements in the organization of the firm; and training, consulting and business support services. 													

Source: Prepared by the authors, on the basis of data compiled from an interview with the Micro, Small and Medium Enterprise Authority (AMPYME) representative and official information.

2. Challenges and considerations for recovery

Table 33 below sets out the main issues highlighted in the interview, from the standpoint of their contribution to economic reactivation strategies.

Table 33
Panama: implementation challenges and considerations for economic reactivation

Strategies	Implementation achievements	Challenges	Considerations
Corporate financing	<p><i>Banca de Oportunidades</i></p> <ul style="list-style-type: none"> Up to October 2020, the programme had issued more than US\$ 600,000 in loans. Over 70% of the beneficiaries are men. <i>Seed capital</i> The Seed Capital Fund has benefited a total of 18,449 people between 2008 and 2020. Resources totalling US\$ 12.4 million have been disbursed. By law, the fund was amended in August 2020 to be able to lend up to US\$ 2,000 per firm (previously US\$ 1,000). The programme aims both to address the emergency and to support the reinvention and consolidation of business models. 	<p><i>Microcredit financing</i></p> <ul style="list-style-type: none"> FIDEMICRO is currently in a process to change the trust administrator, so no up-to-date information is available. Between 2011 and 2019 it benefited a total of 9,753 firms nationwide. 	<ul style="list-style-type: none"> The aim is to continue promoting timely, rapid financing suited to the scenario of each microentrepreneur. Under a gender and social inclusion approach, access to credit should be promoted in all credit segments.
Business transformation	<p><i>Business registration</i></p> <ul style="list-style-type: none"> Between the start of the pandemic and October 2020 a total of 4,444 businesses had registered online. This number is unprecedented in the history of the business register. In the last five years, more than half of the total number of registered firms have been led by women. <p><i>E-commerce</i></p> <ul style="list-style-type: none"> Many strategies have taken off strongly and have been boosted by the pandemic. 	<p><i>E-commerce</i></p> <ul style="list-style-type: none"> Many firms are still implementing technologies to enhance e-commerce: payment gateways, logistics services, etc. Significant challenges exist in the adjustment of logistics services Knowledge of the different platforms still needs to be expanded. 	<ul style="list-style-type: none"> Despite government budget cuts, efforts to meet needs have been made through partnerships with the National Entrepreneurship Council and City of Knowledge.

Source: Prepared by the authors, on the basis of data compiled from an interview with the Micro, Small and Medium Enterprise Authority (AMPYME) representative.

XII. MSME support policies amid COVID-19 in Uruguay

A. MSME strategic framework

The *Transforma Uruguay* (Uruguay Changes) National System for Production Restructuring and Competitiveness (SNTPYC), created by Law 19.472 in early 2017,⁶⁶ established the 2017–2021 National Plan for Production Restructuring and Competitiveness as a framework of cross-cutting projects, targeted on areas relevant to production development. In the MSME area, it sought to promote interaction between the different institutions⁶⁷ that provide support for this business segment according to their competencies. The aim was to generate and strengthen synergies between specialized organizations such as the National Research and Innovation Agency (ANII), the National Institute for Employment and Vocational Training (INEFOP), as well as local development agencies.

The new government that took office on 1 March 2020 presented a different approach to the structuring of the MSME support system, focusing on specifying roles to avoid overlapping actions, without the need for a specific coordination body. In this context, the key entity is the National Development Agency (ANDE), given its capacity to design and implement strategies and to interact with other stakeholders.

⁶⁶ The Ministerial Office for Productive Transformation and Competitiveness is established as the governing body of this System, consisting of the top authorities of the Ministries of Foreign Affairs; Economy and Finance; Education and Culture; Industry, Energy and Mining; Labour and Social Security; Livestock, Agriculture and Fisheries; Tourism; Housing, Regional Planning and Environment; and the Office of Planning and Budget (Law No. 19.472 of 17 January 2017).

⁶⁷ The National Plan for Productive Transformation and Competitiveness mainly involves the following institutions: the National Agency for Research and Innovation (ANII) and the Technological Laboratory of Uruguay (LATU) for research and development and innovation issues; the National Institute of Employment and Vocational Training (INEFOP) for the development of human and business skills; the National Institute of Cooperativism (INACOPP) for the promotion of the social economy; the Agency for e-Government and Information and Knowledge Society (AGESIC) for the development of the digital agenda; and the National Development Agency (ANDE) to support the development of MSMEs.

The National Development Agency began its operations in 2015, tasked with contributing to the production development of MSMEs; and under SNTPYC it modified its activities to respond directly to the government's strategic policy guidelines. The National Directorate of Crafts, Small and Medium Enterprises (DINAPYME) of the Ministry of Industry, Energy and Mining (MIEM) is responsible for designing public policy to promote business development and job creation at the sectoral ministry level, In contrast, ANDE is the executive branch's point of reference and executor of public policy in the MSME support ecosystem, both in terms of technical assistance programmes and in the administration of funds for specific activities or productive sectors.

In the context of the COVID-19 pandemic, the actions of ANDE and the National Guarantees System (SIGa) have been key to addressing the problems arising from the health crisis that have affected economic and production activity, especially MSMEs. Accordingly, to contextualize the measures presented in the following sections, the following is a brief description of the sphere of action of ANDE and SIGa.

National Development Agency (ANDE)

Although ANDE was created through Law 18.602 in 2009,⁶⁸ it consolidated as an institution and defined its strategy and management model in late 2015.⁶⁹ It implements instruments targeting four areas: (i) production harmonization, which promotes interaction between agents in territorial development; (ii) business development, which establishes support actions directly targeting MSMEs and also the institutions that promote their development; (iii) entrepreneurship, which focuses on supporting new businesses with growth potential; and (iv) financial services, facilitating access to financing, either directly or as a second-tier bank.



Source: National Development Agency, *Memoria Anual 2019*, Montevideo, 2019.

⁶⁸ Law 18.602 of 21 September 2009.

⁶⁹ Decree 94/012 of 27 March 2012 and Decree 353/015 of December 2015.

Within this framework, ANDE promotes production development instruments through operational allies and partners at the local level, with the aim of creating strategies that respond to different needs under a national-scope vision. In 2019, ANDE made grants to support a variety of projects totalling US\$ 9.4 million, which, when added to counterpart contributions, mobilized a total of US\$ 14.1 million. Meanwhile, in terms of reimbursable contributions, loans amounted to US\$ 4.2 million.

National Guarantee System (SIGa)

The National Guarantee System (SIGa) was established in 2008 through Decree 773/008,⁷⁰ with the purpose of guaranteeing loans to finance MSMEs.⁷¹ ANDE, along with the Ministry of Economy and Finance (MEF) and the National Development Corporation, make up the Board of Directors that administers the system.

The system extends public guarantees to microenterprises and SMEs of any economic sector through the *SIGa PyME* programme, which is intended for both working capital and investment capital. Based on this guarantee line, two additional specific lines emerged in 2018: *SIGa Micro*, aimed at strengthening the microenterprise segment; and *SIGa Emprende*, as a pilot line to facilitate financing for entrepreneurs. These two guarantee lines were the starting point for incorporating microfinance institutions (MFIs) in the joint creation and implementation of guarantees, alongside financial institutions already operating with the system. The following section describes the operational details of these and other measures.

In the pandemic context, the *SIGa Emergencia* line was created in April 2020 as a more flexible financing option to support loans to affected MSMEs. More recently, two further lines have been created in response to the need to extend support mechanisms: the *SIGa Plus* line to serve large firms and the *SIGa Turismo* line to allocate specific resources to various tourism subsectors.⁷²

B. The COVID-19 context

Uruguay declared a state of national health emergency on 13 March through Decree 93/020. Although, as in most countries, this Decree presented a series of measures aimed mainly at preventing the spread of the virus, it did not impose a mandatory lockdown; but it did recommend social isolation, appealing to citizen co-responsibility. The population's high degree of acceptance of the suggestion to "stay at home" has been one of the key reasons why Uruguay is recognized as a success story in terms of its management of the pandemic, both within the region and worldwide.

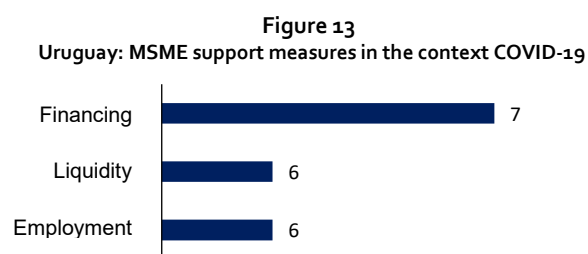
The reopening of activities started gradually as from April, starting with the construction sector. It then became necessary to reinforce measures to respond to and minimize the effects of the health crisis on economic activities. Consequently, measures were announced to protect employment and support business operations, mainly within the framework of existing plans and programmes.

Based on a mapping of the MSME support measures implemented by the countries of the region amid the COVID-19 emergency (ECLAC, 2020), the information has been updated and refined, taking into account the constant evolution of the pandemic. In this regard, a total of 19 measures can be identified for Uruguay up to December 2020.

⁷⁰ Decree 773/008 of 22 December 2008.

⁷¹ Law 16,622 of 1 November 1994 (Article 1); Law 18,172 of 31 August 2007 (Article 332); and Law 18,362 of 15 October 2008 (Article 505).

⁷² The *SIGa Turismo* guarantee line is available to hotel and accommodation firms, restaurants, transportation and transport equipment rental firms, travel agencies, and real estate firms.



Source: Economic Commission for Latin America and the Caribbean (ECLAC), "Sectors and businesses facing COVID-19: emergency and reactivation", *COVID-19 Special Report*, No. 4, Santiago, 2020.

Table 34 below gives details of these measures:

Table 34
Uruguay: MSME support measures

Category	Measure
Liquidity	<p>Exemption from payments for electricity services (retroactive benefits):</p> <ul style="list-style-type: none"> - Exemption from payment of 100% of the fixed charge and contracted power for the following sectors: education, culture and sports, travel agencies and real estate. - Partial exemption of monthly consumption for the year 2019 for the following sectors: hotels, restaurants, party and event halls. <p>Exemption from payments for water and sewerage services (retroactive benefits):</p> <ul style="list-style-type: none"> - Exemption from payment of 100% of the fixed water and sewage charge for the following sectors: education, culture and sports, travel agencies and real estate. - Partial exemption in relation to the respective monthly consumption for the year 2019 for the following sectors: hotels, restaurants, party and event halls. <p>Exemption from employer contributions payable to the Social Insurance Bank (BPS) for the tourism sector, retroactive from April 2020 to March 2021. Includes event organizers, travel agencies and transportation firms (Law 19913 of 30 October 2020).</p> <p>Deferral of the minimum VAT payment for the paragraph E tax regime, which includes sole proprietorships, partnerships and limited liability companies (Resolution 550/2020 of 20 March 2020).</p> <p>Deferral of social security contributions for <i>monotributo</i> taxpayers, sole proprietorships and partnerships with up to 10 employees and with a contribution regime in industry and commerce. Contributions are deferred until June and then are payable instalments with 40% subsidy from the State (Law 19872 of 25 March 2020).</p> <p>Deferral of loan maturities: the Central Bank of Uruguay authorized financial intermediaries, financial service firms and credit administrators to extend the maturity terms of household and corporate loans for up to 180 days, subject to agreement with their clients. This resolution covered both principal and interest payments (Resolution 2020/040 of 19 March 2020).</p>
Employment	<p>Sickness benefit for private workers in the at-risk population - over 65 years of age (Decree 109/2020 of 25 March 2020).</p> <p>Special partial unemployment benefit with extension to 31 March 2021 (Resolutions 143/2020 of 18 March and 163/2020 of 20 March 2020):</p> <ul style="list-style-type: none"> • Includes employees under partial suspension of activities: workers paid monthly and those with mixed forms of remuneration; day labourers; workers paid on a piece-work or commission basis. • Proposes a reduction in the number of full working days per month (minimum 6 days and maximum 19), or a reduction of the working day by at least 50%. <p>Incentive to firms reinstating workers under unemployment benefits or creating new jobs (Decree 190/020 of 1 July 2020):</p> <ul style="list-style-type: none"> • A non-refundable amount of 5,000 Uruguayan pesos (Ur\$ 5,000 or approximately roughly US\$ 118) per worker will be provided for three months. • Firms with reinstated workers must be beneficiaries of unemployment insurance as of 31 May 2020. • Firms with new hires must not register employees with unemployment insurance after 31 May 2020. <p>Advance use of leave generated in 2020: Ministry of Labour and Social Security (MTSS) resolution to advance leave subject to agreement between worker and employer (Resolution 55/2020 of 20 March 2020)</p> <p>Subsidy for taxpayers registered in the <i>monotributo</i> system of the Ministry of Social Development (MIDES): subsidy paid directly to taxpayers who are working or have declared their inactivity because the health situation (Law 19877 of 28 April 2020 and Decree 185/020 of 29 June 2020) for the months of April, May, June and July, for a monthly amount of Ur\$. 6,779 (roughly US\$ 159).</p> <p>Subsidy for artists and technicians of shows and cultural centres: subsidy of Ur\$ 6,779 (roughly US\$ 159) paid directly for the months of June and July 2020 (Decree 192/020 of 7 July 2020).</p>

Category	Measure																																																								
Financing	Strengthening of the National Guarantee System (SIGa): additional resources available to grant partial credit guarantees to SMEs. The SIGa SME Fund is increased from US\$ 50 million to US\$ 500 million, with the aim of leveraging a total of US\$ 2.5 billion.																																																								
	New lines of action are emerging within the SIGa framework:																																																								
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ANDE's Targeted Credit Programme: subsidy for credit lines channelled through MFIs. MSMEs can access long-term financing, reduced interest rates and extended grace periods through the following Assisted Groups:																																																									
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Source: Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), "Sectors and businesses facing COVID-19: emergency and reactivation", COVID-19 Special Report, No. 4, Santiago, 2020; and official information.

^a According to the National Institute of Statistics, the indexed unit (UI) was equivalent to Ur\$ 4.7846 on December 2020. The corresponding exchange rate is 1 USD= Ur\$ 42.6180.

C. Interview: National Development Agency

1. Experience in implementing measures

Micro, small and medium-sized enterprises jointly account for 99% of production units and generate 67% of all jobs in Uruguay, the majority of them being microenterprises (Dini and Stumpo, 2020). According to the latest National Survey of MSMEs conducted in 2017 by the Ministry of Industry, Energy and Mining (MIEM), most registered formal MSMEs are sole proprietorships and are concentrated mainly in the service and trade sectors. Half of the 189,000 MSMEs that exist throughout the country are located in the capital, Montevideo.

Since the onset of the state of health emergency, measures have been adjusted to mitigate the impact on MSMEs, paying special attention to the operating needs of businesses in terms of liquidity to cover fixed costs and support to preserve employment. The deferral of tax and social security contributions, together with facilities to access new loans with preferential rates and extended terms, and debt restructuring with SIGa coverage, have targeted the most vulnerable sectors of the business network.

Between late October and early November 2020, several conversations were held with the ANDE authorities, including an interview with the institution's chairperson. The Agency is playing a key role as the "MSMEs agency", seeking to respond directly to the needs of the firms with an approach that organizes targeted programmes to address business weaknesses at the national level. During the pandemic, the framework of action has focused not only on providing financial support, such as the Directed Credit Programme, but also on strengthening capacities in financial culture, digitalization, territorial development, and other areas. The information gathered from the interview is reflected in the following tables that highlight the key measures adopted. For ease of analysis, they have been classified in two broad categories: technical support and financial support.

Institution	Post	Name
National Development Agency (ANDE)	Chairperson	Carmen Sánchez

Table 35
Uruguay: technical support initiatives to address the effects of COVID-19

Initiatives	Description
Promoting innovation and entrepreneurship	<p><i>Sectoral public goods programme for competitiveness - reactivation modality</i></p> <ul style="list-style-type: none"> The programme has been in existence since 2018 and aims to support projects to develop public goods that address market and coordination failures. Special attention is given to projects that: (i) incorporate technologies and promote digital transformation processes; (ii) improve production processes and contribute to sustainable development; (iii) improve the generation of and access to data for decision-making; and (iv) identify market opportunities. Public goods must satisfy the following conditions: (i) be available to all agents of one or more productive sectors (beneficiary sector); and (ii) aim to improve business environment variables that are decisive for development of the sector nationally. Calls for proposals are channelled through the sector trade associations, whose members identify the problem and the solution tool. The proposals are evaluated and endorsed by the corresponding sector Ministry. In the context of the pandemic, the call for proposals targeted sectoral reactivation, with projects submitted between 10 July to 10 September 2020. Twenty-one projects were submitted, of which six were approved by the ANDE Board of Directors.^a ANDE provides grant financing for up to 80% of the total cost of the project, with a maximum contribution of Ur\$ 4.2 million per project (roughly US\$ 100,000). <p><i>Promotion of entrepreneurship</i></p> <ul style="list-style-type: none"> Calls for proposals to promote pandemic response projects: two specific calls for proposals were made to provide seed capital for the development of projects that could generate responses to the pandemic. <i>Café Emprendedores</i> (Entrepreneurs' café) a series of talks were held with national and international experts to discuss useful topics on the challenges posed by the pandemic. Webinars: initiative implemented in conjunction with the National Directorate of Crafts, Small and Medium-sized Enterprises (DINAMYPE) to support three relevant topics in the context of COVID-19: new business models, digital tools and financial issues. <p>Selected tools to minimize the pandemic impact: Access is provided to a compilation of articles, videos and technical notes to facilitate the use of tools with potential to address the effects of the pandemic.</p>

Initiatives	Description
	<p><i>Promotion of entrepreneurship</i></p> <ul style="list-style-type: none"> • Calls for proposals to promote pandemic response projects: two specific calls for proposals were made to provide seed capital for the development of projects that could generate responses to the pandemic. • Café Emprendedores (Entrepreneurs' café) a series of talks were held with national and international experts to discuss useful topics on the challenges posed by the pandemic. • Webinars: initiative implemented in conjunction with the National Directorate of Crafts, Small and Medium-sized Enterprises (DINAMYPE) to support three relevant topics in the context of COVID-19: new business models, digital tools and financial issues. • Selected tools to minimize the pandemic impact: Access is provided to a compilation of articles, videos and technical notes to facilitate the use of tools with potential to address the effects of the pandemic.
Territorial development	<p><i>Business Competitiveness Centres</i> programme: The centres have been set up since 2018 and six are currently operating.</p> <ul style="list-style-type: none"> • The aim is to provide long-term support, training on specific business topics, advice on available support instruments according to the needs, guidance, and support to obtain the necessary conditions to apply for financing. • The plan is to expand national coverage through local partners and operators. • The objective is to provide sustainability and implement programmes based on a redesign of the centres, focused on digital strengthening, in infrastructure, human resources and digital services (consultants and training). <p><i>COVID-19 Territorial Business and Entrepreneurship Assistance Network</i>: this initiative has been operational since May 2020 to improve access to information on MSME support measures.</p> <ul style="list-style-type: none"> • Network of 120 participating institutions located in the 19 departments is formed • Training is provided to institutions to enable them to offer primary assistance on support measures and their scope, with their customized advice • A repository of available tools, webinars and online training is provided to enable firms and ventures to participate.
Promotion financial literacy	<p><i>Financial facilitation programme - financial training for MSMEs in the context of COVID</i>: financial and management advice to MSMEs and entrepreneurs, focusing on the current situation.</p> <ul style="list-style-type: none"> • Technical assistance through an expert assigned by ANDE: <ul style="list-style-type: none"> - Analysis and evaluation of the firm's economic and financial situation - Recommendation on actions to be taken - Assistance and advice on credit applications and loan management • Total funds available from ANDE: Ur\$ 2.6 million to be allocated by 15 December 2020. • Beneficiaries: firms that can prove that they generate employment and are up to date with their obligations as of March 2020.
Digital transformation	<p><i>Technological adaptation and digital transformation programmes: to promote technological development, incorporation and adaptation</i></p> <ul style="list-style-type: none"> • The technological adaptation programme was launched in 2018 to promote the incorporation or adaptation of technology, ICT or machinery to improve enterprise productivity. The digital transformation programme arose later to boost the universal adoption of new technologies. The two programmes pursue the same objective, with different but complementary scopes. • The overall objective is to enhance the economic growth and efficiency of MSMEs through the adoption of digital technologies. It seeks to increase the knowledge and use of digital solutions by firms, taking into account their different levels of digital progress; to increase the quantity and quality of digital transformation support services for MSMEs; and to increase the generation and use of collective digital solutions. • The programme is intended to have a strong territorial component. The strategic lines for 2021 are in the design stage. However, the focus is on the financing component to enable technological adoption to become a reality.

Source: Prepared by the authors, on the basis of an interview with the National Development Agency Chairperson and official information a The centres are similar to the Centres developed with the Small Business Development Centre (SBDC) methodology in the United States.

^a The projects submitted represented the design, music, craft brewing, dangerous goods transportation safety, and poultry supply-chain sectors, among others.

Table 36
Uruguay: financial support initiatives to address the effects of COVID-19

Initiatives	Description
Direct subsidy for single-taxpayers MIDES Redundancy insurance	<ul style="list-style-type: none"> • A monthly subsidy of Ur\$ 6,779 was granted for the months of April, May, June and July. • As of September: 42,120 subsidies have been granted totalling US\$ 6.6 million. • Beneficiaries: 10,806 • Interest-free soft loans of Ur\$ 12,000 per month were granted to single taxpayers, taxpayers under the schedule E regime or the general regime. ANDE grants these loans directly without any credit analysis. • The measure covered the months of April, May, June and July repayable in 24 instalments, with the first due on 30 November. • As of September: 44,720 insurances policies paid out a total of US\$ 12.5 million. • Beneficiaries: 14,985
<i>SiGa Emergencia</i>	<ul style="list-style-type: none"> • As of October 2020, 14,986 transactions were carried out, with guarantees totalling US\$ 415.9 million. • Over half of the guarantees have been issued to microenterprises (56%), followed by small (30%) and medium-sized (14%) firms. • Most of the guarantees are concentrated in the trade (39%), agriculture (25%) and services (17%) sectors. • 75% of the guarantees have been for working capital, followed by investment capital (14%) and restructuring (11%).

Source: Prepared by the authors, on the basis of an interview with the National Development Agency Chairperson and official information.

2. Challenges and considerations for recovery

Table 37 below sets out the main issues highlighted in the interview, from the standpoint of their contribution to economic reactivation strategies.

Table 37
Uruguay: implementation challenges and considerations for economic reactivation

Strategies	Implementation achievements	Challenges	Considerations
Corporate financing	<p><i>Assisted groups</i> According to estimates as of October 2020, almost 5,300 loans totalling Ur\$ 1,070,459,715 have been granted since the programme began in late March. 82% was for working capital.</p> <p><i>SiGa Emergencia</i> As of October 2020, 14,986 transactions have been carried out for a total guaranteed amount of more than US\$ 415.9 million, with an average coverage of 76%.</p> <p><i>Unemployment insurance</i> Uruguay already had this crisis mitigation measure in place, which facilitated its adaptation to address the pandemic. The adjustment contemplates a more flexible work schedule The insurance has been extended in line with the current conditions.</p>	<p>Within the framework of the health-emergency decree, a 15% budget cut is imposed in all central government institutions. ANDE has achieved this by reducing its operating budget. Programmes have been maintained, but funds have been reallocated to those considered most relevant. As regards the resources available in the financial system, although the criteria for accessing credit have been relaxed, it is still important to increase business formalization.</p>	<p>While loans targeted to facilitate access to financing have been adjusted from existing programmes, they have evolved to target resources on sectors that have not yet been able to resume their activities, including large firms. It is necessary to strengthen the territorial-based activities to expand the local implementation of strategies.</p>
Business transformation	<p><i>Redefinition of institutional instruments</i> The existence of operational programmes and tools has made it possible to redefine instruments in the framework of the pandemic. Currently, ANDE's programmes are focused on post-COVID-19 reactivation.</p> <p><i>Public goods</i> Under the rationale of promoting the creation of public goods that are freely accessible to benefit firms in the same sector, a specific call was made to promote reactivation of the sector in the context of the pandemic. Twenty-one projects applied, of which six were approved.</p>	<p>The redefinition of instruments also entails an in-house review of the programmes' own institutional capacities. The Competitiveness Centres enable the dissemination of support services to MSMEs in the territory, but greater local participation is required. The challenge is to spread the operation of the centres throughout the country.</p>	<p>The aim is to create greater territorial ownership with local partners and operators. An initial meeting was held in June with business chambers and private sector associations. This aimed to form a working group that will focus on jointly outlining strategies for planning the post-covid reactivation within the framework of national policies. Plans are being made to move ahead with a National Network of Business Development Services, within the framework of the Competitiveness Centres Programme. The goal is to have a presence in all 19 departments and use this mechanism to disseminate other ANDE programmes and those of other government institutions.</p>

Source: Prepared by the authors, on the basis of an interview with the National Development Agency Chairperson and official information.

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The institutions that support micro-, small and medium-sized enterprises (MSMEs) in Latin America have demonstrated their capacity to react to the challenges posed by the coronavirus disease (COVID-19) pandemic, making unprecedented efforts to adapt support instruments and adjust their management modalities to new needs.

This document summarizes the experiences of nine countries in the region (Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama and Uruguay), highlighting good practices and methodological lessons learned that can be leveraged to improve the performance of the development system once the pandemic is over.

There are three areas of particular importance for economic recovery: support for the incorporation of digital technologies, incentives for formalizing companies and biosafety protocols. There are also signs of a shift in the way policies are formulated, towards adaptive management models that focus on accountability and the strengthening of public institutions, the deepening of partnerships with the business sector and the consolidation of decentralization dynamics that provide space for participation by local and regional actors.

