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# STUDY ON THE MARKET SITUATION OF SMES FROM THE PERSPECTIVES OF FOSTERING FAIR TRADING AND ENABLING THE IMPLEMENTATION OF NATIONAL COMPETITION POLICY 2020

# GLOSSARY

| | | | |
|---|---|---|---|
| 1. | AAEC | : | Appreciable Adverse Effect on Competition |
| 2. | ADB | : | Asian Development Bank |
| 3. | AMA | : | Antimonopoly Act |
| 4. | BCIs | : | Business Information Centers |
| 5. | CCI | : | Competition Commission of India |
| 6. | CIP | : | Competitiveness and Innovation Framework Program |
| 7. | CRCs | : | Competence Research Centers |
| 8. | CSI | : | Cottage and Small-Scale Industry |
| 9. | EDP | : | Economic Development Policy |
| 10. | EICs | : | European Information Centers |
| 11. | EU | : | European Union |
| 12. | FTC | : | Federal Trade Commission |
| 13. | GDP | : | Gross Domestic Product |
| 14. | HGSMEs | : | High-Growth Small and Medium Enterprises |
| 15. | ICT | : | Information and Communication Technology |
| 16. | IFC | : | International Finance Committee |
| 17. | IP | : | Intellectual Property |
| 18. | KTP | : | Knowledge Transfer Partnership |
| 19. | MRTP | : | Monopolies and Restrictive Trade Practices |
| 20. | NCP | : | National Competition Policy |
| 21. | NTC | : | National Telecommunication Commission |
| 22. | OECD | : | Organization for Economic Co-operation and Development |
| 23. | OI | : | Oxford Innovation |
| 24. | P&M | : | Production and Manufacturing |
| 25. | PCA | : | Philippine Competition Act |
| 26. | PCC | : | Philippine Competition Commission |
| 27. | PHP | : | Philippine Pesos |
| 28. | PSL | : | Priority Sector Landing |
| 29. | R&D | : | Research and Development |
| 30. | SDGs | : | Sustainable Development Goals |
| 31. | SMEs | : | Small and Medium Enterprises |
| 32. | SOEs | : | State Owned Enterprises |
| 33. | TTA | : | Technology Transfer Arrangement |
| 34. | WBCs | : | Western Balkan Countries |
| 35. | WBG | : | World Bank Group |
| 36. | WTO | : | World Trade Organization |

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## 1. EXECUTIVE SUMMARY

The study is geared towards understanding the market structures and operations situation of SMEs in the country from the perspective of fostering fair-trading and creating an enabling environment for implementation of National Competition Policy (NCP) 2020. The potential SMEs whose products and services are essential for large scale consumers were taken into consideration. The comprehensions inferred through extensive literature search were further synthesized at policy level to ensure systematic and effective enforcement and implementation of market competition strategies. Findings from the literature search were then further elucidated in correlation with factual data gathered from the immersive field survey to validate and draw insights. In the final part of the study, by understanding the ground operational facet of burgeoning SMEs sector vis-à-vis market competition and fair-trading principles, critical recommendations were provided to enable successful implementation of National Competition Policy 2020.

CSI sectors, whose services and products are essential and beneficial to large number of consumers were considered for the purpose of the study.

Total mix of 52 industries were closely surveyed during the study and the findings firmly calls for the government aid and abet especially in disseminating the information and capacity development initiatives. This includes, among others, end-to-end business development services, awareness and advocacy on government initiatives, policies and laws, specific capacity development programs and market information.

Experiences in other countries, from their decades of implementation of the competition laws foretells the need to enact competition law and institutionalization of separate entity to enforce it. Our effort to onset implementation of NCP National Competition Policy (NCP) 2020 at this juncture is timely initiative. The study determines the need to strengthen the implementation authorities in terms of capacity and infrastructure. Further, the authorities must, at this cradle stage of implementing NCP, make a concerted effort to advocate CSI sector and the consumers of their rights and responsibilities, policy motives and aspirations, formulate NCP 2020 implementation guidelines to ensure to steer the market competitiveness, self-regulation and fair-trading practices.

## 2. INTRODUCTION

Competition in economic sense means, “activity arising from the operations of two or more entities offering products and services in a manner that is consistent with acceptable competitive business behavior and conduct, disabuse of dominant power in the market place, and fair business practices” and “Competitiveness means ability of two or more entities to offer products and services whose quality and prices compare favorably with those of competitors in specific market segments” (National Competition Policy (NCP) 2020).

Competition is vital for efficient functioning of market and is viewed as an important process that enhances allocative and productive efficiencies in the economy, incentivizes innovation, and maximizes consumer welfare by offering better choices of goods and services at a lower price. It enables the available resources to be put to best use in the production of goods and services and inhibits the abuse of market power.

It is built on a value system that strives to respect freedom of individual choices, prevent concentration of power, decentralize decision making, adhere to the rule of law, promote market self-regulation and market dynamism and promote fair trading practices in the market.

On the contrary, anti-competitive behaviors and practices cause greater harm to the economy. The existence of monopolistic, oligopolistic, market cartels or dominant market positions results in higher prices, entry barriers, and artificial scarcity of goods or services, thereby undermining quality and limiting the choice for consumers. Competition can also be inhibited by the legislations and policies governing the markets. Market failure results in lower level of production and restricts consumer choices. Government intervention to address the concerns of market failure takes the form of legislative, regulatory and institutional reforms.

Therefore, it is against this backdrop that the NCP 2020 was developed with the following main objectives:

a. Promote a market-based economy, driven by fair and healthy competition, with no entry barriers for new enterprises, prevent the abuse of market power by commercial monopolies and oligopolies
b. Enshrine competition as a guiding principle for all relevant policies and laws and to place a greater reliance on market forces to the extent feasible
c. Promote and sustain competition in the market to enhance efficiency, innovation, and maximize consumer welfare, and
d. Promote market regulation and dynamism

NCP applies to all government organization and business entities. As such, all relevant government organizations and business entities are required to adhere to the principles of competition policy while formulating and implementing sectoral policies and enacting laws including rules and regulations.

For the purpose of effective implementation of NCP, a market study of the sector that is pivotal for economic growth is imperative. The market study provides a valuable tool to understand competition issues that may have arose due to policy/regulations, cartel, abuse of dominance, monopoly and other anti-competitive practices, enhancing institutional capacity etc. Such interventions are necessary to ensure that the conduct of the fair trading provides optimal benefits to the consumer. To this effect, a situational analysis on market competition is necessary and critical to enable effective implementation of the NCP.

In light of this, as more than 95% of the total industries in Bhutan constitute of Cottage and Small-Scale Industry (CSI), a focus study to understand the operation of CSI market and its structure from the perspectives of fostering fair trading is being attempted to unleash the potential economic growth of the CSI sector. It is said that CSI plays a pivotal role in fostering entrepreneurship development, generating employment opportunities, reducing poverty, and driving unprecedented economic growth. Besides, CSI is identified as one of the five jewels of the nation under the Economic Development Policy 2016. Since then, numerous policies and programs have been initiated by the government to bolster the growth of CSI in the country. NCP is expected to provide enormous benefits in the CSI sectors by way of promoting a market-based economy driven by the principles of fair and healthy competition.

According to the World Trade Organization (WTO, 2016), SMEs represent over 90 percent of the business population, 60-70% of employment, and 55% of GDP in developed economies. At any given point in time, the formal SMEs create around 33% of the national income and 45% of the total employment in developing countries. When we include the informal SMEs in the list, the numbers rise even higher (iQualify staff writer, 2020). As SMEs contribute strongly to achieve crucial goals to an economy, they represent the main motivation of economic development and backbone of socio-economic development (Drucker, 2009).

Small and medium-sized enterprises constitute the foundation for the Asian economies such as construct around 96% of whole Asian businesses and two out of three private-sector jobs in the region. Hence, SMEs are critical for the economic success of Asian economies (Bayraktar & Algan, 2019).

For the OECD countries, the SMEs are the main type of enterprise, for nearly 99% of whole businesses, supply the primary cause of employment (around 70% of jobs), main sources to value creation (around 50% and 60%) of value-added on. SMEs are crucial for increasing inclusive globalization and economic growth. SMEs are the main players for the economy and the broader ecosystem of businesses (OECD, 2017). For emerging economies, SMEs give nearly 45% of whole employment, 33% of their GDP and with the contribution of the informal firms, SMEs cause more than half of employment and GDP in many countries regardless of their income volumes (IFC, 2010).

## 2.1. DEFINITION OF SME

SMEs in Bhutan are generally referred to as Cottage and Small Industries (CSI). Therefore, in this study report, the two have been referred interchangeably, drawing the same meaning under the following definition.

The CSI in Bhutan is defined based on the initial projected investment required to establish the firm and the size of the manpower required during its establishment. The following table depicts the classification of SMEs.

*Table 1: Classification of CSI (Annual CSI report 2019-2020)*

| S/N | BUSINESS SCALE | INVESTMENT (NU) | MANPOWER |
|---|---|---|---|
| 1 | Cottage | < 1 million | 1 - 4 |
| 2 | Small | 1 - 10 million | 5 - 19 |

Should a conflict arise between the investment and manpower, the investment will take precedence.

Broadly, CSIs sectors are classified into three categories viz. Production and Manufacturing (P&M), Service, and Contract. Following table 2 illustrates a number of different categories of CSI registered in the country. The service sector constitutes a major chunk of the CSI with 79.70% of the total CSIs followed by production and manufacturing that comprises 11.72% and contracts constitute 8.56%.

The total number of Cottage and Small-scale industries as of June 2020, stands at 21,813 in the country that are licensed and actively operating.

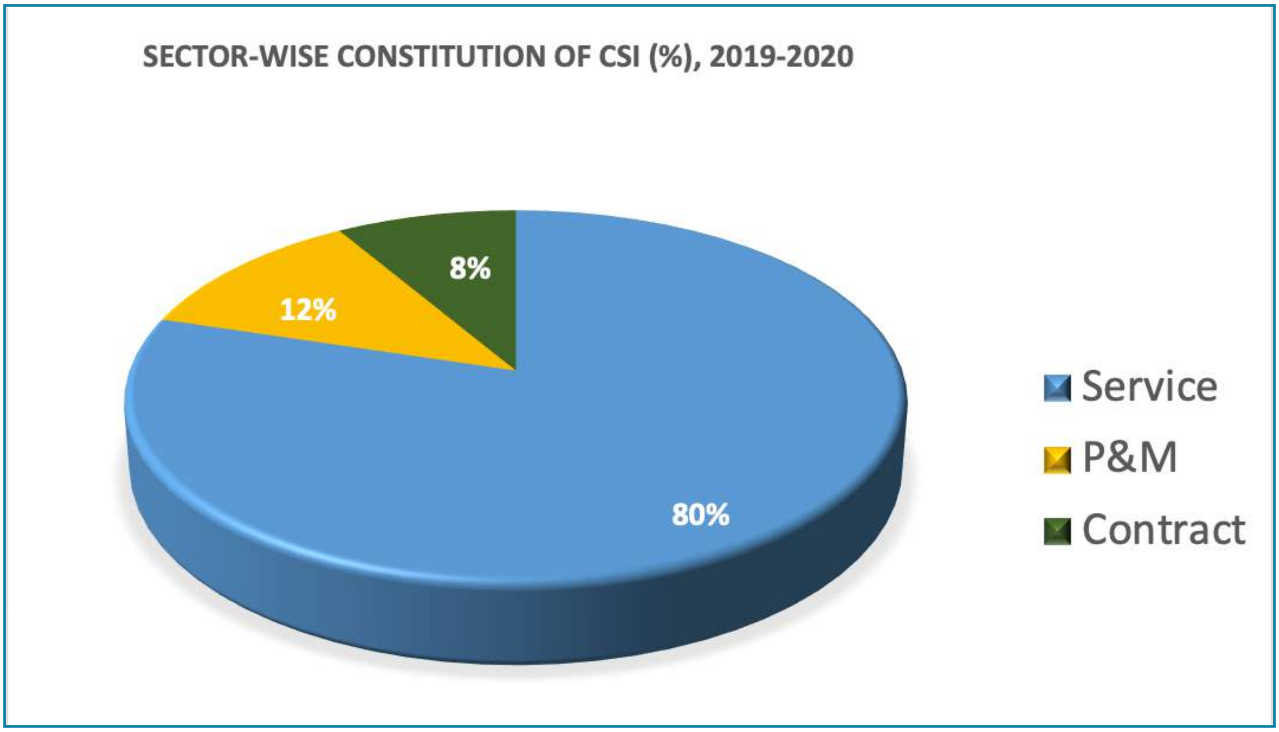



*Figure 1: Sector-wise composition of CSI in the country (Annual CSI report 2019-2020)*

## 2.2. NATURE OF SMES

Over 95% of the total industries constitute SMEs in the country. The enabling factors that make it conducive for the establishment of SMEs in the country are its mountainous topography, scattered population, small domestic market, and nascent stage of industrial developments. For easy understanding of its current situation, the SMEs are ascertained based on its products that are essential for a large number of consumers and impact the market mechanism. They are broadly grouped into two categories of those requiring sectoral clearances during their establishment and those SMEs that do not require sectoral clearances as depicted in annexes I and II respectively.

Although the momentum gained in the development of CSI is commendable, the sector still confronts myriad challenges, and some of them as listed in the CSI annual report 2019-2020 are:

1. Poor culture of entrepreneurship
2. Limited human capacity
3. Limited access to finance
4. Inadequate infrastructure
5. Inadequate business development support
6. Poor innovation and technology
7. Market access

The above-listed factors are, however, predominantly on the structural issues and practical approaches that impede the growth and development of SMEs. Moktan (2007) having studied 168 CSI firms deduced that the major constraints faced by the CSI are related to restrictive business regulations, finance, and infrastructure. In addition, the requirement to conform to the need for multi-sectoral clearances from across the agencies and lack of information and guidelines makes the procedure cumbersome and greatly restricts new entrants.

If these bottlenecks are not systematically addressed, the dominant players will dictate the market mechanism, inhibit healthy competition, thus paralyzing the growth of the CSI sector.

The National Competition Policy 2020 greatly discourages anti-competitive market practicess and proposes various measures to encourage market competition by facilitating new players in the market and through regulatory measures on new and existing markets.

It is therefore imperative to understand the operational structures of SMEs in the country which make-up a major chunk of the industries, synthesize the governing acts, policies, rules, and regulations affecting them directly or indirectly and adopt strategies to foster market competition and fair-trading practices.

## 3. RATIONALE OF THE STUDY

SMEs play a major tool in achieving more inclusive globalization and growth. SMEs are lead actors to the economy and to the vast ecosystem of the companies. SMEs have an important role to achieve the Sustainable Development Goals (SDGs) and promote inclusive and sustainable economic growth, employment, fostering innovation, and decreasing income inequalities around the world. The benefits of such boils down to consumers' welfare by way of achieving high living standards.

The implementation of NCP is greatly expected to boost the primary CSI sector and promote market self-regulation dynamics. Therefore, for the purpose of effective implementation of the policy to encourage fair trading and foster competition, a comprehensive understanding of the market situation amongst the CSIs is felt important. The study is expected to focus on conducting an in-depth understanding of market situations of SMEs in the country from the perspective of creating an enabling environment to promote fair trading and market competition.

Realizing the instrumental roles played by SMEs in the economy, establishing a healthy and highly competitive environment has become increasingly paramount. Different schools of thought have identified reliable strategic mechanisms to foster competition for SMEs in the market. One of the logical and effective mechanisms was developed by the World Bank Group (WBG) built on the three complementary pillars such as:

1. Fostering pro-competition regulations and government interventions,
2. Guaranteeing competitive neutrality in markets, and
3. The effective economy-wide enforcement of competition law.

The table below reveals fair ideas on the three complementary pillars.

| FOSTERING COMPETITION IN MARKETS | | |
|---|---|---|
| PROCOMPETITION REGULATIONS AND GOVERNMENT INTERVENTIONS: OPENING MARKETS AND REMOVING ANTI-COMPETITIVE SECTORAL REGULATION | COMPETITIVE NEUTRALITY AND NON-DISTORTIVE PUBLIC AID SUPPORT | EFFECTIVE COMPETITION LAW AND ANTITRUST ENFORCEMENT |
| Reform policies and regulations that strengthen dominance: restrictions on the number of firms, statutory monopolies, bans toward private investment, lack of access regulation for essential facilities | Control state aid to avoid favoritism and minimize distortions on competition | Tackle cartel agreements that raise the costs of key inputs and final products and reduce access to a broader variety of products |
| Eliminate government interventions that are conducive to collusive outcomes or increase the costs of competing: Controls on prices and other market variables that increase business risk | Foster competitive neutrality including vis-a-vis state-owned enterprises (SOEs) | Prevent anticompetitive mergers |
| Reform government interventions that discriminate and harm competition on the merits: Frameworks that distort the level playing field or grant high levels of discretion | | Strengthen the general antitrust and institutional framework to combat anticompetitive conduct and abuse of dominance |

Source: WBG-OECD (2016). Adapted from Kitzmuller M. and M. Licetti, "Competition Policy: Encouraging Thriving Markets for Development" Viewpoint Note Number 331, World Bank Group, August 2012

## 4. SCOPE OF THE STUDY

Study on the market situation of SMEs from the perspectives of fostering fair trading and enabling the implementation of NCP.

## 5. STUDY METHODOLOGY

The study was conducted based on the following technical approach and methodology.

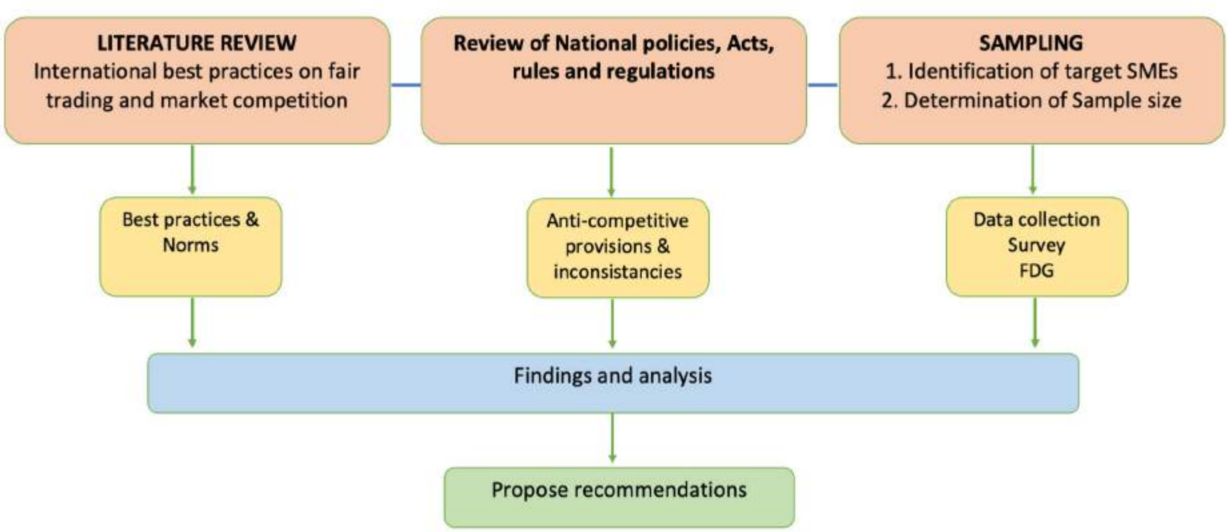



*Figure 2: Outline of the technical approach and study methodology*

Literature reviews on in-depth international best practices and norms have been undertaken. Likewise, the government acts, policies, rules and regulations, and guidelines have been reviewed on market anti-competitive provisions and inconsistencies. Lastly, to understand the market situation, structured interviews were conducted based on the sampling technique.

## 6. LITERATURE REVIEW ON INTERNATIONAL BEST PRACTICES AND NORMS

The literature review encompasses the following four broad components. These four components are believed to be effective in steering fair trading, consumer welfare, productivity, and improving resource allocation in the market.

1. Theoretical background
2. Effective Competition Law and Antitrust Enforcement Practices
3. Competitive Neutrality and Non-distortive Public Aid Support
4. Pro-Competition Regulations and Government Intervention

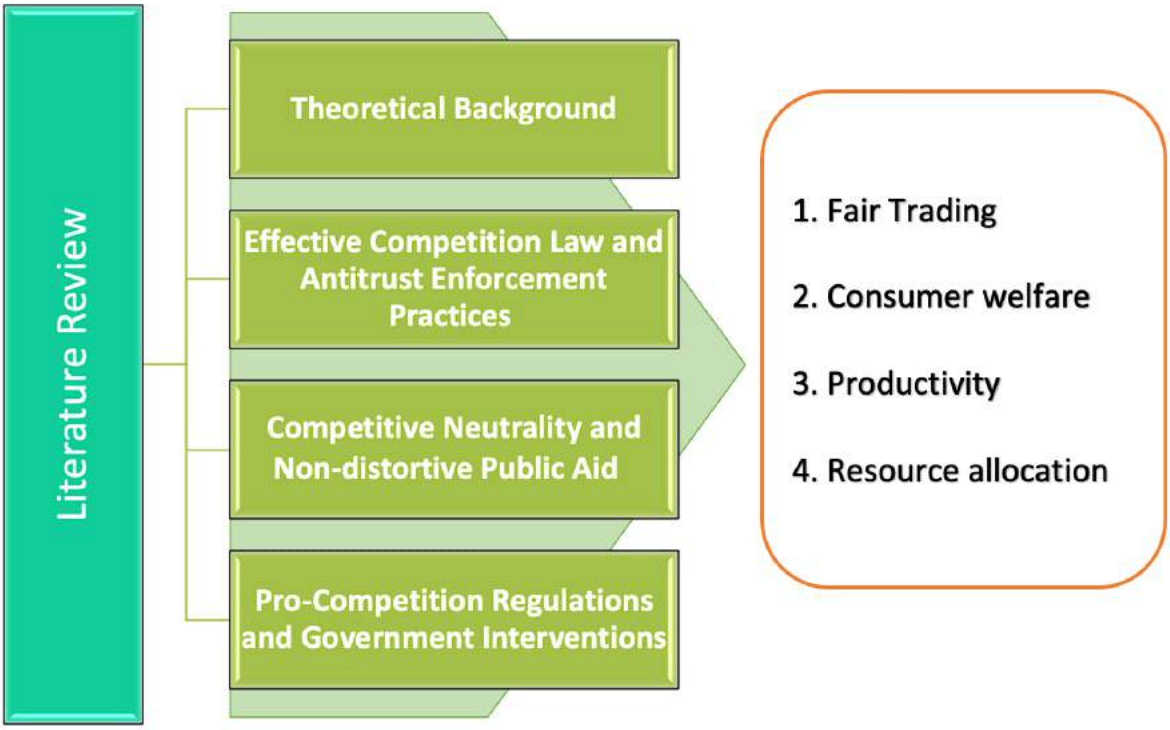



*Figure 3: Literature review process*

## 6.1. THEORETICAL BACKGROUND

The pivotal role played by SMEs in propelling and steering socio-economic development has drawn the attention of policymakers. Different countries employ bespoke policy interventions to cater to the instantaneous growth rate of SMEs. Formulation and implementation of competition policies were recognized as one of the important impetus to promoting greater transparency in the firms driven by fair and healthy competition. Additionally, it can preserve and promote competition as a means of ensuring the efficient allocation of resources in an economy. This should result in lower prices and adequate supplies for consumers and, it is hoped, faster growth and more equitable distribution of income.

When firms have to compete vigorously, they must find better ways to produce and distribute goods and services. That way, competition benefits consumers both directly, through lower prices, better quality, better services, and an improved choice of products, and indirectly, through its impact on economic growth.

Realizing the importance of Competition Policies and laws, countries around the globe have adopted various administrative and legislative measures to formulate and implement Competition laws as opposed to anti-competitive market practices.

For almost 60 years, the OECD and its Competition Committee have taken a leading role in shaping the framework for international cooperation among competition agencies. To foster competition, OECD countries have a Bureau of Competition Committee constituted by representatives of the World's major competition authorities. The Bureau serves as the premier source of policy analysis and advice to governments on how best to harness market forces in the interests of greater global economic efficiency and prosperity.

Anti-competitive behavior can be grouped into the following two classifications:

1. Horizontal restraints: An anti-competitive behavior that involves competitors at the same level of the supply chain. These practices include mergers, cartels, collusions, price-fixing, price discrimination, and predatory pricing.
2. Vertical restraint: Implements restraints against competitors due to anti-competitive practice between firms at different levels of the supply chain e.g. supplier-distributor relationships. These practices include exclusive dealing, refusal to deal/sell, resale price maintenance, and more.

Developing country firms also face a variety of anti-competitive practices associated with intellectual property rights. Such practices, while sometimes analyzed as a separate category of anti-competitive conduct, often are best understood as special cases of abuse of a dominant position or of vertical market restraints.

When it comes to anti-competitive practices, developing countries and economies in transition tend to be more vulnerable. Generally, this scenario may be attributed to:

1. High entry barriers
2. Less diversified and smaller markets
3. Asymmetric firms
4. Abuse by dominant firms
5. Lack of competition laws in place
6. Limited experience and resources for effective enforcement.

*Table 3: Four anti-competitive practices affect developing country producers (Source: International Trade Centre 2012)*

| Practice | Definition | Potential adverse impact on developing country suppliers |
|---|---|---|
| Cartels | Price-fixing or market allocation arrangements between competing suppliers in a market | Raise prices or reduce availability of industrial inputs or infrastructure services needed to market a product |
| Abuses of a dominant position | Practices by a dominant firm in a market that extract excess profits from users and/or exclude potential competitors | As above. Can also prevent new entrepreneurs from entering a market dominated by an entrenched supplier |
| Anti-competitive mergers | Combining of two firms (usually when one purchases the other) to create a monopoly or dominant position | Can reduce supply, raise the prices of necessary goods and/or make abuse of a dominant position more likely |
| Anti-competitive vertical market restraints | Contractual or similar arrangements between firms at different levels of a production chain that limit competition or entry by new suppliers | As above. In particular, such arrangements can form a direct barrier to export market penetration by developing economy businesses. |

As national economies integrate into the world economy through liberalization and with each other through regional trade agreements, barriers to trade are normally eliminated. In such an open international economy, no country can escape the effects of anti-competitive practices originating outside their national borders, such as international cartels or mergers and acquisitions, which may restrict competition. Also, there are difficulties faced by small and medium-sized firms in developing economies, such as business networks providing support for the 'insiders' and making it more difficult for 'outsiders' to enter particular activities or markets. Such practices restrict the development of entrepreneurial capabilities due to a lack of competition.

For these reasons, it is becoming particularly important to tackle these problems both at regional and national levels. This can be achieved by including competition provisions in regional trade agreements, especially between developing countries.

Each of the four main types of anti-competitive practices referred to in table 1 can occur at a local, national or international level. For example, a cartel may involve the bread makers or milk suppliers in one individual city (local market effect). It may also link all suppliers of a particular product – such as cement or industrial pipes – in a particular country (national market effect). Finally, it may be international in scope: a large number of cartels uncovered in developing country markets during the past decade have, in fact, been global in nature and have often involved developed country-based suppliers extracting additional profits at the expense of developing country producers ('transnational effects').

The same goes for mergers, abuses of a dominant position and vertical market restraints. A particularly large bread supplier that requires the restaurants that it sells to not to purchase bread from competing bakers might (depending on the circumstances) be characterized as a dominant supplier abusing its market position. An international supplier of software and related products that forces customers to purchase an unnecessarily broad basket of products to prevent competing suppliers from establishing a toe-hold in the market might be viewed as abusing a dominant position in a global market. National competition authorities can usually deal by themselves with business arrangements that are local or national in scope (though information from other jurisdictions regarding the treatment of similar arrangements can still be very helpful). In contrast, international assistance may well be essential in addressing anti-competitive conduct that is transnational in scope.

Apart from competition law, the term competition policy also includes broader measures that can be taken by governments to strengthen competition in markets, such as the reform of regulations that unnecessarily limit entry by new competitors.

## 6.2. EFFECTIVE COMPETITION LAW AND ANTITRUST ENFORCEMENT PRACTICES IN OTHER COUNTRIES

The competition laws and enforcement practices of four different countries namely U.S, Philippines, India and Japan were studied. The best practices and inferences are proposed as recommendations in the later part of the study.

### 6.2.1. ANTITRUST LAWS AND ENFORCEMENT IN THE UNITED STATES OF AMERICA

The article 'Understanding Antitrust Laws' by James Chen (May 29, 2021) is summarized here to present on the Antitrust Laws and enforcement in the United States of America.

Antitrust Laws, also referred to as competition laws, are statutes developed by the U.S. government to protect consumers from predatory business practices. They ensure that fair competition exists in an open-market economy. These laws have evolved along with the market, vigilantly guarding against would-be monopolies and disruptions to the productive ebb and flow of competition. (Chen, 2021).

Antitrust laws are applied to a wide range of questionable business activities, including but not limited to market allocation, bid rigging, price fixing, mergers & acquisitions, and monopolies.

### THE BIG THREE ANTITRUST U.S. LAWS

The core of U.S. antitrust legislation was created by following three pieces of legislation:

1. The Sherman Antitrust Act intended to prevent unreasonable "contract, combination or conspiracy in restraint of trade," and "monopolization attempted monopolization or conspiracy or combination to monopolize." Violations against the Sherman Antitrust Act can have severe consequences, with fines of up to $100 million for corporations and $1 million for individuals, as well as prison terms up to 10 years.
2. The Federal Trade Commission Act bans "unfair methods of competition" and "unfair or deceptive acts or practices." According to the Supreme Court, violations of the Sherman Antitrust Act also violate the FTC Act. Therefore, even though the FTC cannot technically enforce the Sherman Antitrust Act, it can bring cases under the FTC Act against violations of the Sherman Antitrust Act.
3. The Clayton Antitrust Act addresses specific practices that the Sherman Antitrust Act may not address. According to the FTC, these include preventing mergers and acquisitions that may "substantially lessen competition or tend to create a monopoly," preventing discriminatory prices, services and allowances in dealings between merchants, requiring large firms to notify the government of possible mergers and acquisitions, and imbuing private parties with the right to sue for triple damages when they have been harmed by conduct that violates the Sherman and Clayton acts, as well as allowing the victims to obtain court orders to prohibit further future transgressions.3

### ENFORCEMENT PRACTICES

The Federal Trade Commission (FTC) is an independent agency of the U.S. government that aims to protect consumers and ensure a strong competitive market by enforcing consumer protection and antitrust laws. Its principal purpose is to enforce non-criminal antitrust laws in the United States, by preventing and eliminating anticompetitive business practices, including coercive monopoly.

- FTC activities include investigating fraud or false advertising, congressional inquiries, and pre-merger notification.
- The FTC also handles scams and unfair or predatory business practices.
- The FTC discourages anticompetitive behavior through the Bureau of Competition, which reviews proposed mergers with the Department of Justice.

The FTC and the Antitrust Division of the U.S. Department of Justice (DOJ) enforce the provisions of the Clayton Antitrust Act, which continue to affect American business practices today.

### THE BOTTOM LINE

At their core, antitrust provisions are designed to maximize consumer welfare. Supporters of the Sherman Act, the Federal Trade Commission Act and the Clayton Antitrust Act argue that since their inception, these antitrust laws have protected the consumer and competitors against market manipulation stemming from corporate greed. Through both civil and criminal enforcement, antitrust laws seek to stop price and bid rigging, monopolization, and anti-competitive mergers and acquisitions.

### 6.2.2. ANTITRUST AND COMPETITION IN THE PHILIPPINES

The World Bank in the year 2018 in its article on “Fostering Competition in the Philippines: The Challenge of Restrictive Regulations” provides insights into the Competition Laws and its implementation in the Philippines as follows.

The Philippine Competition Act was promulgated in 2015 and in 2016, the Philippine Competition Commission (PCC or the Commission) was established to implement the act. The act applies to all sectors and any person or economic entity including State Owned Enterprises (SOEs).

The act aims to:

1. Enhance economic efficiency and promote free and fair competition
2. Prevent economic concentration that unduly stifles competition, and
3. Penalize all forms of anti-competitive practices with the objective of protecting consumer welfare and advancing domestic and international trade and economic development.

### ENFORCEMENT PRACTICES

The law prohibits cartels and other anti-competitive agreements and abuses of dominance in the market. It also establishes the possibility to determine a 50 percent threshold for the presumption of market dominant position.

The PCC has powers to review mergers. Firms have to notify mergers when the aggregate annual gross revenues of the party exceed one billion pesos, or if the value of the transaction exceeds one billion pesos. The merger review is a two- phase procedure, with the first phase extending to 30 days and the second phase up to 60 days. The PCC has the power to block mergers and to impose behavioral and structural remedies.

The PCC also has the power to conduct investigations, market studies, and, upon a court order, to undertake inspections of businesses. In those sectors where specific regulators exist, the PCC must consult the sectoral regulator before issuing an opinion.

Unlike recommended international practices, fines are not based on turnover but are subject to maximum fines set in Philippine Pesos (PHP). Section 29 of the Competition Act establishes that the first offense to the competition law shall be penalized with a fine of up to 100 million PHP, while the second offense shall be punished with fines no less than 100 million PHP, but no more than 250 million PHP. The Philippine Competition Act (PCA) or R.A. 10667 is the primary competition policy of the Philippines for promoting and protecting the competitive market. It will protect the wellbeing of consumers and preserve the efficiency of competition in the marketplace.

## OTHER PROHIBITIONS

"Antitrust and Competition in the Philippines' , an article by Ma. Christina Macasaet-Acaban and Alain Charles Veloso (Baker McKenzie Manila) has elaborate discussions on laws that govern specific industries and arrangements, and which prohibit specific acts such as price fixing, illegal combinations, hoarding, profiteering, tying, coordination, abuse of market power, predatory behavior, and other arrangements in such industries. This article has been briefly presented in the following paragraphs.

The Philippines also has various industry-specific laws, such as the following, which restrict and prohibit certain arrangements that are considered to be anti-competitive:

1. Price Act, which governs the sale of basic necessities and prime commodities, and penalizes acts of hoarding, profiteering, and cartels.
2. Electric Power Industry Reform Act, which regulates competition in the power industry, and prohibits participants in the electricity industry from engaging in any anti-competitive behavior including, but not limited to, cross-subsidization, price or market manipulation, and imposes limits on ownership and control by related companies, of installed generating capacity.
3. Public Telecommunication Policy Act, which grants the National Telecommunication Commission (NTC) certain powers to regulate rates or tariffs when ruinous competition results or when a monopoly or a cartel or combination in restraint of free competition exists.
4. Universally-Accessible Cheaper and Quality Medicines Act (Cheaper Medicines Act), which applies to the pharmaceuticals industry and prohibits acts of price manipulation such as hoarding, profiteering, or illegal combination or forming cartels by any manufacturer, importer, trader, distributor, wholesaler, retailer, or any person engaged in any method of disposition of drugs and medicines.
5. The Generics Act of 1998 (Generics Act), which promotes, encourages and requires the use of generic terminology in the importation, manufacture, distribution, marketing, advertising and promotion, prescription and dispensing of drugs. The Generics Act also empowers the Department of Health to promulgate rules and regulations requiring every drug-manufacturing company operating in the Philippines to produce, distribute and make widely available to the general public an unbranded generic counterpart of their branded product.
6. Downstream Oil Deregulation Act of 1998, which regulates competition in the oil industry and prohibits, among others, predatory pricing in the context of the sale of oil products.
7. General Banking Law, which provides for limitations on ownership by related interests or a family group in a domestic bank.
8. The Intellectual Property Code (IP Code), which mandates or prohibits certain arrangements in a technology transfer arrangement (TTA). TTAs are "contracts or agreements involving the transfer of systematic knowledge for the manufacture of a product, the application of a process, or rendering of a

service including management contracts, and the transfer, assignment or licensing of all forms of intellectual property rights, including licensing of computer software, except computer software developed for mass market" (e.g., licensing agreement). Failure to comply with the mandatory or prohibited clauses will render the entire TTA (and not just the non-complying provisions thereof) automatically unenforceable, unless an exemption is granted by, and the TTA registered with, the Documentation, Information, and Technology Transfer Bureau of the Intellectual Property Office.

### OTHER SPECIAL LAWS AND REGULATIONS

A violation of the antitrust provisions in special laws or regulations in the Philippines may give rise to the imposition of administrative fines, and civil or criminal liabilities on the offending party.

For example, under the Price Act, any person who commits any act of illegal price manipulation of any basic necessity or prime commodity shall suffer the penalty of imprisonment for a period of five to 15 years, and shall be fined not less than PHP5,000 and not more than PHP2 million.

Under the Oil Deregulation Act, any person found guilty of predatory pricing, including but not limited to the Chief Operating Officer, Chief Executive Officer or Chief Finance Officer of a partnership, corporation or any entity involved will be punishable with three to seven years of imprisonment, and a fine ranging from PHP 1 million to PHP 2 million.

Under the Cheaper Medicines Act, any person or entity who commits any act of illegal price manipulation of any drug and medicine shall suffer the penalty of imprisonment for a period of not less than five years nor more than 15 years or shall be imposed a fine of not less than PHP100,000 nor more than PHP10 million, at the discretion of the court.

### EXTRATERRITORIAL APPLICATION

Philippine laws are generally effective only within the limits of Philippine territory; however, an agreement that is entered into in a foreign country may be subject to Philippine antitrust laws if its provisions and arrangements are implemented in the Philippines. Moreover, prohibitive laws such as the foregoing are not rendered ineffective by agreements executed abroad if the acts contemplated affect public order, public policy and good customs.

### 6.2.3. ANTITRUST AND COMPETITION IN JAPAN

An article on Antitrust and Competition in Japan by Sinichiro Abe, Akira Inoue, Junya Ae and Michio Suzuki has a detailed explanation on the practices of Antitrust and Competition Law in Japan. The gist of the article is explained in the ensuing paragraphs.

The Antimonopoly and Fair-Trade Maintenance Act 1947 (Antimonopoly Act) governs antitrust and unfair business practices in Japan. Practices covered by the Antimonopoly Act include exclusive dealing, monopolization, price discrimination, predatory pricing, cartels, primary boycotts, tying arrangements, resale price maintenance and unwarranted abuse of bargaining position when dealing with another party.

The latest amendment to the Antimonopoly Act (AMA) came into effect on December 25, 2020. The major revision in the AMA includes; Overview of the new system, Revision of the Surcharge System, Reduction System for Cooperation in Investigation (new leniency program), and Determination Procedures

The Antimonopoly Act is divided into four parts:

1. Part I: Deals with unreasonable restraints of trade (cartels);
2. Part II: Distinguishes between "private monopolization" (which results from an intended exclusion or control of competitors);
3. Part III: Deals with unfair trade practices; and
4. Part IV: Deals with mergers and acquisitions.

### ENFORCEMENT PRACTICES

The Antimonopoly Act is administered by the Fair-Trade Commission, which is an independent administrative commission. The Commission's powers include the power to establish fair competition rules, designate unfair business practices, investigate, adjudicate and dispose of a case and issue cease-and-desist orders and surcharge payment orders to enterprises that violate the Antimonopoly Act.

### EXTRATERRITORIAL APPLICATION

An agreement made in a foreign country will be subject to Japanese jurisdiction so long as the contents of the agreement affect the Japanese market. Any activities of a foreign subsidiary within Japan would be directly subject to the Antimonopoly Act in the same manner as a Japanese entity. The Antimonopoly Act prohibits enterprises from entering into an international agreement or an international contract that pertains to matters constituting unreasonable restraints of trade or unfair trade practices.

### 6.2.4. ANTITRUST AND COMPETITION IN INDIA

Samir Gandhi, Hemangini Dadwal and Indrajeet Sircar had written an article on Antitrust and Competition Law in India. The following paragraphs has the summary of the article to present the understanding of the implementation of Competition Laws in India.

The Indian Monopolies and Restrictive Trade Practices Act 1969 (MRTP Act) is based on principles of a "command and control". It was put in place as a regulatory regime in the country to prevent concentration of economic power in a few hands that was prejudicial to public interest and therefore prohibited any monopolistic and restrictive trade practices.

Consequently, in 2002, the Indian Parliament approved a comprehensive Competition Act to regulate business practices in India so as to prevent practices having an appreciable adverse effect on competition in India. The Competition Act primarily seeks to regulate three types of conduct:

1. Anti-competitive agreements,
2. Abuse of a dominant position and
3. Combinations (i.e., mergers, acquisitions and amalgamations).

Subsequently, the Competition Act, which was amended by the Competition (Amendment) Act 2007, later came into force on 20 May 2009.

### ENFORCEMENT PRACTICES

The Competition Act has also created a new enforcement authority, the Competition Commission of India (CCI), which is solely responsible for the enforcement and administration of the Competition Act. Most of the countries have a separate enforcement agency. However, it may not practicable for Bhutan to institutionalize such entity. Therefore, the Office of Consumer Protection as a nodal agency to enforce NCP 2020 must be adequately resourced in terms of man power, capacity and infrastructure requirements.

## 6.3. COMPETITIVE NEUTRALITY AND NON-DISTORTIVE PUBLIC AID SUPPORT

An equally important component of a successful competition policy is ensuring government policies and regulations do not generate unnecessary barriers to entry or distort the playing field by favoring specific firms. Regulations are those rules, generally overseen by the government, that aim to influence the behavior of players within the business environment and, eventually, the economy. This definition includes regulations enacted by governments, standards set by sector regulators and limitations imposed by professional organizations.

Regulations can often be justified on social or economic grounds and are important to achieve relevant policy objectives. Such rules are usually driven by legitimate social and economic objectives. Government intervention may be justified by equity goals, such as poverty reduction, or by economic considerations, such as efficiency. The latter may be required when market forces alone cannot deliver the socially optimal outcome, for example in the case of market failures such as natural monopolies, or the presence of externalities.

There are circumstances where policy interventions distort competition and, in turn, harm welfare. In some cases, existing regulations (or lack thereof) may be the result of historical processes which have not taken into account their distortive effects on markets. In other circumstances, the main market participants may exercise their lobbying power to influence rule setters (a phenomenon that the literature calls regulatory capture). One of their goals usually is to obtain rules that reduce the degree of competitive pressure they face. However, reducing the level of competition is a very important cost that affects the private sector, consumers and the whole economy. It is thus fundamental for policymakers to evaluate that the costs of regulatory interventions will not outweigh the benefits, and to seek alternative options that achieve the ultimate policy objective and minimize distortions to market functioning. In this way, policymakers can maximize the positive impact of regulations on the economy.

The risk that regulation may hinder the development of well-functioning markets may be mitigated by considering competition principles when designing regulations and state interventions. One of the most important components of a successful competition policy is to ensure government policies and regulations do not unnecessarily restrict entry, facilitate collusion, increase the cost of competing or distort the level playing field by providing an undue advantage to specific firms. The WBG Markets and Competition Policy Assessment Toolkit, described in the next section and applied within this assessment, provides a structured framework to analyze the effects of government interventions on market competition.

By embedding competition principles in policy making, potential distortions from direct state intervention, state aid, and investment incentives may be minimized. State support can take various forms, including tax exemptions, loan guarantees, provision of resources at below-market prices, subsidies, and capital injections. While offering government support to the private sector or SOEs may help to achieve specific goals, it may have a negative impact on competition. If not properly designed, state aid may provide an undue advantage to specific firms and reinforce a dominant position, thus facilitating anti-competitive behaviors, or it may reduce a firm's incentive to make investments, thus generating market inefficiencies.

Price controls are another type of policy intervention where the negative effects should be carefully assessed. Governments may seek different objectives by controlling prices. They may want to protect consumers from increasing prices or to protect the incomes of small producers. Price controls may be necessary for the regulation of natural monopolies, yet they can have distortive effects in markets with more players, including facilitating collusion or dampening incentives to invest. To guard against this, regulations that require consultation with the competition authority before introducing price controls could be implemented. The authority could assess the impact of competitive restrictions in the concerned market and explore the use of a less distortive intervention.

## 6.4. PRO-COMPETITION REGULATIONS AND GOVERNMENT INTERVENTIONS

Pro-Competition Regulations and Government Interventions are one of the most effective measures to enhance competition in the market by building the competitive edge of the businesses. Through pro-competition regulations and government interventions, fair trading, consumer welfare, productivity, and resource allocation can be achieved.

The Professor Stephen Roper in his article "Part II: Policy measures to support High-Growth SMEs in the Western Balkans" presents following six policy interventions as follows for the rapid growth of HGSMEs:

1. Levels of policy intervention
2. Enterprise promotion initiatives
3. Supporting business service provision and quality
4. Availability and accessibility of information
5. Finance for HGSMEs
6. Supporting innovative enterprise

### 1. LEVELS OF POLICY INTERVENTIONS

Professor Roper had explained the levels of policy interventions required for HGSMEs growth via life-cycle stages of innovation-driven growth and the HGSMEs policy domain pioneered by Autio, Kronlund and Kovalainen in 2007.

The three levels of policy interventions were essentially to concoct a convivial environment for the SMEs to start and prosper.

The ultimate objectives of an appropriate environmental conditions are:

1. Promote entrepreneurial and innovation inclinations and behaviors/an enterprising and innovative culture; including the provisions of training courses for prospective or nascent entrepreneurs, awards schemes or competition.
2. Availability of business services and information is likely to be crucial during the start-up and expan-

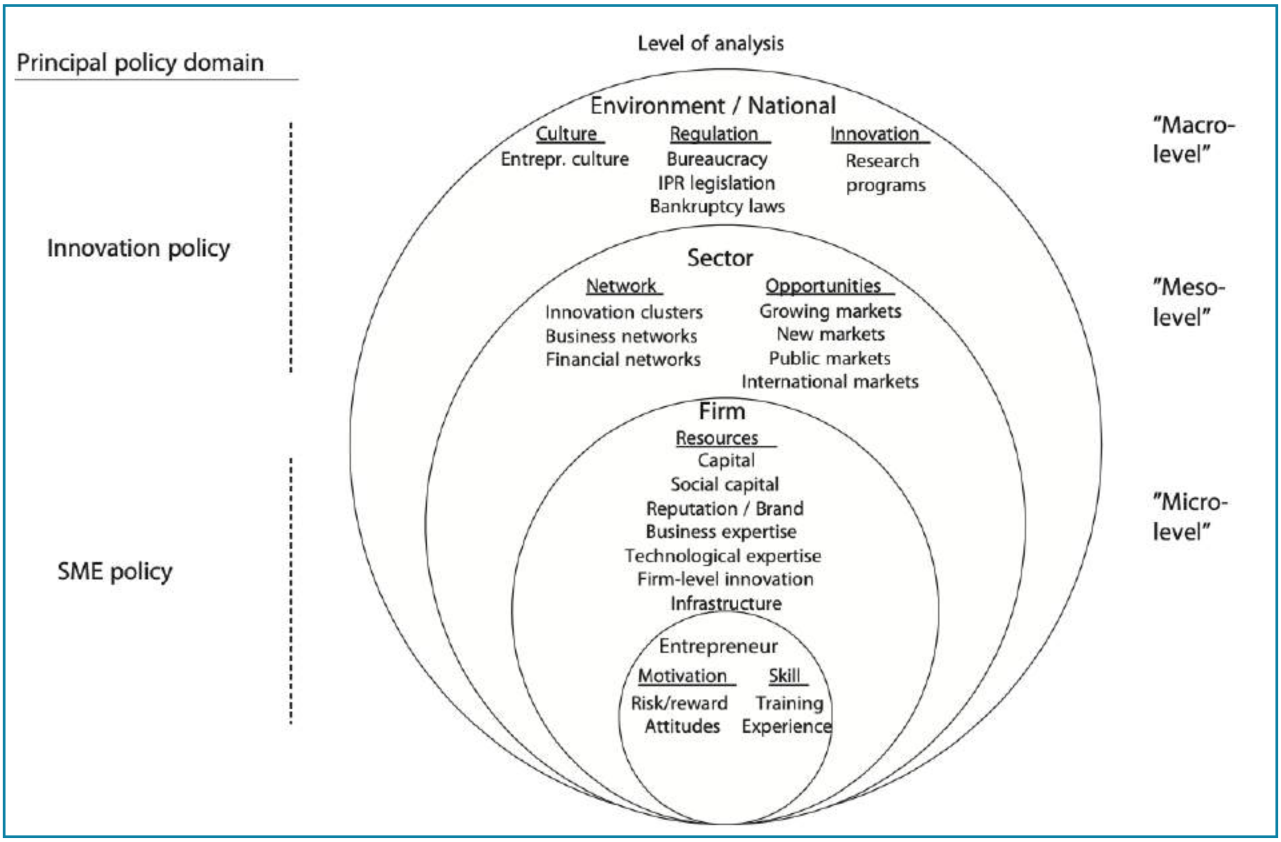



*Figure 4: Life-cycle stages of innovation-driven growth and the HGSME policy domain (Source: Autio, E., M. Kronlund and A. Kovalainen (2007), "High-Growth SME Support Initiatives in Nine Countries: Analysis, Categorisation, and Recommendations", Report prepared for the Finnish Ministry of Trade and Industry.*

sion phases of HGSMEs.
3. Availability and accessibility of business information.

## 2. ENTERPRISE PROMOTION INITIATIVES

Enterprise and innovation events, competitions and fairs have become relatively common. At best, these initiatives have involved a network of actors at regional and national level and generated valuable co-ordination and partnering activity.

Enterprise promotion initiatives may include a website providing information on start-ups and entrepreneurship, a telephone hotline, radio and television spots, advertising and articles in newspapers and magazines, as well as raising awareness at schools. These media initiatives could be further complemented by business plans and e-commerce business competitions.

Such activities may play an important role in raising awareness of business activities; changing perceptions of entrepreneurial activity; stimulating business networks; and exposing firms to national, regional and international customers.

Alongside such general measures (which can be taken to promote a positive climate for enterprise), specific measures have been adopted in some countries to encourage start-up among different population groups. In Ireland, for example, the Enterprise Start program has proved effective in encouraging those currently employed to move from employment to business start-up often with high-growth potential. Other key measures have involved moves to increase the level of enterprise awareness and engagement at schools, universities and colleges.

### 3. SUPPORTING BUSINESS SERVICE PROVISION AND QUALITY

High-quality business services provide a key input to HGSMEs particularly in the start-up and expansion phases. Such services may be accessed privately by firms or may provide the mechanism through which publicly funded support services are provided. The experiences of selected countries providing model business service are shared below:

***Growth Firm Service, Finland***

*The Growth Firm Service was started in 2003 by the Finnish Ministry of Trade and Industry. The program identifies firms and entrepreneurs with a high-growth potential and acts as a one-stop shop for public services relevant to growth firms. Consultants in all Finland's public agencies concerned with business support look for promising growth firms. When identified, the consultant offers a growth analysis session with the firm, and based on the growth analysis, specific needs for achieving growth are prioritized and appropriate services from the four participating institutions are enlisted. In total, there are approximately 100 different support services that can be offered.*

*The target group is HGSMEs although most participating firms are technology companies. Participating firms have been very happy with the service; they appreciated being approached and provided with a single contact person instead of one for each institution.*

***The Prowess Flagship Award, United Kingdom***

*The Prowess Flagship Award is a best practice quality standard for excellence in women's enterprise development. This nationally and internationally recognized quality mark has been achieved by organizations all over the UK. Supported by UK government departments and regional agencies, the Flagship Award incorporates three quality mark standards for start-up support, support for established businesses and support for women's business networks.*

*Organizations working towards the Flagship Award are able to access national expertise to help develop their business support and advice services. This leads to completion of a self-assessment document and assessment visit before Flagship status is awarded. Periodic reviews of support procedures and personnel are then required for renewal of the award.*

*For government departments supporting business development, the Flagship Awards provide an effective quality standard in the business support supply chain. For business support organizations, the Flagship Awards provide a development framework to measure, benchmark and improve services, and an indicator of the provision of the quality of service.*

## 4. AVAILABILITY AND ACCESSIBILITY OF INFORMATION

Business Information Centers (BICs) provide a mix of online and documentary resource material and research expertise; they are a key resource for SMEs businesses wanting to identify new markets or obtain information on legal or regulatory requirements.

Larger companies often have significant in-house research capabilities. Smaller or newer firms are unlikely to have access to these resources, creating scope for valuable public provision

Typically, regional development agencies across Europe maintain their own business information centers (BICs) focused on the needs of local firms. Many of these BICs or European Information Centers (EICs) will be members of the Enterprise Europe Network. Launched in 2008 by the European Commission, the Enterprise Europe Network combines and builds on the former Innovation Relay Centers and European Information Centers (established in 1995 and 1987 respectively). Key services provided by the BICs/ EICs include business partner search for technology and business cooperation, databases and rapid access to information on funding opportunities, and promotional and other material. Enterprise Europe Network offers easy access and proximity to local services for SMEs, thus creating regional business gateways

Other European networks and initiatives also have significant potential to be of benefit to firms in the WBCs in terms of internationalization and innovation, and may in some cases reduce the need for country specific initiatives. The EurOffice network, for example, provides access to a network of business incubators and other support organizations internationally providing low cost in-country business support services for firms seeking to develop their international presence. For innovative firms, the IMPROVE platform within CIP allows companies to benchmark their innovation management against Europe-wide sectoral benchmarks and draw on innovation management consultants for action plans to improve their innovation management. Both networks provide potentially valuable upgrading opportunities for firms in the WBC.

## 5. FINANCE FOR HGSMES

The requirement for adequate financial availability for business development is generally recognized by all the nations across the globe. Credit guarantee schemes and venture capital/equity funding are two areas of focus to elaborate on finance for HGSMEs. Credit guarantee schemes have been seen as one mechanism for reducing collateral requirements and increasing the availability of external finance to HGSMEs. Equity finance creates the potential for initial investment in new market offerings and scope for rapidly scaling of HGSMEs.

### 5.1. CREDIT GUARANTEE SCHEMES

Credit guarantee agencies and funds are common across most EU Member States. Most tend to operate in similar ways, using public funding to guarantee private loans to SMEs for investment, export development or leasing.

International experience also suggests the value of loan guarantee measures, which may be critical given the volatility of the current economic climate. Indeed, a number of EU countries have increased public provision of loan guarantees as a way of increasing the availability of credit to firms in the current crisis. For HGSMEs, alongside export guarantees, loan guarantee schemes may facilitate their potentially higher capital requirements and their need to invest in advanced technologies. Again, among the WBCs, only the Serbian guarantee scheme covers this type of lending although there is also a Croatian scheme to support new technology investments by firms in some areas of the country. Developing this type of more comprehensive loan guarantee provision is likely to be key in the other WBCs, both to help firms maintain liquidity during the current recession and undertake future investment.

***A typical example of access to finance platform could be "The Access to Finance Program, London"***

*The Access to Finance Program (2000-06) was designed to help companies located in London's Objective 2 areas to access finance for growth and to help address problems of social and economic exclusion. The program grew out of specially commissioned research highlighting that small firms lack information about the types of finance available (and thus what would be suitable in a given circumstance), and an inability to present a good case to finance providers. Its success has led to attempts to extend its coverage to other parts of London.*

*The program helps firms to take advantage of existing sources of funds. A diagnostic tool is used to determine whether companies could benefit from the program. Intermediaries (typically local accountants) funded by the local government agency provide intensive training and guidance to participating firms. Experience in London indicates that worthwhile leverage was obtained on the relatively low costs of running the program, especially after its start-up costs had been met.*

### 5.2. VENTURE CAPITAL AND PRIVATE EQUITY

Private equity investment is central to HGSMEs, particularly in sectors where rapid growth is anticipated and defensible (typically IP-based) such as in ICT and biotechnology. Experience has shown that both supply-side and demand-side measures can be effective. On the demand side, measures can be taken to strengthen firms' investment readiness, with a potential role for banks and agencies in helping businesses to assess and develop their business plans and propositions. On the supply side, the policy focus has been on equity gaps (or market failures) and trying to ensure adequate financing for HGSMEs at different stages of development. Here, there is a need to recognize the potential value for HGSMEs of both informal and formal private equity funding. Informal private equity funding (primarily through business angels) may be important for firms in the early stages of development; policy can play a role in encouraging angel investment and facilitating angel networks.

***"Ready for Growth Program, United Kingdom, Spain and Greece"*** *was a program, operating in London and the South East of England, Spain and Greece, was targeted at small businesses with high-growth potential operating in the e-content sector. It addressed a perceived lack of investment readiness and the overall lack of investment in this sector. Because the bulk of the participant firms were early stage and required relatively small amounts of investment in the equity gap, the emphasis on funding sources was to tap business angel networks. Funding for the program (2002-2004) came from the EU.*

*The key features of the program were intensive mentoring of each company, an intensive two-day workshop covering the components of planning and developing a funding bid, techniques of pitching for funding and access to support for business plan development. A key feature of the program was its online support: the use of the website as a recruitment tool ensured a wider* *outreach and facilitated registration. A free diagnostic investment readiness tool enabled firms to assess their own investment readiness, and get feedback on their strengths, weaknesses and their ability to access equity finance.*

*During its two years of monitored operation, 502 companies participated: 60% - 70% rewrote their business plans, 30% - 40% successfully accessed equity or other forms of finance, 30% - 40% identified new markets and customers, and 60% developed new business partnerships.*

## 6. SUPPORTING INNOVATIVE ENTERPRISES

Promoting innovation among SMEs is crucial to their success. Some areas of focus under this initiative are:

- Supporting training on technology
- Supporting R&D and innovation
- Innovation and technology centers, university-business co-operation
- Inter-firm clusters and networks
- Business incubators
- Intellectual property rights
- Electronic signatures and digital security

### 6.1. SUPPORTING TRAINING ON TECHNOLOGY

Support for technology training is an established area of public policy support for SMEs in a number of countries with long-established programs including South Korea (SME Training Institute, 1978), New Zealand (Industry Training, 1992) and Belgium (1994). SME support programs generally focus on three specific types of skills:

- Managerial skills, including the development of managerial skills by those running technological spin-outs from universities;
- R&D related skills to improve firms' knowledge- generation capacity but also their ability to collaborate with universities or other organizations on R&D collaboration;
- Exporting and internationalizations kills for firms with an established local market presence and that are seeking to develop further.

### 6.2. SUPPORTING R&D AND INNOVATION

Programs to support R&D and innovation in firms have a relatively long history with the Canadian scientific research and experimental development program, for example, introduced in 1944. There is also strong evidence from a large number of studies of the effectiveness of such public support on innovation activity and positive effects on business performance. This positive effect can operate through a number of different organizational mechanisms such as:

1. First, and most obviously, public support for private R&D may reduce the cost to firms of building up their knowledge stocks, enhancing business performance and firms' ability to conduct future research projects.
2. Second, public support for R&D activity may contribute to developments in firms' human resources and innovation activity.
3. Third, public support for R&D or innovation may improve firms' ability to absorb R&D results or knowledge from elsewhere.

4. Fourth, reputational or "halo" effects may also stem from receipt of public R&D support.
5. Fifth, public funding of R&D may also create Two other aspects of international programs to support R&D and innovation are notable. First, policy developments have frequently linked R&D support with internationalization either to facilitate internationally collaborative R&D (e.g. EU Framework Programs) or link R&D performers to potential markets (e.g. the Israel- US Bi-National Industrial Research and Development Fund). Second, and more recently, policy development has focused on supporting service sector innovation of which a particularly interesting example is the Tekes Serve scheme.

Some of the best practices relevant to supporting R&D and innovation are mentioned below for detailed information:

***The Dutch Innovation Voucher scheme***

*The Dutch Innovation Voucher scheme was originally introduced in 2004, building on a range of other regional pilot projects. The context for the voucher program was a widely held view that knowledge sharing between public research institutes and SMEs in the Netherlands was inadequate. Consequently, the main objective of the innovation voucher scheme was to introduce SMEs to public research institutions and so stimulate R&D and innovation in SMEs. The details of the scheme have changed in recent years but the key element is the issuing of an innovation voucher (worth typically EUR 7 500) to an SME to be redeemed for services at a public knowledge provider. The issuing of the voucher has two main impacts, both of which overcome major incentive barriers to engagement between SMEs and public knowledge providers. First, the voucher empowers the SME to approach knowledge providers with their problems, something that they might not have done in the absence of such an incentive. Secondly, the voucher provides an incentive for the public knowledge provider to work with SMEs when their tendency might either have been to work with larger firms or to have no industry engagement.*

*Eligibility criteria for the Innovation Voucher program are broad with only a light touch administration. Impacts have been significant, with high levels of additionality, positive effects on new collaboration and some evidence of impact on SME innovation outputs.50 Since 2004 the Innovation Voucher scheme has been extended and enlarged in the Netherlands and similar schemes have been adopted in the UK, Ireland and Belgium.*

***The Tekes Serve – Innovative Services Technology Program, Finland***

*The Tekes Serve - Innovative Services Technology Program (2006-2010) encourages the development of innovative service concepts and service business models in companies, strengthens and diversifies service- related innovation activities (especially in SMEs), improves productivity and quality of service activities in various industries, and boosts academic research in the area of service innovation and service business. With a budget of EUR 100 million over five years (around 50% publicly funded), the program is geared to challenging projects, where the novelty value is at least of national level. The project proposals are evaluated based primarily on the novelty of the service innovation, not necessarily on the novelty of the applied technology.*

*Particularly interesting here are the broadly based definitions of service innovation and business models adopted in the program and for which support is available:*

*Service innovation is a new or significantly improved service concept that is taken into practice. It can be for example a new customer interaction channel, a distribution system, a technological concept, or a combination thereof. A service innovation always includes replicable elements that can be identified and systematically reproduced in other cases or environments. The replicable element can be the service outcome or the service process as such or a part of them. A service innovation benefits both the service producer and customers and it improves its developers' competitive edge.*

*Service business models: A service innovation is a service product or service process that is based on some technology or systematic method. In services however, the innovation does not necessarily relate to the novelty of the technology itself but the innovation often lies in the non-technological areas. Service innovations can for instance be new solutions in the customer interface, new distribution methods, novel application of technology in the service process, new forms of operation with the supply chain, or new ways to organize and manage services.*

### 6.3. INNOVATION AND TECHNOLOGY CENTERS, UNIVERSITY-BUSINESS CO-OPERATION

Internationally, measures to promote collaborative R&D have a relatively long history, although measures specifically targeted at SMEs are of more recent origin. A number of different policy models have developed, however, including:

- **Project-based** collaboration programs are generally focused and short term. The Tekes Serve scheme discussed above illustrates this type of measure. Key implementation issues here relate to eligibility criteria and, where funding is rationed, the process for project selection.
- **Physical infrastructure** projects such as research centers provide an upgrade to capacity and a focus for long-term collaboration and training.
- **Competence Research Centre's (CRCs)** bring together enterprises and research centers in a long-term collaborative relationship aimed at a particular technology under independent governance arrangements. CRCs have proven to be a valuable initiative, providing a focus for university-industry research collaboration. The best established of these programs (in Sweden) has provided overwhelming evidence of the value of this type of initiative, a result echoed in early evaluation results from Hungary and Estonia. In recent years, CRCs have also been seen as playing a more significant role in internationalization and SME development. CRCs often act as a focal point or gateway for international R&D collaboration, and their relatively high profile can provide an attraction for SME participation. COMPERA, one of the ERA-Net networks, has an established role in sharing best practice in the implementation of CRC programs (www.comp-era.net).
- **Clusters** are looser constellations of university and corporate partners in a specific sector and generally have a geographical focus.
- **R&D and innovation networks** may be regional, national or international. San Diego's CONNECT program, for example, has both cluster (i.e. regional) and innovation network characteristics, sponsoring a range of activities (workshops, seminars, networking events and awards programs) designed to bring together knowledge creators from universities and research institutes with entrepreneurs and investors (www.connect.org).

Some prominent examples of Innovation and technology centers, university-business co-operation are given below.

***Changing models of university business engagements***

*The historical norm has been the open science model, where new knowledge is viewed as a public good, and universities place little priority on IP ownership. The EU (2004) argues that this open science model is most effective in stimulating commercialization where "the technology has far reaching implications and where the risks of mis-appropriation by private interests are detrimental to the public interest" (p.11). The incentive structure in the open science model suggests that universities are likely to adopt an essentially passive approach to IP development and exploitation, instead investing any available resources in additional research activity. Commercialization then depends on the absorptive capacity of firms.*

*More recently, however, and most notably in the United States since the Bayh-Dole Act, universities and public research organizations have placed increasing emphasis on their private ownership of IP, and consequently have had the incentive to adopt a more proactive role in IP development and exploitation. This gives rise to the licensing model (EU, 2004). Here, universities engage in basic research, but are proactive. They devote resources to the identification, development and subsequent exploitation of IP, generally through patents and licensing. The EU believes that this approach can generate substantial benefits. "It is estimated that at least half the new products based on university patents would not have been developed if the results had been put in the public domain without patent protection" (p.11).*

*Mowery et al. (2004) argue that the increased focus on the commercialization of university research has, however, at least in the United States gone beyond the licensing model, influencing the nature of university research itself. This has "changed the research culture of US universities, leading to increased secrecy, less sharing of research results, and a shift in the focus of academic research away from fundamentals towards more applied topics" (p.1). In this innovation model, universities both adopt a proactive approach to IP development and exploitation and re-orient the type of R&D they are undertaking to bridge the gap between fundamental university research and its commercialization. The EU contends that the social benefits resulting from the adoption of this innovation model may be larger, and more regionally focused, than those from the licensing model.*

***Competence Research Centers: Linking research and innovation***

*Modelled on the Engineering Research Centers set up in the United States in the mid-1980s, CRCs have been successfully established in a number of European countries since 1995. Among the most recently established networks of CRCs have been the KKK Competence Centers established in 2000 in Hungary and Competence Centers established in Estonia in 2003.*

*According to the COMPERA ERA-Net network a CRC is a "structured, long-term R&D collaboration in a strategically important area between academia, industry and the public sector. The aim is to bridge the gap between scientific and economic innovation by providing a collective environment." Typically, CRCs concentrate on a specific technological area and have some long-term (ten- year) public funding. In general CRCs comprise a university- based research facility* *undertaking collaborative research with a network of partner firms.*

*The longest established European CRCs are the Swedish Competence Centers which were established in 1995 and evaluated in detail in 2003. The evaluation concluded "the Swedish competence centers program is a relevant and effective instrument that builds the people and networks needed for industrial competitiveness, tunes universities towards socio-economic needs... and produces significant social and economic value... In sum: the argument for competence centers is overwhelming." Key impacts were identified in knowledge creation, upgrading research skills, extended networks, innovation and attracting inward investment.*

Other forms of collaborative R&D schemes that have proven highly effective are based on personnel transfer. These recognize the importance of individuals as "carriers of knowledge" and have helped bridge the gap between universities and small companies. One of the most established of these is the UK's Knowledge Transfer Partnership program that has been operating in almost unchanged format for over 25 years. Evidence suggests it substantially benefits both participating companies and broader economic growth.

***UK Knowledge Transfer Partnerships***

*importance of enterprising universities oriented around the innovation model, alternative technology transfer mechanisms based on collaborative projects, vouchers and placements, and well-developed intermediary and focal institutions that can provide the focus for university-business collaboration. Intermediary organizations work between the more basic research units within universities and smaller companies, providing technology transfer.*

*The UK Knowledge Transfer Partnership (KTP) program was originally established in 1975 as the Teaching Company Scheme. The scheme is one of the UK's flagship technology transfer mechanisms with over 1000 projects currently running. Each business involved in KTP identifies a strategically important project and develops a collaborative project plan with a partner university. A suitably qualified graduate will then work in the company for between one and three years to implement the project. The graduate is closely supervised by staff from the business and from the partner university. For SMEs, two-thirds of the cost of the project is paid by the UK government. KTP has proved popular with companies as a profitable investment and popular with graduates (three-quarters of whom find jobs in their partner companies). Regular evaluations for the UK government have also established that KTP provides value for money from a public finance standpoint.*

*The KTP scheme is supported by a network of regional advisors across the UK, with each university also having a designated staff member or members who liaise with partner companies. Advisors and KTP project partners are supported by a web portal (www.ktponline.org.uk), providing best practice case studies and information.*

### 6.4. INTER-FIRM CLUSTERS AND NETWORKS

Promoting inter-firm clusters and networks can play a significant role in sharing technological and market knowledge, and boosting business performance.

In more developed economies, however, it is important to recognize that policy has moved somewhat away from cluster development, while still acknowledging that industry networks and focused collaboration are of considerable value. Instead of generalized industry clusters therefore policy initiatives have tended to be more focused on building thematic networks for research, marketing or skills development.

### 6.5. BUSINESS INCUBATORS

Business incubation first emerged in the US in the mid-1980s to support start-up development and tackle problems associated with lack of capital, poor management and insufficient market understanding. In general terms, business incubators provide support for new ventures to grow and survive during their early years when they are most vulnerable.

Two key success factors emerge from the incubator literature. First, the context in which the incubator is located is a very significant influence on its success. In the Israeli case, for example, research has shown that incubator success rates increase sharply where they are closely related to venture capital provision. The example of Oxford Innovation highlights a similar point emphasizing the importance of business incubation and support alongside the provision of appropriate capital.

***Oxford Innovation, United Kingdom***

*Oxford Innovation (OI) provides a leading practice example of the effective combination of incubation services, business support services and angel investment. Originally based solely in Oxford, the group now has 15 incubation facilities in Southern England used by over 400 technology and knowledge-based businesses. In addition, OI offers a virtual office service (Oxiflex) for micro-businesses in search of business support and meeting room space.*

*The company also runs three business angel investor networks used by entrepreneurs from across the UK Perhaps the best known is the Oxfordshire Investment Opportunity Network which holds monthly investment presentation meetings in Oxford. Typical meetings attract around 90 potential investors with up to six businesses seeking finance from EUR 282 000 to EUR 2.26 million. Over the last five years, it has raised more than EUR 21.5 million of business angel and venture capital investment for 92 companies.*

Second, the evidence suggests that the management and operation of the incubator itself can also be a significant determinant of its success with different forms of incubation service of value to different types of company.67 In Jyväskylä Science Park in Finland, for example, the regional development company has developed parallel incubator and light-touch mentoring (company-clinic) approaches for HGSMEs with different needs.

***Incubation and light-touch mentoring, Jyväskylä Science Park, Finland***

*A systemic approach to business incubation has been developed in Jyväskylä Science Park, Finland since the first incubation facilities were offered in 1992. This involves a combination of formal incubator and light-touch provision.*

*The formal incubation process includes both pre-incubator and post-incubator phases where assistance and counseling are offered to firms. The pre-incubator phase represents the planning phase for business operations. Together with expert personnel from the business incubator, the future entrepreneur prepares a business plan for the company. It takes two to six months before a business plan (including a cash flow estimate for one year and budget planning for three years) is ready. During this period the future entrepreneur has access to well developed and tested budget and production planning tools of the business incubator.*

*Companies that successfully pass the pre-incubation period are allowed up to two years in the incubator. As a principle, premises and facilities are negotiated individually with each company, and the agreement also foresees business consulting services and individual counseling for the incubation period.*

*The post-incubation phase consists of a mentoring service that is offered for the company. The mentor advises the company and helps find business-related solutions. The mentor can serve as advisor to the company, outside advisor to the board, or a member of the board.*

*In addition to the physical incubator space, the Jyväskylä Regional Development Company Jykes Ltd., has developed a "light touch" company clinic service targeted at companies working in the field of knowledge- intensive business services. This does not provide physical incubator space but delivers consulting advice to help firms identify specific barriers to the survival and growth of participant companies. The services are also aimed at helping companies to better plan and manage their growth, which is of great relevance for growth-oriented companies. On a need's basis, tools to enhance the company's capacities and capabilities are developed.*

### 6.6. INTELLECTUAL PROPERTY RIGHTS

It is clear that in the global economy SMEs are disadvantaged in terms of their protection of intellectual property, both their ability to finance effective protection for intellectual assets and their ability to defend IP rights where these are infringed.

Internationally, policy development in this area has been rapid in recent years with a focus on IP protection rather than the broader management and development of firms' intellectual assets.

Perhaps the key learning point from the international experience is the value of this broader perspective, in which firms are encouraged to focus on intellectual property as a central information resource and commercial asset to be nurtured. Leading-edge support programs have therefore been targeted to help firms appreciate the potential value of intellectual property systems as a source of business information and to manage, develop and protect their intellectual assets or more broadly their intellectual capital. This type of broader IP management and development among HGSMEs has been supported by a variety of different programs.

The Finnish program "INTO road show", for example, aims to help SMEs to use the intellectual property system as a source of business information. By tracking patents and citations for example, SMEs can identify useful new technologies or partners and perhaps identify areas in which development could be concentrated. More business specific support is offered by the Japanese Intellectual Asset-Based Management program introduced in 2005. It developed a manual for SMEs called Intellectual asset–based management manual for SMEs, and provided a range of forums and seminars. Even more specific to the individual firm is a Korean measure introduced in 2006 called Consulting for Managing Intellectual Assets for SMEs. It offers customized consulting services to help firms with IP management, development and protection. Essentially similar support is provided by the successful Hungarian VIVACE program initiated by the Hungarian Patent Office.

***VIVACE Program of the Hungary Patent Office***

*Established in 2004 by the Hungary Patent Office and funded by the Hungarian government, this program offers mentoring and advice on patenting and intellectual property to SMEs. The goal of the VIVACE program is to heighten the awareness of the intellectual property system among SMEs and develop an IP culture among firms in any life cycle stage.*

*Advisory services can include information on patents, supplementary protection certificates, plant varieties, utility models, trademarks, geographical indicators, designs and copyrights. The program also runs a telephone help line on IP protection, education schemes in intellectual property for attorneys and other courses, an e-learning package, as well as promotion activities for patenting. The scheme has illustrated the potential for direct intervention to increase the patenting rate and has been successful in increasing firms' awareness of their intellectual property rights.*

## 6.7. ELECTRONIC SIGNATURES AND DIGITAL SECURITY

Digital security and the legal recognition of electronic signatures provide the basis for effective e-business and e-government. In particular, electronic signatures can be important in enabling electronic contracting and procurement. In the EU uniform and relatively effective legal provisions for electronic signatures have been in place for some years, although the extent of their use remains uncertain.

A recent review of the situation in Croatia for example, highlights Croatia's Electronic Signature Act (2002), the Electronic Commerce Act (2003) and the Electronic Document Act (2005). Together these provide the basis for all forms of e- signatures, the regulation of certification authorities, the liability of Internet service providers, and the basic rules and regulation of e-commerce.

This type of effective legislative framework is clearly a central factor in enabling the development of e-business. Equally important, however, is the e-readiness of SMEs, or "the ability to successfully adopt, use, and benefit from information technologies such as e-commerce." Governments have adopted a wide range of measures to promote e-readiness, and the European e-Business Support Network highlights some useful examples of national best practice.76 For example, a number of countries have developed benchmarking tools to enable SMEs to compare their e-readiness to other firms (e.g., the Danish ICT index, Ireland's Self-Test of IT eBusiness Knowledge). Other countries have developed workbooks or web portals which offer advice on going digital (e.g., Netherlands), while some have developed case studies of firms that have successfully implemented e-business strategies (e.g., Ireland, Greece, UK).

# 7. REVIEW OF GOVERNING ACTS, POLICIES, RULES AND REGULATIONS

Under this section of the literature review, all the existing government policy documents that directly or indirectly impact the MSEs will be reviewed. The short and long-term impact assessment will be made on the operations, growth and development of SMEs.

## 7.1. NATIONAL COMPETITION POLICY 2020

National Competition Policy (NCP) 2021 aims to promote a market driven economy founded on healthy competition to perpetuate fair trading practices, thus, preventing abuse of market power by commercial monopolies and oligopolies. This is expected to foster private sector development and ensure availability of wider choices of goods at a competitive pricing and maximize consumer welfare.

The NCP foresees that anti-competitive behavior and practices injures the economy. The prevalence of monopolistic, oligopolistic and market cartels dictate the market price, restricts new players in the market, and disrupts the continuous supply of essential items and market self-regulation.

Against this backdrop, the NCP restricts the existence of dominant entities or monopoly (private or SOE), Cartels in the market. Should monopolistic practice exist, the Government must endeavor to facilitate new entry of firms or regulate to control the monopoly in the public interest.

Mergers likely to impede competition must be prevented and criteria /guidelines must be developed to regulate mergers.

Also, to ensure private sector participation in the public procurement of goods and services, the NCP mandates that the resource allocation must be based on market mechanisms and executed through open competitive bidding processes.

Where the monopoly exists as a result of the international market mechanism and control, the NCP mandates the government to liaise and collaborate with other countries and organizations at the bilateral, regional and multilateral forums to curtail cross-border anti-competitive practices and dominance in the market.

The NCP mandates that any government policies must be subject to screening using the principle of competition at all levels.

The NCP must also look at the facets of Intellectual Property (IP) Rights and its impact on the market competition. Intellectual property rights are designed to promote the creation of innovations and thus to promote economic advance and consumer welfare. This occurs by giving the innovator an exclusive legal right to the economic exploitation of his innovation for a period of time to recoup his investment and to induce others to strive to innovate in the future.

Competition policy affects the use of intellectual property rights in two main ways. First, and most importantly, competition policy applies to the clauses used in agreements to license inventions. Second, competition policy may impose certain remedies for abuses, compulsory licensing in particular, which affects the innovator immediately and can alter future behavior as well (OECD, 1989)

The decisions which competition policy authorities take with respect to acceptable intellectual property licensing agreements are of more than academic interest; the licensing activities of firms are routinely affected. Some suggestions of this impact can be found in the views of licensing executives. While the self-interest of these executives is clear, their responses do suggest that competition policy in OECD countries plays a significant role in firms' licensing practices. According to a recent survey of such executives conducted by the OECD, competition policy is seen by those licensors as the most important disincentive to licensing activities in OECD countries.

## 7.2. ECONOMIC DEVELOPMENT POLICY (EDP) 2016

The EDP 2016 highlights priority sectors that have the potential for economic growth and opportunities and investment. It envisages to create a transparent and conducive environment for establishment of businesses by reducing administrative burden, diversifying export, and enhancing productivity and progress for achieving sustainable economic growth.

However, some of the challenges faced by the Bhutanese economy as highlighted in the EDP are:

1. Small domestic market
2. Narrow export product base and markets
3. Inadequate infrastructure
4. High transportation cost
5. Difficult access to finance
6. Inconsistent policies/lack of coordination
7. Lack of management skills
8. Shortage of professionals
9. Low productivity of labor
10. Absence of R & D capability
11. Access to land

Bhutanese economy witnessed transformation and structural changes in the last decade and shifted from primary sector to tertiary sector in terms of contribution to the national GDP.
Table 5 provides an insight into the changes in the composition of different sub-sectors of GDP. In 2015, the 1) Construction 2) Agriculture 3) Electricity and Water supply 4) Wholesale and Retail Trade 5) Transport, Storage and Communications were the top five contributors to GDP aside from manufacturing.

*Table 4: Share of Select Sub-Sectors in Real GDP (%)*

| YEAR | 1980 | 1990 | 2000 | 2010 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|
| Agriculture | 27.8 | 15.4 | 12.7 | 16.8 | 16.10 | 16.77 | 16.67 |
| Wholesale and Retail trade | 10.9 | 4.66 | 4.5 | 5.18 | 6.48 | 7.09 | 7.75 |
| Transport, Storage & Communications | 4.3 | 6.62 | 9.1 | 9.58 | 9.31 | 9.63 | 9.0 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Community, Social services | 10.8 | 16.8 | 14.3 | 12.78 | 11.95 | 10.84 | - |
| Finance, Insurance & Real estate | 6.3 | 8.73 | 7.1 | 7.65 | 7.65 | 7.57 | 7.44 |
| Mining & Quarrying | 0.6 | 0.86 | 1.6 | 2.23 | 2.65 | 2.82 | 3.40 |
| Manufacturing | 3.2 | 7.71 | 8.2 | 8.72 | 8.33 | 8.12 | 7.99 |
| Electricity, Water & Gas | 0.2 | 8.66 | 11.4 | 17.61 | 14.45 | 14.15 | 14.34 |
| Construction | 7.9 | 8.42 | 14.0 | 14.22 | 16.92 | 15.46 | 15.61 |
| Hotels and Restaurants | - | 0.18 | 0.45 | 0.84 | 1.53 | 1.71 | 1.88 |

To enhance further development and diversification of the SME sector, the EDP 2016 strategies to promote five jewels, harness and add value to natural resources, diversify export, promote brand Bhutan and promote industries that build brand Bhutan.

The policy only emphasizes on building Bhutan's international image through branding and export, and it does not strategize to scrutinize the issues of current market dynamics and operations. The omission of requiring to understand the current market situation might be viewed as the short-term goal, but will render long-term impact. To promote a healthy entrepreneurship culture, competitive market and fair-trading practices, needs a clear insight of the current market situation and policy must ensure to address or facilitate such practices. Although the NCP 2020 strategizes to address this issue, EDP being the umbrella policy to render economic development must synergize or provide strategic directives to promote market competition, therefore, diversifying export and sell Bhutan through brand image.

For the purpose of promoting SMEs and rendering efficient services, EDP 2016 specifies the identification and prioritization of State Reserve Forest (SRF) land for industrial establishment, shorten turn-around time to provide clearances by leveraging online platforms and introduction of one stop shop and one government principle to ease documentation burden to the entrepreneurs. In addition, and perhaps most importantly, EDP mandates the establishment of an R & D institute with all required resources.

The EDP 2016 requires the adoption of business infrastructure policy by 2018. Although the business infrastructure such as industrial estate, incubation centers are established, the said policy has not been adopted.

## 7.3. COTTAGE AND SMALL INDUSTRY POLICY 2019

One of the missions of the CSI policy 2019 is to nurture the culture of entrepreneurship that encourages innovation, creativity and competitiveness. The policy envisages to promote establishment of new CSI and improve the performance and competitiveness of existing CSI.

One of the favorable provisions enshrined in the policy is to integrate business licensing systems - end to end automation systems. Like in the Micro Trade registration system, the Department of Cottage and Small Industry recently launched guidelines for registration of the CSI sector with validity of three years, where in the past, all CSI sectors are subject to renewal annually.

In addition, the policy requires setting up of business incubation centers, start-up centers, fab-labs, CSI estates in Dzongkhags, designated space for start-ups in industrial estates/parks for development of the CSI sector.

Also, the policy envisages to develop and strengthen business clusters, farmers groups, cooperatives and community-based initiatives and arrange preferential procurement for locally produced products with qualities equally competitive with other products in the market.

# 8. SAMPLING

Following two sampling techniques have been adopted to select the sample and determine the sampling size.

## 8.1. LIST OF PRIORITIZED ACTIVITIES

The primary focus of the study is on the SMEs whose products and services are essential for large scale consumers. Therefore, different categories of SMEs have been stratified based on the available national and international study reports and list of prioritized activities identified by the government.

For example, under the Priority Sector Lending (PSL) scheme initiated by the government, 32 different business activities (Annex i) under production and manufacturing and services categories are identified for the scheme.

In addition, the study report on Import substitution opportunities conducted by the MoEA in 2019 based on the volume on import statistics identifies 56 different commercial activities viable for large scale production and consumption locally. The annex ii summarizes the list of activities.

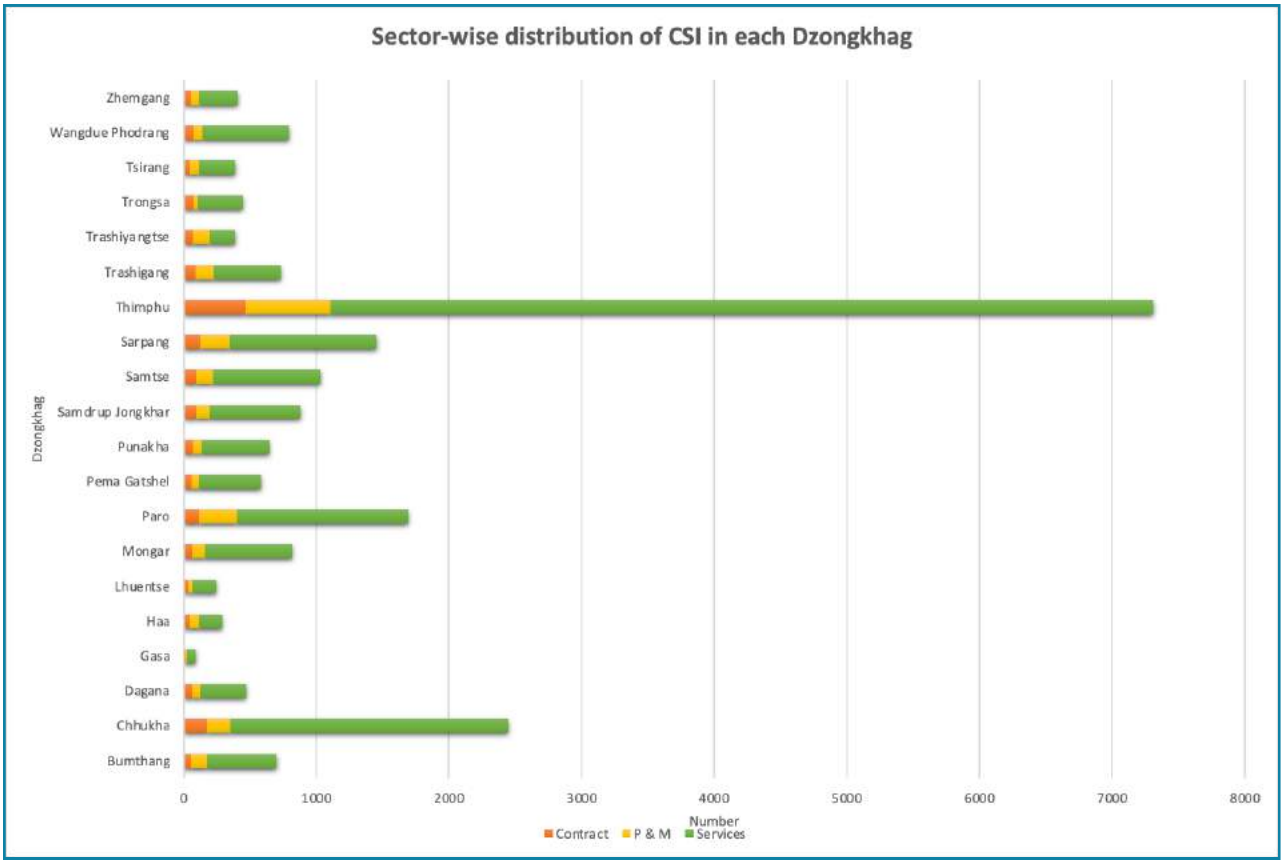
The World Bank's assessment report on Bhutan's investment climate, 2017, recommends tourism, agri business, manufacturing and ICT sectors that have the potential to diversify the country's economy. Likewise, the Asian Development Bank (Bhutan critical development constraints, 2012) recommends to broaden and diversify Bhutan's economic activity in the field of agro-based manufacturing, dairy products, handicrafts, ICT services, among others.

Based on the priority list of the PSL, study conducted by the Ministry of Economic Affairs and the reports published by the world bank and ADB, following economic activities and its activities are potentially essential for large scale consumers and therefore, validated and ranked in the category of priority for the study:

A. Cultural-based industries
B. Mineral water bottling plants
C. ICT services
D. Agro-based manufacturing
E. Dairy product manufacturing
F. Audio-visual production and creative arts
G. Handicraft production
H. Construction materials

## 8.2. SAMPLE SIZE AND AREA

The SMEs in the country are widely scattered in all the 20 Dzongkhag as illustrated in the following chart:




As of 2019-2020, there are a total of 21,813 CSI in the country. The majority (7,309 CSI sectors) are established in the capital city, Thimphu, which constitutes 33.50% of the total CSI. This is mainly due to the factors such as diverse economic opportunities, concentration of population, size of the market, infrastructure and other essential amenities. Therefore, owing to its complete representation of the identified CSI sector, Thimphu Dzongkhag has been selected to conduct the field study.

# 9. FINDINGS AND ANALYSIS

Total of 52 different SME firms encompassing both services and manufacturing industries were interviewed through a structured questionnaire. Some of the firms that are potentially essential for large number of consumers are:

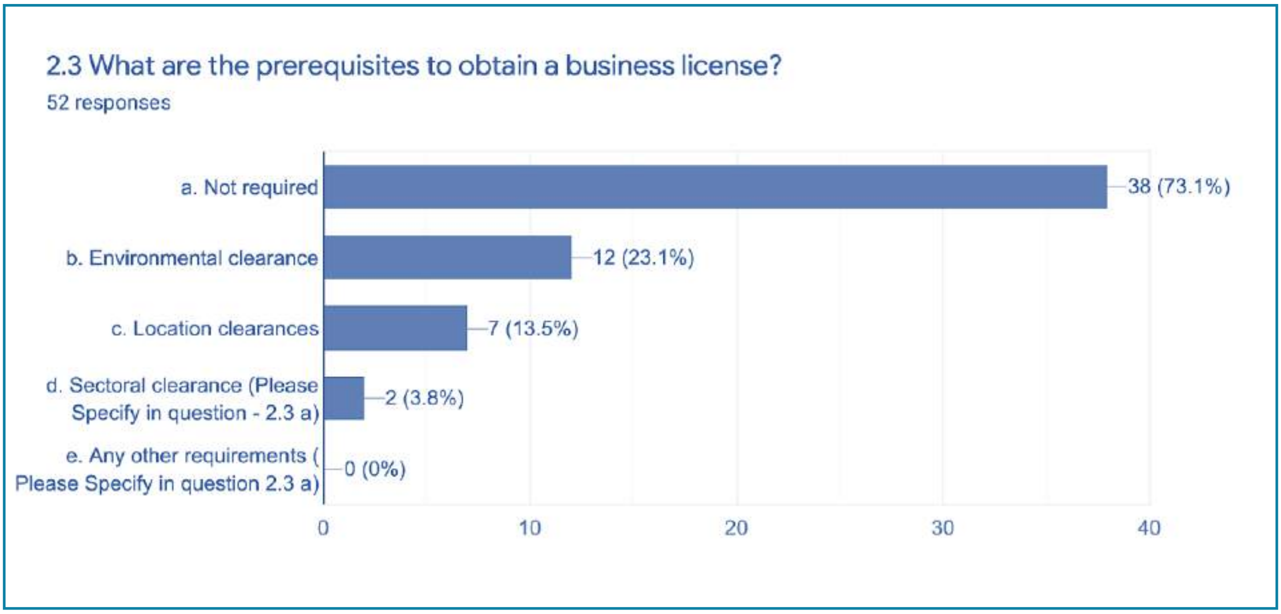
- ☑ Diary production firms
- ☑ Poultry farming
- ☑ Construction materials
- ☑ Restaurants
- ☑ Agro-based industries
- ☑ Herbal tea

☑ Retail stores
☑ Creative industries
☑ Automobile services

The samples were all selected from Thimphu as justified in the sampling area selection section above. Specific questions designed for data collection covers the assessment of entry and exit barriers, access to finance, market access, market price fixation, market competition, business support services and general awareness of firms regarding the competition policy and consumer protection act.

### ENTRY AND EXIT BARRIERS:

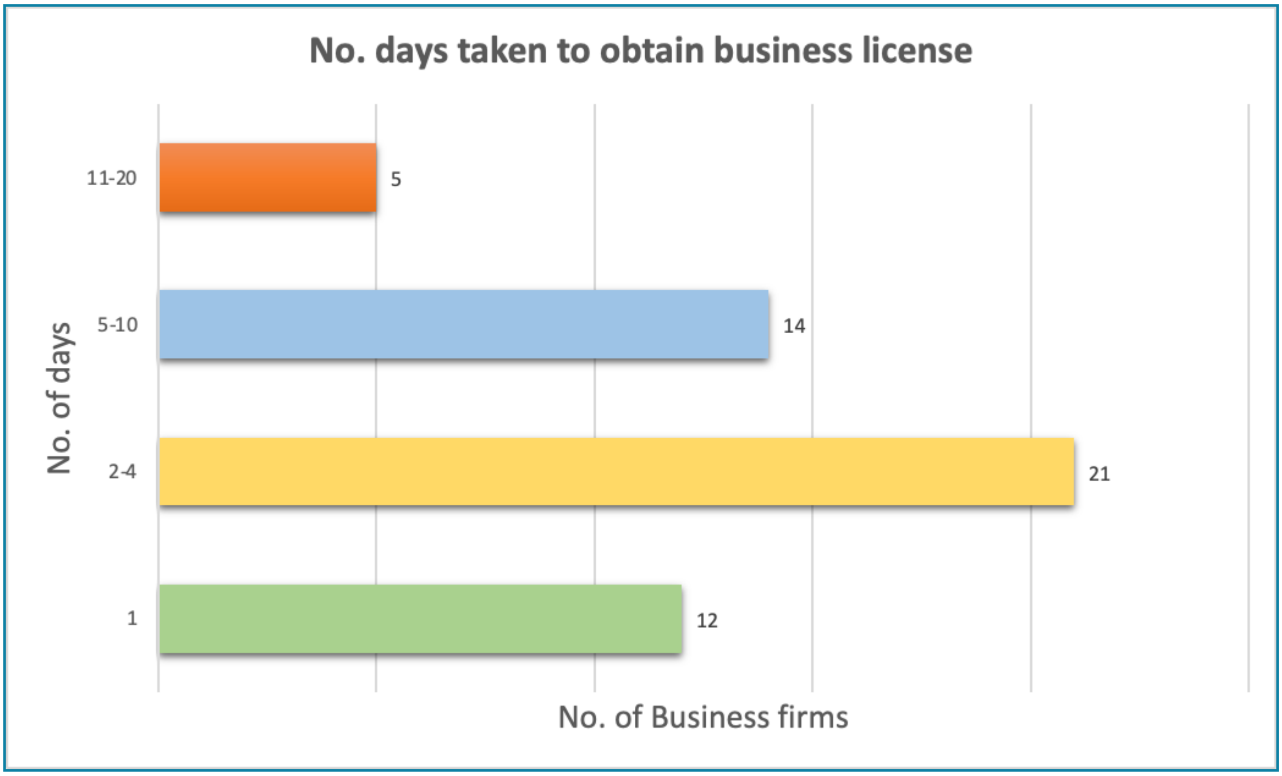
In this section, the firms were assessed on the parameters such as requiring to conform to government licensing requirements, time taken to process business licenses, and infrastructure requirements and other sectoral clearances. From the total of 52 firms, 38 firms responded as not requiring any prerequisites for licensing, which accounts for 73.1% of the total firms surveyed as depicted in the graph below.




As per the guidelines for registration of cottage scale industries 2021, annexure II, there are 73 cottage scale firms that require sectoral clearances to be registered. The requirement of sectoral clearances is, by most of the firms, viewed as an administrative burden rather than requirement especially for the cottage scale firms. These prerequisites un-necessarily hinders the operation of businesses.

From the survey, the majority of the firms (40.4%) responded that the minimum time taken to obtain a business license is two to four days followed by 5-10 day by 26.9% of the respondents as given in the figure below.

However, the initiative by the Department of Cottage and Small Industry to introduce Registration System to promote and facilitate growth and development of cottage scale industries is a welcome initiative. Unlike the full licensing regime, the registration certificates are valid for three years from issuance date and entails no cost to obtain it. This measure greatly removes the entry barriers such as registration fees, requirement to renew annually along with applicable fees and clearances, for cottage scale industries and is expected to boost the growth of CSI in the long run.




## ACCESS TO FINANCE

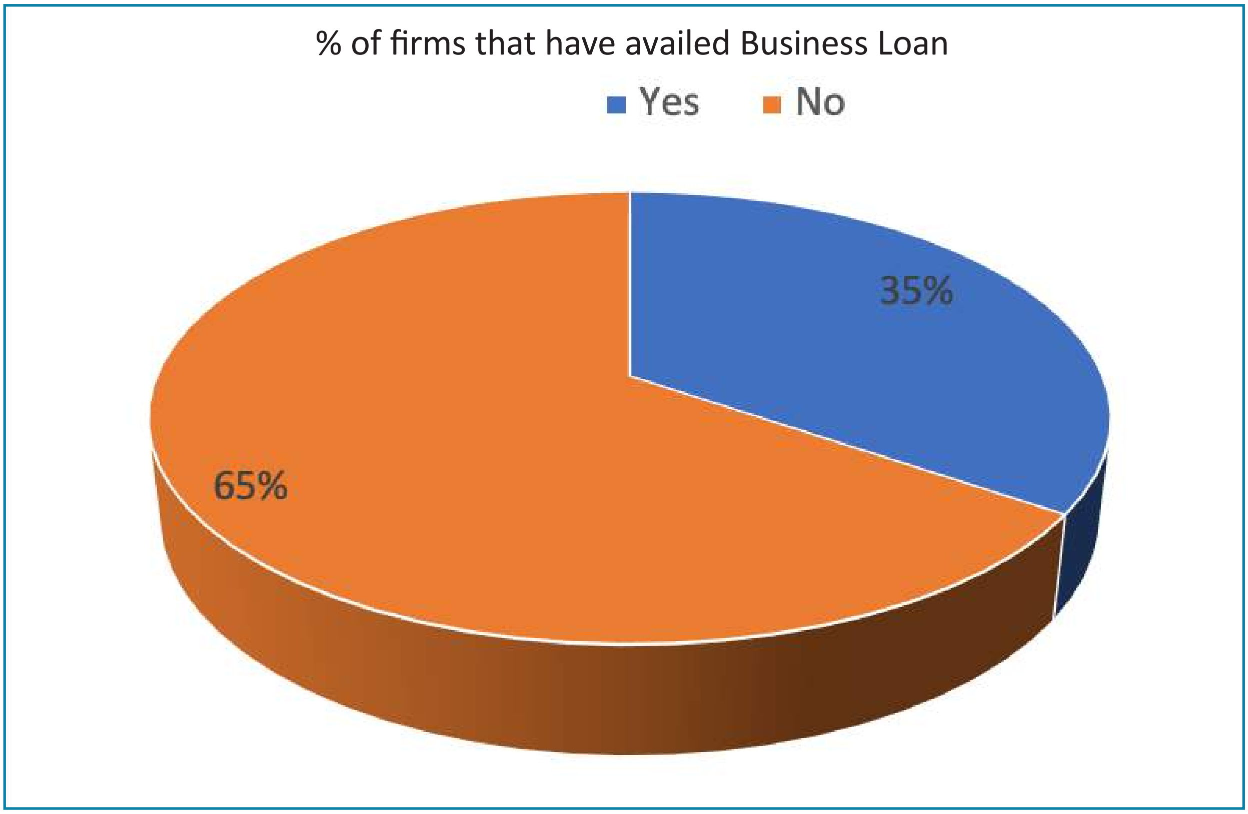
Finance is one of the important requisites to establish any business. In 2017, the government granted 10 years of income tax holiday to CSI and Co-operatives, mineral based industries, RNR and agriculture activities, dairy farming, schools and institutions, etc. such as fiscal incentives are important as most of the firms are still at the nascent stage of development. From the survey, 34.6% of the firms availed loans from different financial institutions.

With more than 30% of the population economically active (Dorji, 2018), access to finance has been the major impediment for the growth of the private sector. He argues that 'inclusive growth could be achieved if the weaker and vulnerable sections of the society are given access to finance to explore economic opportunities. This in turn will to some extent remove the entry barriers to the new entrants in the market and foster healthy market competition and fair-trading practices.

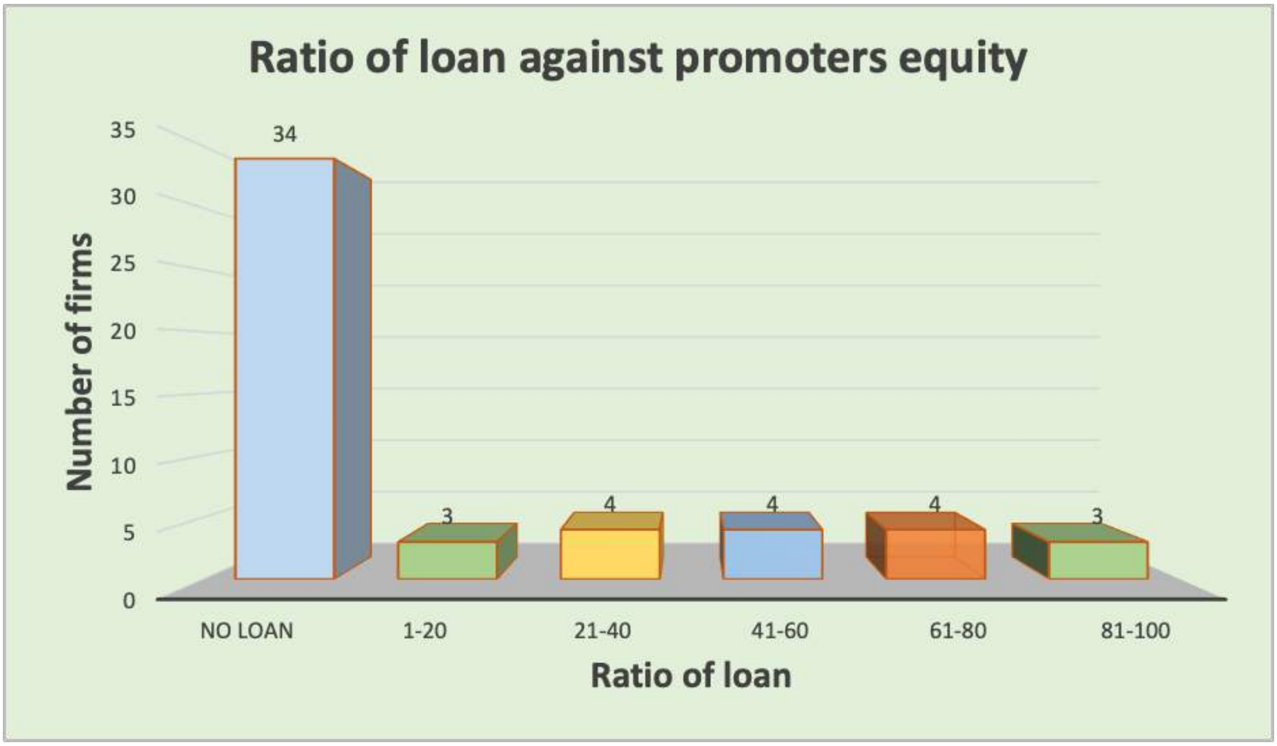
And as data shows, more than 10 firms out of 52 were established with 50-100% loans. This reveals that shortage of funds to venture into commercial activities is one of the most critical problems faced by the SMEs.

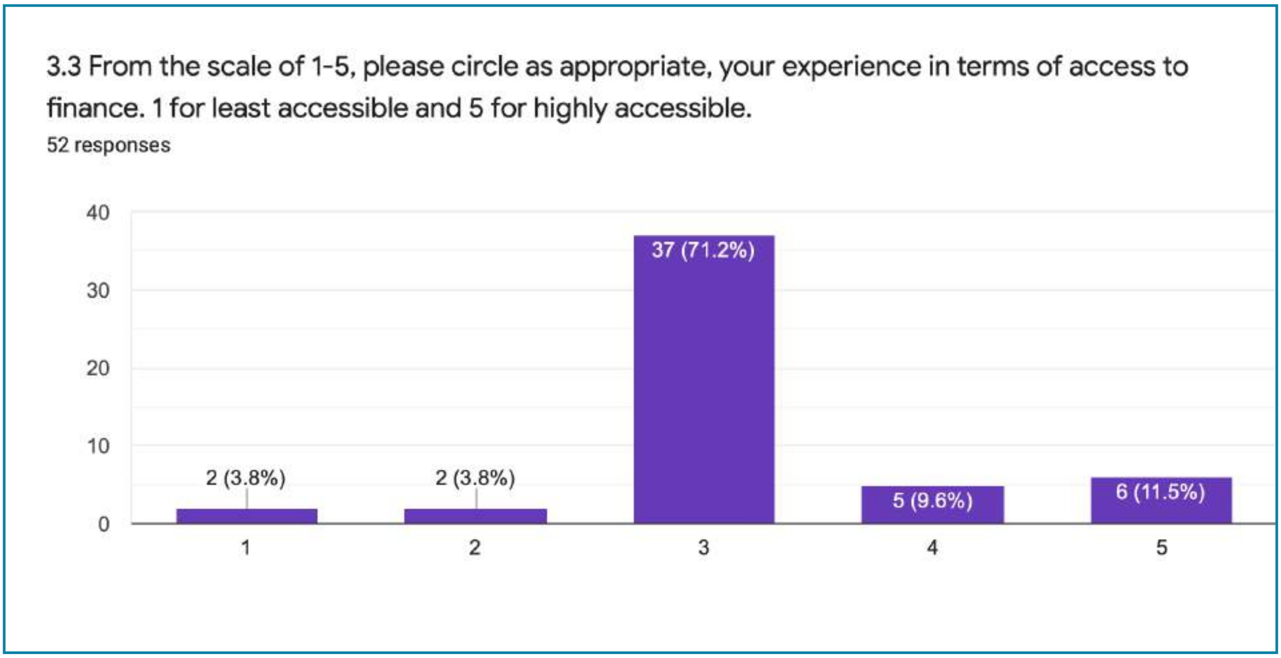
The sources of loans availed by the SMEs to start their operation includes BDBL, PSL, BoB, BNB, REDCL, Tashi Bank, and Bhutan Insurance Limited.

From the experiences shared by the firms during the survey on their experiences to access the business




loan, majority of the respondents (71.2%) rated the accessibility of loan as neutral. This means the procedure to avail loan is neither too stringent, nor too easy to avail it.






## MARKET SUPPLY CHAIN

This section of the survey aims to study the market supply chain of the products that the firms are selling and how the marketing is strategized by the firms. Marketing can play a key role in integrating supply chain processes and promote collaboration between different stakeholders. Supply chains are a critical impetus for the firms that enable them to translate customer demand into product ease delivery of services and products. From the survey as depicted in the table below, most (50%) of the firms are selling the products from a single retail store whereas 30.77% of the respondents distribute their products from 2-5 other retail outlets

*Table 5: Total number of retail outlets selling the product of particular firm*

| S/N | NUMBER OF RETAIL OUTLETS | NUMBER OF RESPONDENTS | % OF RESPONDENTS |
|---|---|---|---|
| 1 | 1 | 26 | 50.00 |
| 2 | 2-5 | 16 | 30.77 |
| 3 | 6-10 | 6 | 11.54 |
| 4 | 11 and above | 4 | 7.69 |
| Total | | 52 | 100 |

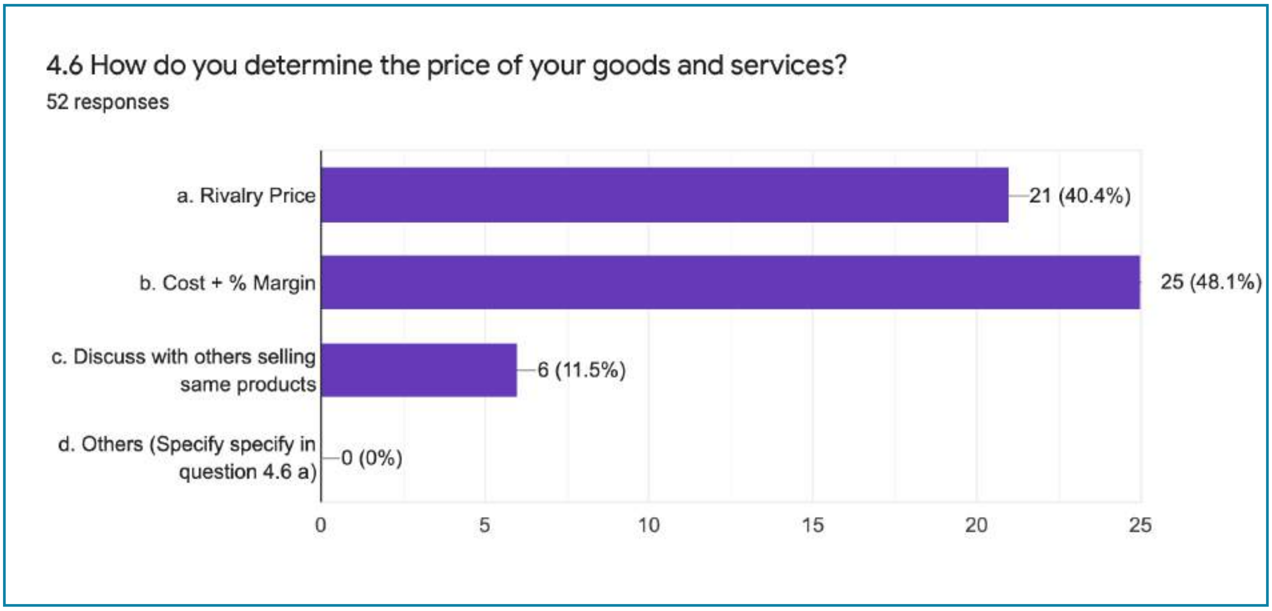
The market flow encourages information sharing and can gradually integrate into larger supply chains. The survey responses show that only 7.7% of the firms have a larger supply chain and therefore, promote market penetration and efficiency.

When it comes to market penetration of goods and services, given the size of population and market, most of them are supplied in Thimphu and Paro with only one firm exporting to other countries.

## PRICE DETERMINATION

Market price regulation is the practice of governments dictating how much certain commodities or products may be sold for both in the retail marketplace and at other stages in the production process. Such practices are most visible when monopolies exist, price regulation sometimes occurs with other products or commodities, either as a specific measure of control or as an emergency economic measure. Supported by many who claim there are products that should be accessible by everyone, price regulation is opposed by others who claim that price regulation stifles investment and innovation.

In ideal market situations, the price of the goods and services is determined by the cost of production plus reasonable profit margin for the proponent. The market is even healthier if it operates based on the rivalry pricing. This indicates strong market competition and self-regulation.




In the survey, the majority (48.1%) of the firms determine the price of their products based on the cost of production + plus percentage of profit margin formula, which is closely followed by rivalry price fixation which accounts to 40.4% of the total firms surveyed. This clearly indicates healthy market practices concerning the price regulation.

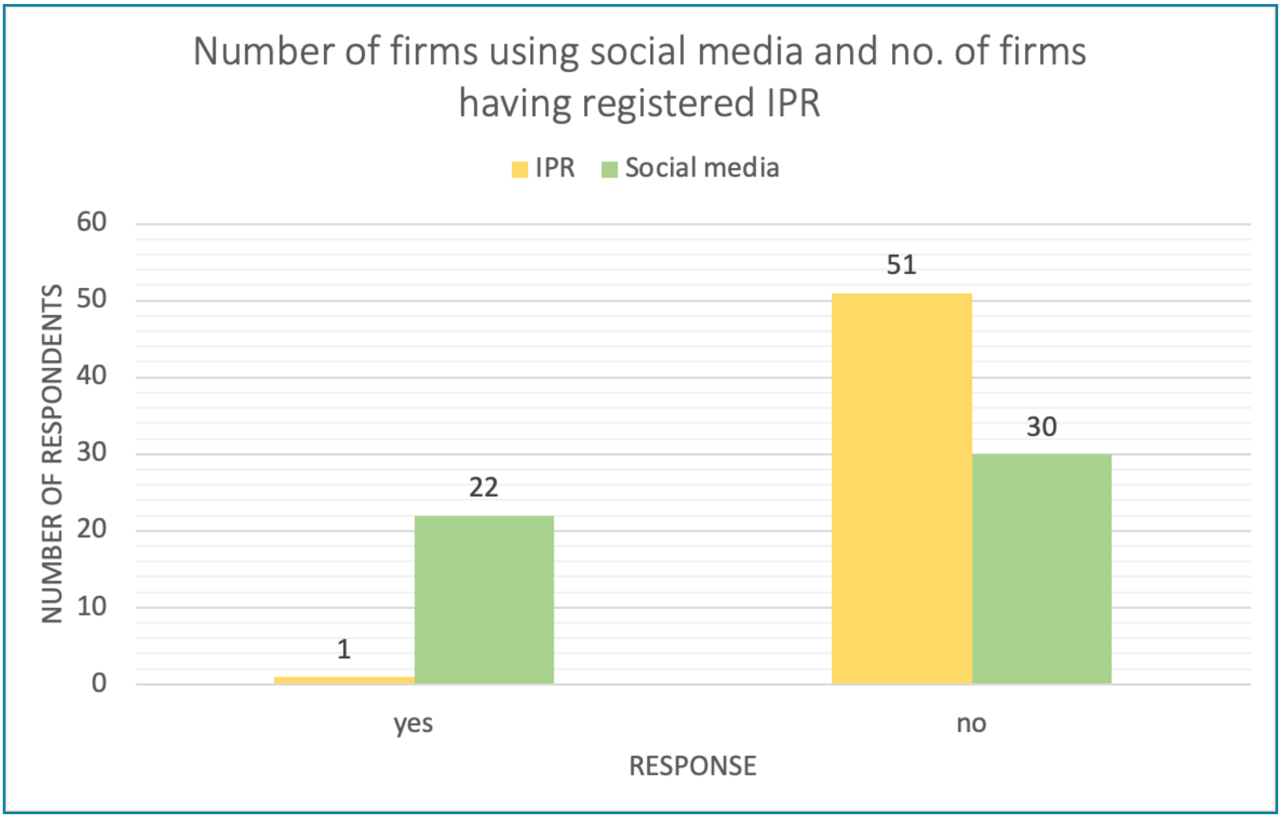
Most countries let the market set the price of any product, with sellers setting a price that consumers are willing to pay, but which provides them enough volume to generate the profit they need. The government intervention is sought only when the product or services are deemed to be essential for all members of society, so its price cannot be left to the whims of profit-oriented companies.

## MARKET COMPETITION

Social media enables products to reach the target customers in an efficient manner. It is inexpensive and therefore, social media has proven to be one of the most effective channels to promote products online.

However, with every business aware of it, competition on social media has become intense. To overcome competition, it is important that you leverage the latest trends & techniques and promote your product on social media creatively and consistently.

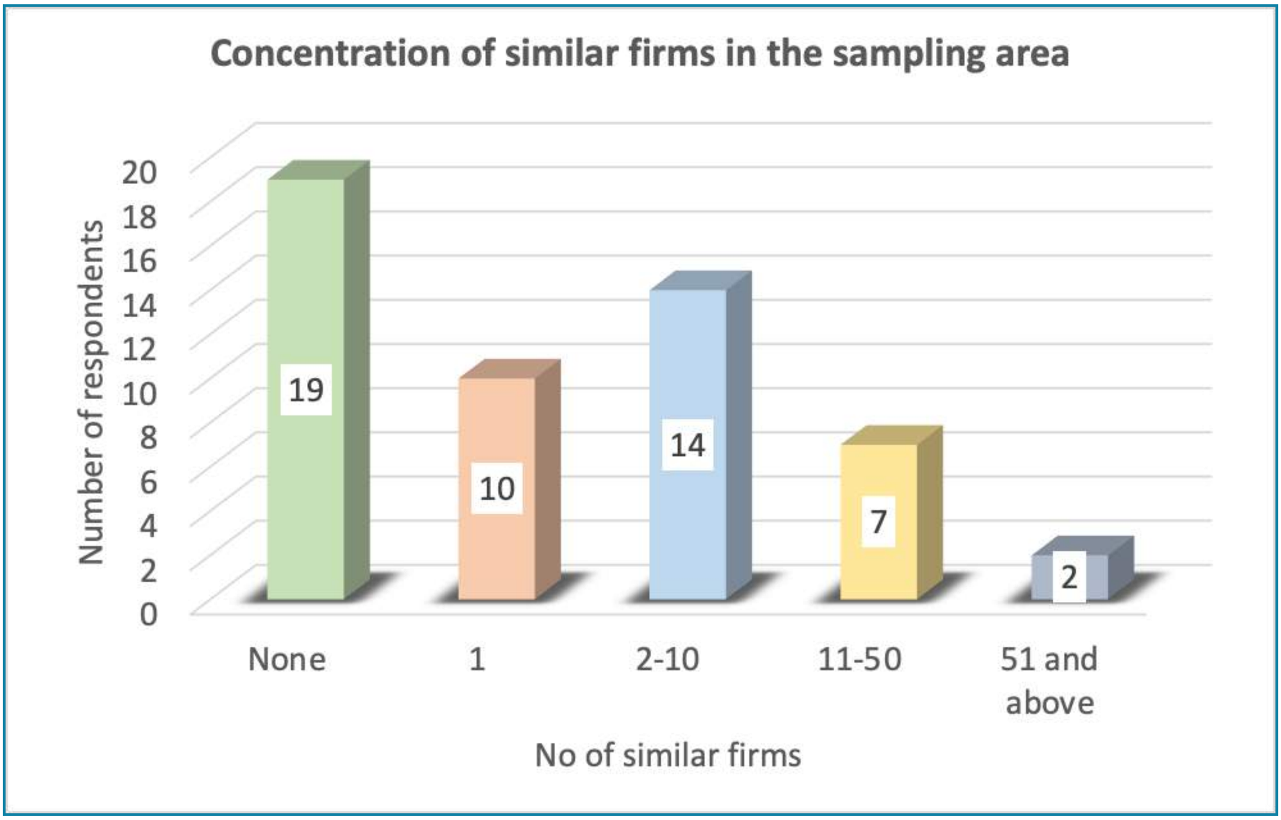
From the survey conducted, most of the Bhutanese firms were not so fond of using online platforms to market the products. Only 22firms of the total respondents were able to leverage the social media platforms such as Facebook, Instagram, Websites and radio stations to market their products, whereas 30 firms do not at all use the social media platforms as graphically represented hereunder.




Also, only one of the 52 firms were able to tap on their intellectual property assets to gain the competitive advantage whereas 99 % of the firms do not even have a clear understanding of the IPR and its advantages. Therefore, it is understood that the firms are not fully able to leverage the tools that can render them the competitive advantage in the marketplace.

From the samples selected, the study assessed the concentration of similar or same activities within the sampling area. The study finds that from the total of 52 firms surveyed, as illustrated in the following graph, 19 firms enjoy monopoly without any competitors whereas only two firms have more than 50 competitors.

This strongly suggests the existence of the monopolistic practice whose products and services are essential to the large-scale consumers. It is therefore imperative to conduct in-depth study on those firms with respect to product pricing, product distribution system, existence of entry and exit barriers, government policies and statutes that favor their existence and its impact on the consumers at large.

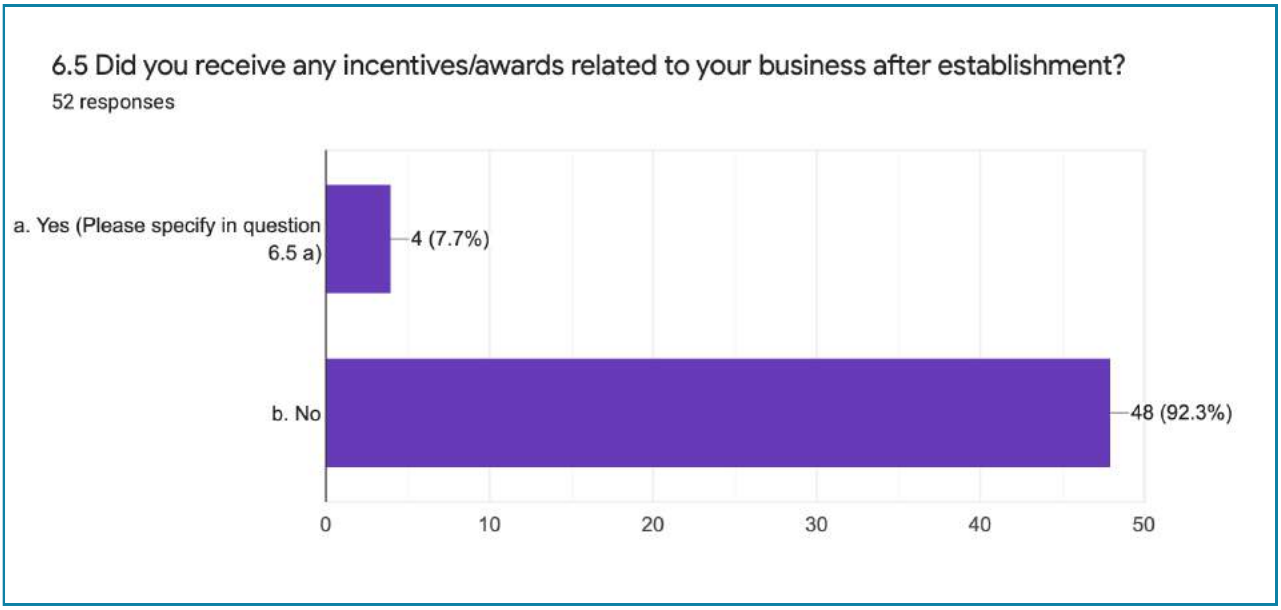



One such factor can be attributable to lack of one-stop business information/development centers as shown in the following table. Most of the firms seem to lack complete knowledge on the product marketing strategies, registration and commercialization of IPR and exploring business opportunities based on the market needs. 82.7% of the respondents said that there are no business information centers available whereas only 1% agreed to the existence of such establishments.

*Table 6: Response on availability of Business Information/development Centers*

| S/N | RESPONSE | NO. OF RESPONSE ON AVAILABILITY OF BUSINESS INFORMATION CENTERS | % OF RESPONSES |
|---|---|---|---|
| 1 | Yes | 1 | 1.9% |
| 2 | No | 43 | 82.7% |
| 3 | Don't Know | 8 | 15.4% |

Apart from business information centers, the business development services during and post establishment is also viewed as essential. This is in order to facilitate the efficiency of services and development of quality products with minimal investment. That way, some of the goods can be purchased at competitive prices benefitting the consumers. In the survey conducted, 92.3% of the business firms responded not to have received any government support and incentives and capacity development training for establishment of the business.

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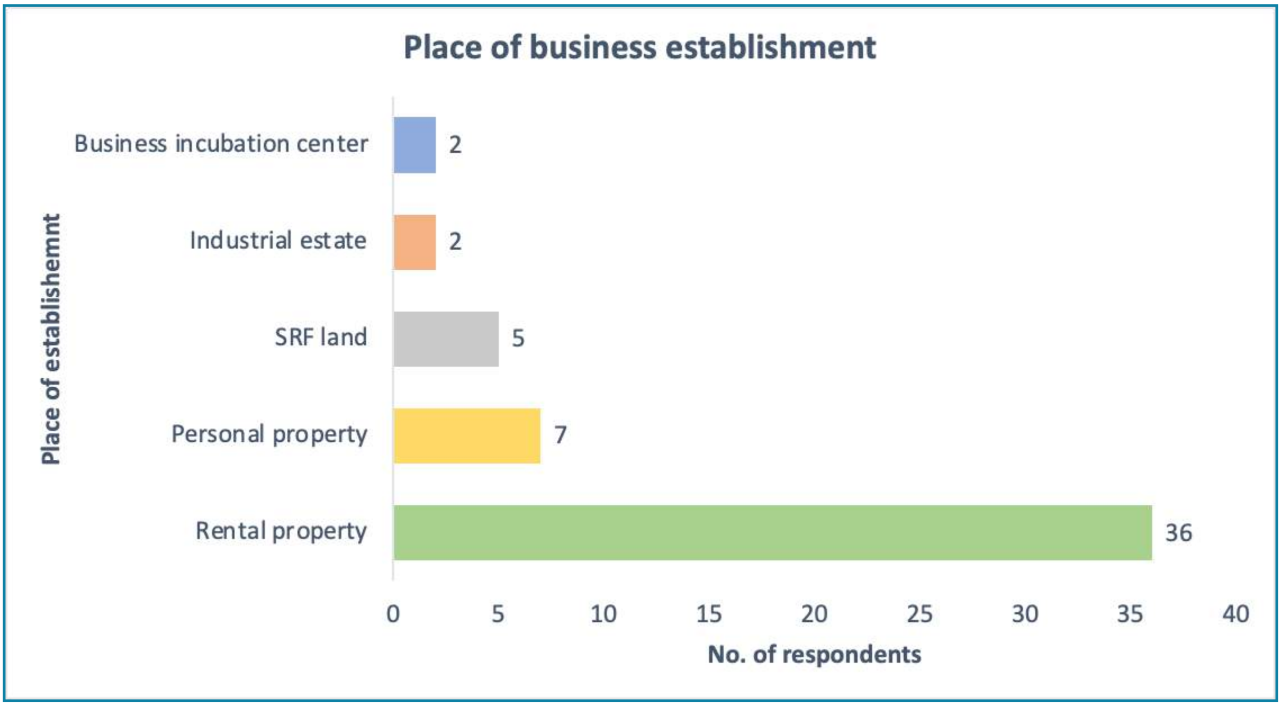
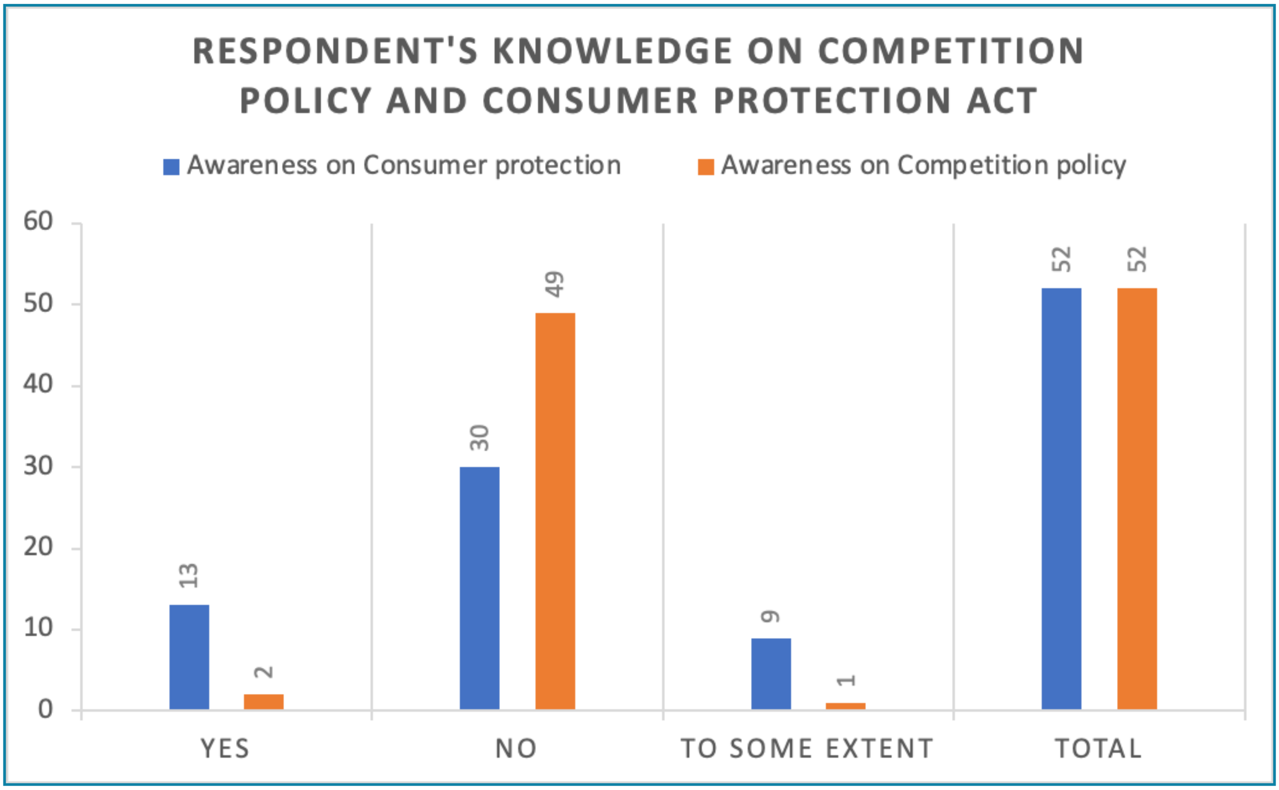



The study finds that 36 (69.23%) of the business firms are established on the rented property whereas, only a small chunk (3.8%) of the firms were established on business incubation centers and industrial estate and 9% established on state reserved forest land.

## AWARENESS ON CONSUMER PROTECTION

Awareness is an important parameter to business growth and development. It is critically important when any new policies and laws come into effect. While it helps the enforcement agencies to efficiently enforce the new laws, it will also help the business firms and consumers to take due advantage of new policies, reap its benefits and ensure compliance to it.

The study finds that almost 57% & 94& of the respondents were still not aware of the Consumer Protection Act 2012 and National Competition Policy 2020 respectively. They strongly suggest the need to strategize and conduct the awareness program on the above act and policy aggressively.




This is supported by the National Competition Policy 2020 under the implementation modalities. The government is mandated to undertake advocacy, public awareness measures, capacity development of stakeholders as the policy comes into force.

## 10. PROPOSED RECOMMENDATIONS

Based on the findings and inferences from the study, following recommendations are proposed. For easy reference and implementation, the recommendations are grouped into different categories as follows:

1. Policy recommendations
2. Organizational framework
3. Competition and enforcement
4. Other best practices
5. General recommendations

In addition, the elements of effective competition policy developed by the World Bank as tabulated below was referred to propose recommendations.

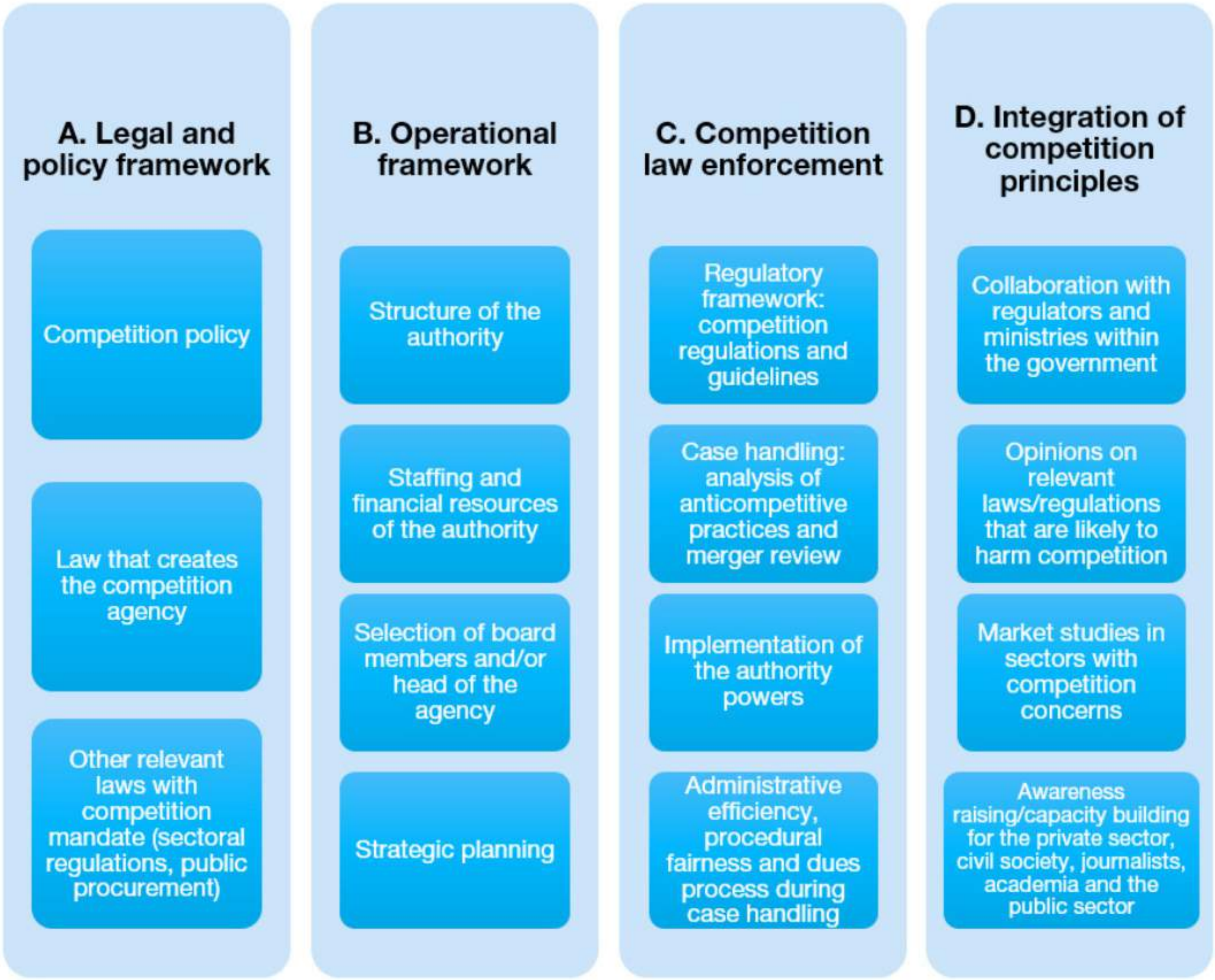



*Figure 5: Elements of effective implementation of competition law and policy (source: World Bank, 2016*

## 10.1. POLICY RECOMMENDATIONS:

1. The enforcement agency of the National Competition Policy 2020, should continue conducting aggressive awareness building programs on market competition and fair-trading practices to the consumers. It is critical for the consumers to acquaint them with their rights to ensure market self-regulation in the long run.
2. The current NCP must also ensure to put in place its implementation strategies mapped with resource requirements in a given time to charter implementation as policies must evolve with time. Without this, it will be hard to reap the benefit of most of the policy provisions, thus failing its implementation. Requirement of implementation guidelines is therefore critical in aiding the successful implementation of the policy provisions.
3. The NCP must also address the facets of Intellectual Property (IP) Rights and its impact on market competition. The detailed impact of IPR on competition is discussed in the literature review section. IP seeks to create monopoly while competition law seeks to prevent monopolistic behavior. However, IPR also fosters consumer welfare through production innovation. Therefore, IP laws and competition laws are viewed as complementary rather than conflicting because both the laws share the same fundamental goals of enhancing consumer welfare and promoting innovation. However, the giving exclusive rights to IP holders and the competition aspects need to be balanced. As such, there has to be certain conditions or regulations to ensure this balance.
4. Overall, the NCP does not attempt to specify the measures that will curtail the anti-competitive practices in the market. Also, it does not clearly articulate the means to control the existing anti-competitive practices that may require introduction of new players by facilitating and incentivizing them, thus, giving consumers greater choices. Hence, an implementation guideline is required to strengthen and complement the implementation of NCP.
5. The EDP 2016 does not analyze the issues of current market dynamics and operations. To promote a healthy entrepreneurship culture, competitive market and fair-trading practices, one needs a clear insight of the current market situation and policy must ensure to address or facilitate such practices. EDP being the umbrella policy to render economic development must synergize or provide strategic directives to promote market competition, therefore, diversifying the export base and promoting brand image.
6. In Bhutan, anti-competitive practice is not regulated under any law. This lack of national competition law impedes the enforcement agencies to curtail the market's anti-competitive practices and therefore renders the consumers vulnerable to deceptive practices by the firms. Therefore, in the coming years, a competition law is deemed indispensable for effective enforcement to curtail the anti-competitive practices and forge fair-trading.
7. In the Philippines, any bilateral or multilateral laws and agreements must be subject to screening based on the Philippine antitrust law. Such harmonization is an important tool to level the playing field for national firms, ensure market stability and garner trust and confidence of the international firms. Likewise, Bhutan should strive to incorporate such practices before venturing into any international agreements and enacting national laws and policies.
8. In addition to Competition Impact Assessment tools and guidelines that are being developed by OCP, MoEA, a guideline on NCP is required for effective implementation by the stakeholders and fostering market self-regulation.

## 10.2. ORGANIZATIONAL FRAMEWORK AND CAPACITY DEVELOPMENT

1. It is critical to strengthen the capacity of the Office of Consumer Protection as a nodal agency and adequately man the office to enforce the competition policy. Concurrently, the office may build the capacity of other stakeholders such as law makers, policy makers, regulators, business, trade associations, consumers, CSO's, etc.

2. Provide entrepreneurship training, inculcate innovative traits in the firms, provide awards and schemes and make all the business development information readily accessible.
3. Provide information to entrepreneurs through the setting up of hotlines, radios, and other networks to stimulate business networks and expose firms to national, regional and international customers.
4. The government may either identity or institute one-stop support service institutions to cater to businesses including start-ups. The businesses, especially, during the start-up and expansion face needs more support services. Growth Firm Service in Finland and Prowess Flagship Award in the UK are two fine examples to replicate in our country, mainly to provide services to businesses with a single contact person instead of one for each institution.
5. Business Information Centers (BICs) provide a mix of online and documentary resource material and research expertise; they are a key resource for SMEs businesses wanting to identify new markets or obtain information on legal or regulatory requirements. Therefore, BICs are highly required to be established in Bhutan.

## 10.3. COMPETITION AND ENFORCEMENT

1. Like in the Philippines, the implementation authorities must be given the power to block the mergers if it causes significant market distortion and impose behavioral and structural remedies. This is an important top-down approach that will ultimately benefit the larger consumers.
2. In the Philippines, the firms are required to proactively notify mergers when the gross revenue exceeds a certain threshold amount. Such practices put the firms in the forefront and mandate certain responsibilities in the law. We may also replicate such systems within the revenue threshold determined based on the country's economic situation.

## 10.4. INTERNATIONAL BEST PRACTICES

1. While providing the state aid to CSI such as tax exemptions, loan guarantees, provision of resources at below-market prices, subsidies, and capital injections, the principles of competition must be embedded as one of the criteria. This is mainly to minimize market distortion, focus on fair & ethical business practices and ultimately transmit the benefits to general consumers in terms of reduced prices, high quality of goods and services and increased consumer choices.
2. Price control can be another strategy to curtail anticompetitive practices. However, to reduce the distortive effect, thorough consultation with the competition enforcement authority must be carried out to implement it. The authority could assess the impact of competitive restrictions in the concerned market and explore the use of a less distortive intervention.
3. Also, in order to improve access to finance, enhancing the existing credit guarantee schemes and initiating private equity investment are some of the best practices seen around the world.

## 10.5. GENERAL RECOMMENDATIONS:

1. The CSI sector is experiencing continuous growth. However, the sector has been challenged by a myriad factor such as poor culture of entrepreneurship and limited human capacity, limited access to finance, infrastructure, inadequate business development supports, poor innovation and technology, and access to market that impeded it from realizing its full potential. Recognizing these challenges, the government has accorded high priority concerning CSI development through policy interventions, fiscal incentives, technological assistance, enhanced market access and capacity development programs.
2. The Start-up and CSI Development is one of the flagship programs of the government with focused investment. Such incentives must be extended to firms that have the potential to cater the essential needs to large-scale consumers.
3. One of the terms and conditions of the licensing should be fostering competition, avoiding anti-com-

petitive behaviors of businesses, engaging in fair & ethical business practices, etc. to ensure that the businesses engage in fair business practices. All CSI business proposals should undergo competition policy screening and ensure that the business activities are based on the foundation of competition and fair trading.

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# 12. ANNEXES

Annex I: List of prioritized SMEs under Priority Sector Lending (PSL)

| SECTOR | PRODUCTION & MANUFACTURING |
|---|---|
| Production & Manufacturing | Mineral water |
| | Mineral based industries (ceramics and pottery) |
| | Zorig Chusum |
| | Engraving and polishing of stones |
| | Construction materials (excluding mining, quarrying and stone crushing) |
| | Bricks/Hollow blocks/ tiles |
| | Hume pipes |
| | Textiles, clothing and apparels including handicrafts |
| | Footwear |
| | Socks |
| | Audio-visual production and creative arts (animations) |
| | Pharmaceuticals and Nutraceuticals |
| | Educational materials |
| | Green industries |
| | Renewable energy (wind, solar and bio gas) |
| Service | Schools |
| | Early Childhood Care and Developments (ECCDs) |
| | Health clinics and diagnostic centers |
| | Research and development centers |
| | Cold storage and warehouse |
| | Waste management services |
| | Recreation, health and wellness centers |
| | Indoor games and sporting centers |
| | ICT (IT and ITES) |
| | Traditional performing arts |
| | Cleaning services |
| | MFIs and CSI Banks |
| | Automobile workshops |
| | Cobbler and hair cutting services |
| | Labor saving construction services |
| | Tradesman-ship services such as plumbing and electrician services |
| | Mule transport services for tourism |

Annex II: Business activities potential for Import substitution

| S/N | PRODUCT | POSSIBLE INDUSTRIES |
|---|---|---|
| 1 | Beef | Processing and packaging of beef products |
| 2 | Pork | i. Piggery<br>ii. Processing and packaging of pork products |
| 3 | Chicken | Processing and packaging of chicken products |
| 4 | Fish | Enhance domestic production |
| 5 | Milk and milk products | i. Dairy farming<br>ii.Milk processing units |
| 6 | Potato and potato-based products | i. Off Season potato cultivation<br>ii. Potato-based value-added products |
| 7 | Pea & lentils | Commercial farming of lentils |
| 8 | Wheat & meslin | Commercial farming of wheat |
| 9 | Maize & paddy | Commercial farming of maize and paddy |
| 10 | Bamboo & bamboo charcoal | Bamboo growing for construction industry |
| 11 | Animal feeds | Additional Feed industries |
| 12 | Tomato and processed tomatoes | Tomato juice |
| 13 | Fruits and preserved fruits | i. Fruit preservation<br>ii. Fresh fruit marketing in domestic market |
| 14 | Sugar | Sugar production |
| 15 | Noodles and similar products | Differentiated noodles based on domestic cereals like buckwheat |
| 16 | Pastries & cake | Bakeries (in unserved areas) |
| 17 | Ice cream | Ice cream production |
| 18 | Sausages | Sausages production |
| 19 | Sauces | Sauce making based on domestic produces |
| 20 | Confectionery | Bhutanese sweets and chocolates |
| 21 | Puffed rice | Puffed rice units |
| 22 | Soups & broths | Mushroom soups |
| 23 | Fruit & vegetable juice | Tomato juice |
| 24 | Silica sand & quartz sand | Reach out to unserved areas |
| 25 | Quart & quartzite | Exploration of ferrosilicon grade quartzite. |
| 26 | Construction aggregates | Stone crushing units in unserved areas |
| 27 | Clinker | i. Establish new clinker unit<br>ii. Market linkage of domestic clinker to cement plants |
| 28 | White cement | White cement manufacturing |
| 29 | Tiles | Tiles manufacturing |

| S/N | PRODUCT | POSSIBLE INDUSTRIES |
|---|---|---|
| 30 | Granite | Granite slabs |
| 31 | Building blocks & bricks | Additional AAC block units |
| 23 | Waste and scrap of caste iron | Supply of domestic iron scraps to industries directly |
| 33 | Pharmaceutical products | Manufacture of pharmaceutical products |
| 34 | Essential oil | Diversify essential oil production |
| 35 | Soaps | Diversify soap production |
| 36 | Fittings, boxes and related products | Manufacture of plastic fitting and containers |
| 37 | Charcoal | Plantation and production of charcoal |
| 38 | Corrugated and non-corrugated products | Corrugated box making units |
| 39 | Exercise books and similar products | Exercise books and office stationery units |
| 40 | Envelope | Small sale Envelope making units |
| 41 | Sanitary tissues | Sanitary paper and tissue making units |
| 42 | Woven fabrics | Cotton woven fabrics production |
| 43 | Garments | School uniforms and Bhutanese garments |
| 44 | Sanitary towels | Manufacture of sanitary towels |
| 45 | Pillow & quilts | Small scale production units |
| 46 | Curtain, blinds, packaging materials | Stitching of curtains, blind, packaging materials |
| 47 | Pre-fabricated building parts | Pre-fabricated building components |
| 48 | Furniture | Furniture units |
| 49 | Footwear | School Shoes Making units |
| 50 | Hydraulic turbines and regulators | Diversify production in BHSL |
| 51 | Bridge & bridge section | Production of bridge components |
| 52 | Towers and lattice masts | Manufacture of transmission towers and conductors |
| 53 | Electric control boards/panels and electrical transformers | Manufacture of transformers |
| 54 | Electrical lamps & fittings | Study feasibility of electrical fittings and accessories |
| 55 | Motor vehicles | i. Electricity driven mass urban transport<br>ii. Electric vehicles |
| 56 | Cook and heating fuels | i. Production of efficient electric stoves<br>ii. Continue promotion of bio-gas<br>iii. Briquettes from wood waste for heating |

# 13. SURVEY QUESTIONNAIRE

Study on Market Situation of SMEs from the perspectives of fostering fair trading and enabling implementation of National Competition Policy 2020.

The Office of Consumer Protection, Ministry of Economic Affairs is entrusted to implement the National Competition Policy (NCP) 2020. In view of this, the office is currently carrying out a situational study to explore various opportunities and avenues to facilitate implementation of NCP to foster market competition and enhance economic growth.

Further, the study is also aimed at proposing policy and structural recommendations necessary for smooth implementation of the NCP.

Therefore, kindly help us answer the questions provided below. The responses will be used for the purpose of the study only and will be treated confidential.

## 1. PERSONAL INFORMATION

1.1 Name of the Proprietor : ………………………………………………………………

1.2 Gender : Male ☐ Female ☐

1.3 Level of your education : ………………………………………………………………

1.4 Contact Number (optional) : ……………………………………………………………

## 2. BUSINESS INFORMATION

2.1 Name of Business Activity : ……………………………………………………………

2.2 Location of establishment : ……………………………………………………………

2.3 What are the prerequisites to obtain a business license?

A. Not required ☐

B. Environmental clearance ☐

C. Location clearances ☐

D. Sectoral clearances ☐

E. Others (specify) ☐ ……………………………………………

2.4 What is the time taken to obtain a business license?

A. 1 day ☐

B. 2-4 days ☐

C. 5-10 days ☐

D. 11-20 days ☐

E. Others (Specify) ☐ ...................................................................................

2.5 How many employees are there in the company?

Ans: ...................................................................................................................................

2.6 Type of business ownership:

A. Sole proprietorship ☐

B. Partnership ☐

C. SoE ☐

## 3. ACCESS TO FINANCE

3.1 Did you avail loan for your business?

A. Yes ☐

B. No ☐

3.2 What is the ratio of loan against promoter's equity to establish the business?

A. No loan availed ☐

B. 1-20% ☐

C. 21-40% ☐

D. 41-60% ☐

E. 61-80% ☐

F. 81-100% ☐

3.2 Mention the source of the loan availed.

A. BOB ☐

B. PSL ☐

C. BNB ☐

D. BDBL ☐

E. Other sources (specify): ☐ ………………………………………………………

3.3 From the scale of 1-5, please circle as appropriate, your experience in terms of access to finance. 1 for least accessible and 5 for highly accessible.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| a. | Least accessible | 1 | 2 | 3 | 4 | 5 | Highly accessible |
| | | ☐ | ☐ | ☐ | ☐ | ☐ | |

## 4. MARKET ACCESS – SUPPLY CHAIN

4.1 What are your end products?

Ans: ……………………………………………………………………………………………………

4.2 What is your daily average volume of sales in Nu.? Choose as appropriate

A. < 1000 ☐

B. 1001 – 5000 ☐

C. 5001 – 10000 ☐

D. > 10000 ☐

4.3 How many retail outlets are selling your products? Choose as appropriate

A. 1 ☐

B. 2-5 ☐

C. 6-10 ☐

D. > 10 ☐

4.4 Which Dzongkhags have access to your products/services?

Ans: ……………………………………………………………………………………………………

4.5 Do you export your products to other countries?

A. Yes (Specify countries) ☐ ..................................

B. No ☐

4.6 How do you determine the price of your goods and services?

A. Rivalry price ☐

B. Cost + % margin ☐

C. Discuss with others selling same products ☐

D. Others (specify) ☐ .............................

## 5. MARKET COMPETITION

5.1 What are the challenges you face to market your products?

Ans: ......................................................................................................................

5.2 Do you use online platforms to advertise and sell your products?

A. Yes (Specify) ☐ .............................

B. No ☐

5.3 Is your product brand registered?

A. Yes (Specify) ☐ .....................................

B. No ☐

5.4 Is there similar firm like yours? Choose as appropriate

A. None ☐

B. One firm ☐

C. 2-10 firms ☐

D. 11-50 firms ☐

E. Many firms ☐

5.9 Entry and Exit Barriers (Threat of new entrants and substitutes):

A. No barriers ☐

B. Little barriers ☐

C. High barriers ☐

## 6. BUSINESS INFORMATION AND SUPPORT SERVICES

6.1 Are their business information centers available? either online or physical establishments? If yes go to 6.2

A. Yes ☐

B. No ☐

C. Don't know ☐

6.2 Have you availed services from such centers? If yes, answer 6.3

A. Yes ☐

B. No ☐

C. Not applicable ☐

6.3 How satisfied are you with the information obtained? On the scale of 1-5, please rate your experience

| Ans: Least satisfied | 1 | 2 | 3 | 4 | 5 | Highly satisfied |
|---|---|---|---|---|---|---|
| | ☐ | ☐ | ☐ | ☐ | ☐ | |

6.4 Did you receive any business development advisory services post set-up?

A. Yes ☐

B. No ☐

6.5 Did you receive any incentives/awards related to your business after establishment?

A. Yes (Specify) ☐ ........................................................

B. No ☐

6.6 Did you receive training related to business development from the government?

A. Yes (Specify) ☐ ..................................................

B. No ☐

6.7 Do you expect any services/incentives/training from the government for your business?

A. Yes (Specify) ☐ ..................................................

B. No ☐

## 7. BUSINESS INFRASTRUCTURE

7.1 Your business establishments are currently on:

A. Private property ☐

B. Personal Property ☐

C. SRF land ☐

D. Industrial estate ☐

E. Incubation centers ☐

F. Others (Specify) ☐ ................................................

7.2 Which of the following facilities are available at your site?

A. Internet ☐

B. Electricity ☐

C. Water sources ☐

D. Road connectivity ☐

## 8. GENERAL

8.1 Are you aware of National Competition policy 2020?

A. Yes ☐

B. No ☐

C. To some extent ☐

8.2 Are you aware of Consumer protection Act

A. Yes ☐

B. No ☐

C. To some extent ☐

**Thank you for your time**
**OCP, 2021**