



MSME sector in BRICS: trends and cooperation opportunities

2024



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1. Objective

Given the accession of the new BRICS members in 2024 and the need for their early adaptation to all the mechanisms of interaction in the association, it is crucial to study the main barriers to MSME sector development in the BRICS countries and coordinate joint work aimed at developing common approaches to find effective solutions.

The idea of this Review is to highlight the main trends and opportunities for MSME development, to list best practices in this area, to identify common issues that will require further joint work, and to provide some key recommendations for all parties – both entrepreneurs and governments.

Definitely, with BRICS expansion the number of positive examples of solving current problems in creating a favorable business environment is also increasing.

The Review was compiled on the basis of statistical and analytical data from the BRICS member countries, as well as on the basis of information available in open sources.

As it is likely that some aspects may require further study and discussion with all members of the association, the parties should continue working together in order to strengthen MSME cooperation.



2. Background and Statistics

The importance of the MSME sector in economies is recognized worldwide. The main advantage of the MSME sector is its potential for job creation at low capital costs. MSMEs account for about 90% of enterprises and more than 50% of jobs worldwide.

The growth in the number of small and medium-sized enterprises leads to an increase in competition in the economy, which in turn leads to an increase in overall labor productivity, an increase in household incomes, and in the quality of goods and services.

The governments of all the BRICS countries are implementing MSME development programs, improving regulation, and adapting support measures to new realities.

All countries have successful practices that enable MSMEs to adapt to changing global markets, find new partners and new sales channels, and increase their competitiveness.

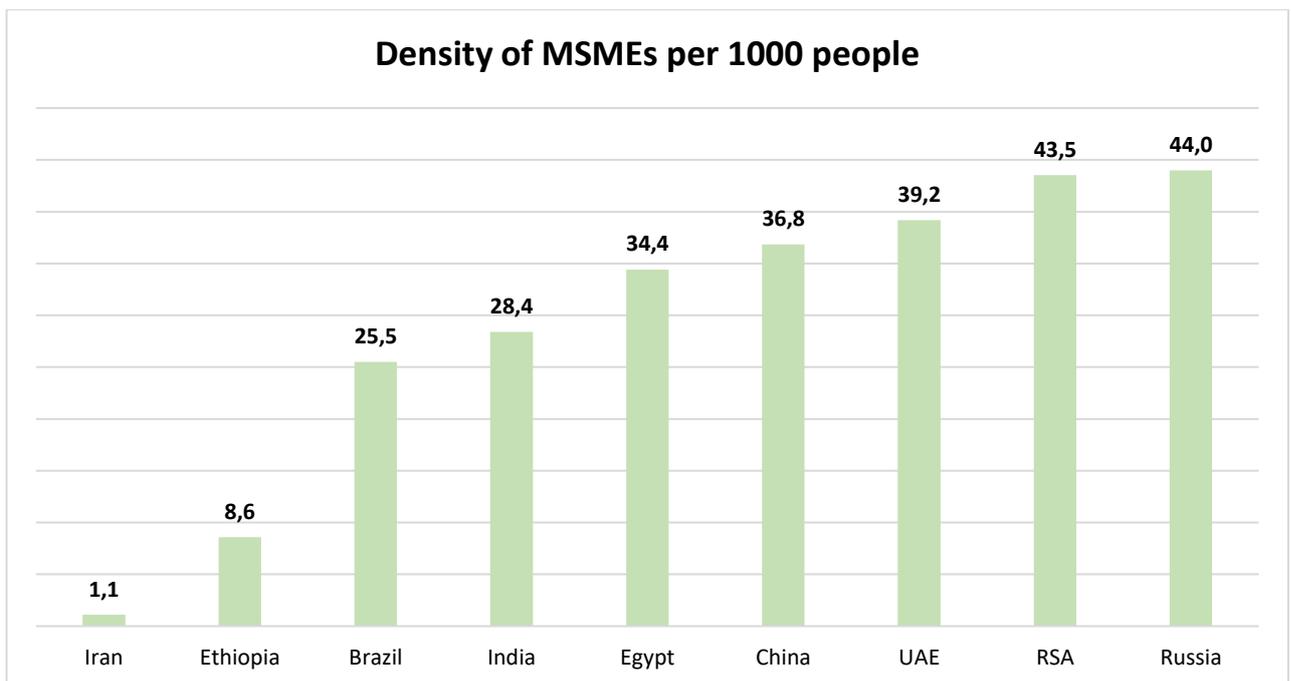
Thus, the MSME sector is one of the most accurate indicators of the quality of economic growth.

At the same time, our countries have significant potential for the development of the MSME sector. This means that there are common objectives. First of all, it is to improve labor productivity and increase the share of efficient small and medium-sized companies in the MSME structure. These issues relate to the topics of digitalization and the expansion of industrial cooperation both within each country, and within BRICS to increase trade volumes, develop technologies and improve the investment climate.

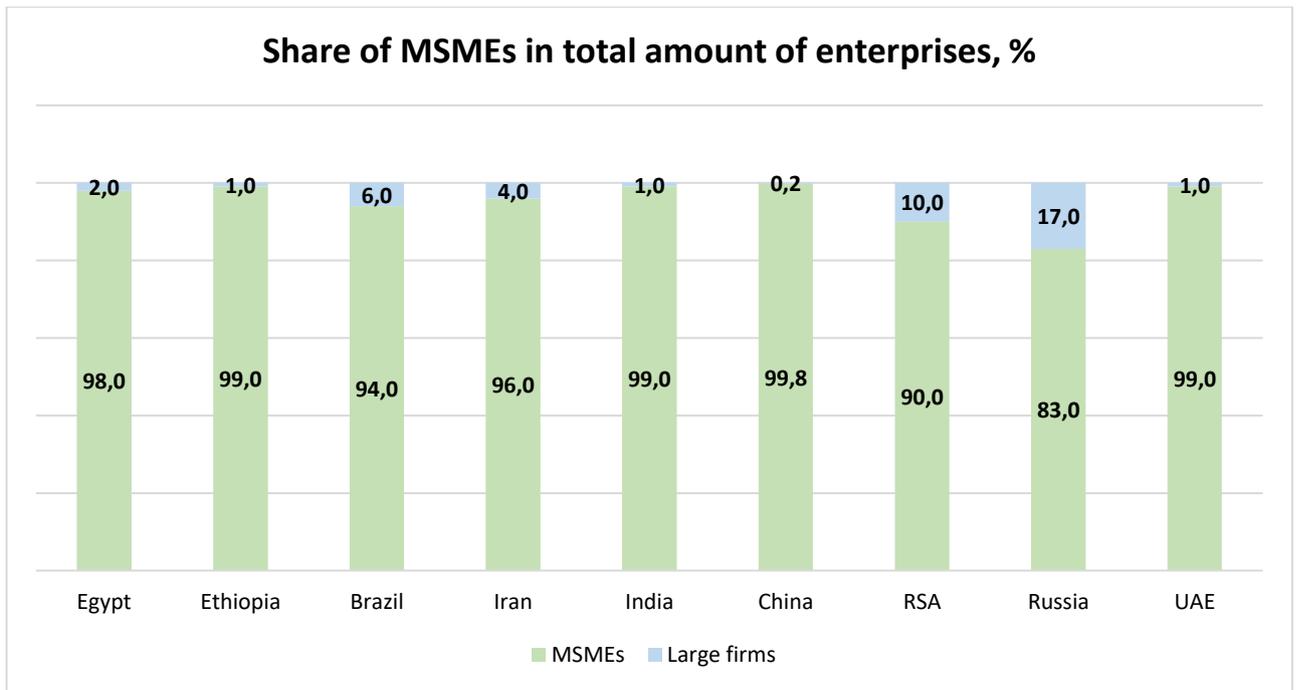
The criteria for MSMEs applied by the BRICS members are in line with the international practice of categorizing companies as small and medium-sized businesses. According to the methodology of the World Bank Group, the criteria for

classifying economic entities as MSMEs are the number of employees, revenue and assets of the organization.

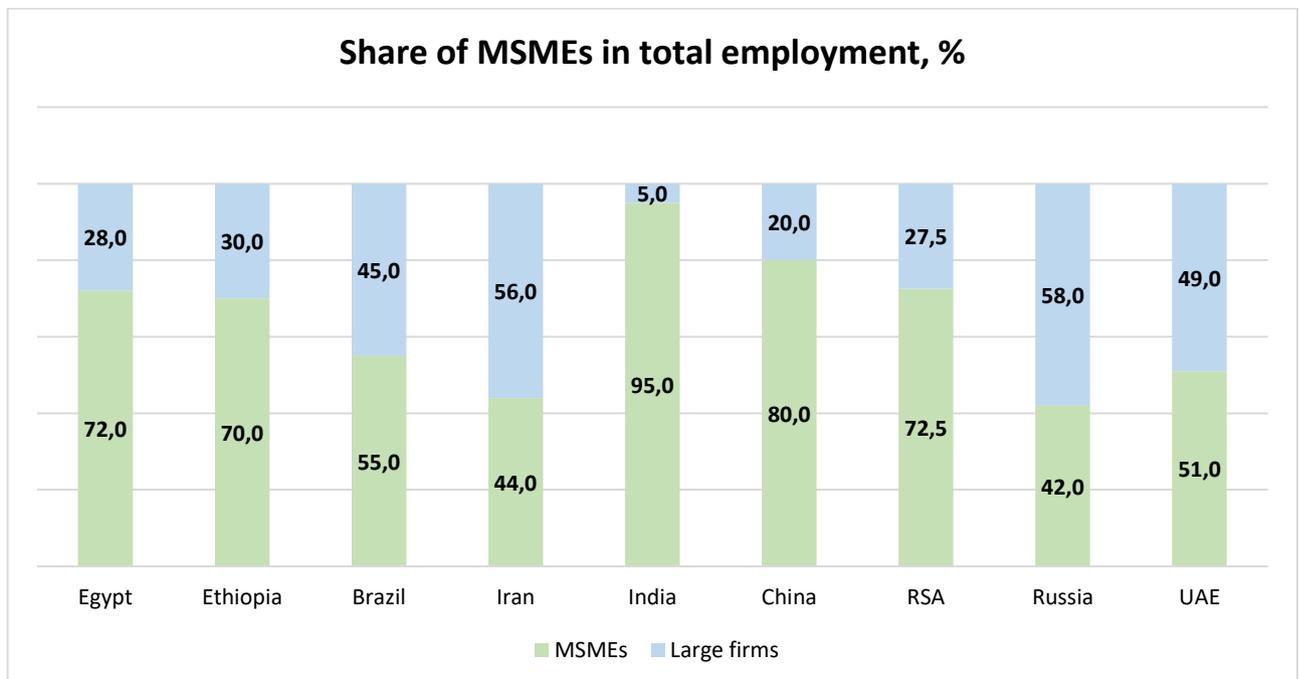
In order to support small forms of business, the criteria should allow providing targeted state support to the most needy categories of entrepreneurs, especially in conditions of limited opportunities for budget financing; ensure the achievement of key goals of small business development and impartial assessment of the results of the implementation of national support programs.



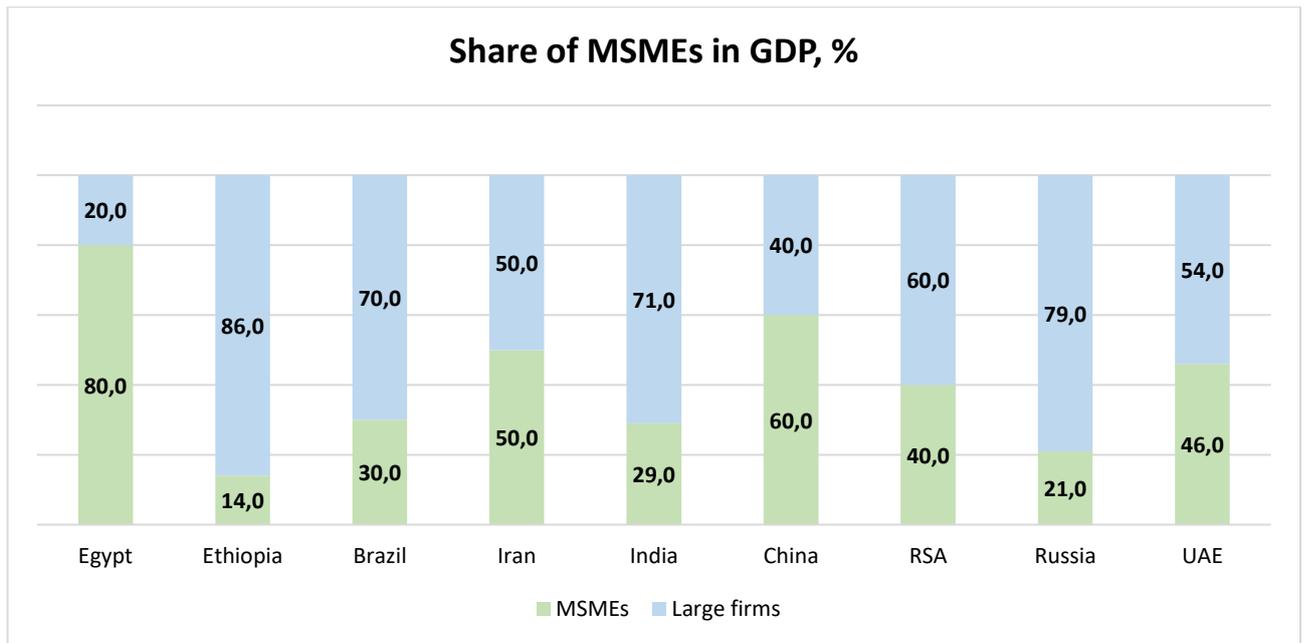
In order to simplify and unify the quantitative indicators of the MSME sector in the BRICS countries, the density indicator has been chosen.



At the same time, over the last five years, governments of almost all countries, including the BRICS countries, have introduced a number of anti-Covid and anti-crisis measures to support MSMEs, which not only allowed entrepreneurs to overcome difficult times, but also achieved quantitative growth of the sector.



Employment data are partially comparable and may vary depending on the criteria for defining MSMEs.



The quite different contribution of the MSME sector to GDP suggests that certain industries (where big business is concentrated) are dominant in different countries, such as mineral extraction and exports in the UAE, Russia and Iran.

3. Summary on the indicators of the MSMEs in BRICS

Country	Category	The most common criteria for classifying a company as an MSME		Additional criteria for classifying a company as an MSME			Total amount of MSMEs, mln	Share of MSMEs in total amount of enterprises, %	Share of MSMEs in total employment, %	Share of MSMEs in GDP, %
		Number of Employees	Revenue/Sales, mln USD	Sector/ Industry	Assets/Capital, mln USD	Investments, mln USD				
Arab Republic of Egypt	- micro	NO	< 0,02	NO	YES ¹	NO	3,7	98	72	80
	- small		0,02-1,1		YES ²					
	- medium		1,1-4,3		YES ³					
Federal Democratic Republic of Ethiopia	- micro	1-5	< 0,002	YES ⁵	YES ⁶	NO	1,0	99	70	14
	- small	6-30	< 0,026							
	- medium	NO	NO							
Federative Republic of Brazil	- micro	0-19 ⁷ 0-9 ⁸	≤ 0,07	NO	NO	NO	5,5	94	55	30
	- small	20-99 ⁷ 10-49 ⁸	0,07-0,9							
	- medium	NO								
Islamic Republic of Iran	- micro	0-10	< 2,1	NO	NO	NO	0,1	96	44	50
	- small	11-50	< 10,8							
	- medium	51-250	< 54,2							
Republic of India	- micro	NO	0,6	NO	NO	0,12	40,5	99	95	29
	- small		6,0			1,2				
	- medium		30,1			6,0				
People's Republic of China ¹⁵	- micro	YES ¹³	YES ¹³	YES ¹³	YES ¹³	NO	52	99,8	80	60
	- small									
	- medium									
Republic of South Africa ¹⁶	- micro	0-10	≤ 0,3-1,1 ⁹	YES ¹⁰	NO	NO	2,7	90	72,5 ¹¹	34-40 ¹²
	- small	11-50	≤ 0,9-4,4 ⁹							
	- medium	51-250	≤ 1,9-12,0 ⁹							

Russian Federation	- micro	1-15	1,3	YES ¹⁴	NO	NO	6,4	83	42	21
	- small	16-100	8,6							
	- medium	101-250 ¹⁴	21,5							
United Arab Emirates	- micro	0-5	< 0,8	YES ⁴	NO	NO	0,4	99	51	46
	- small	6-49	< 13,6							
	- medium	50-249	< 68,1							

1 – Paid-up or invested capital is less than 0,001 mln USD (50 thousand EGP)

2 – For industrial projects the paid-up or invested capital should be between 0,001 mln USD (50 thousand EGP) and 0,1 mln USD (5 mln EGP). For non-industrial projects, the paid-up or invested capital should be between 0,001 mln USD (50 thousand EGP) and 0,06 mln USD (3 mln EGP)

3 – Newly established industrial projects with paid-up or invested capital ranging from 0,1 mln USD (5 mln EGP) to 0,3 mln USD (15 mln EGP), or newly established non-industrial projects with paid-up or invested capital between 0,06 mln USD (3 mln EGP) and 0,1 mln USD (5 mln EGP)

4 – Industry sectors should be clarified as a criterion for categorizing a company as an MSME sector in the United Arab Emirates

5 – Industry sectors should be clarified as a criterion for categorizing a company as an MSME sector in the Federal Democratic Republic of Ethiopia

6 – Need to clarify the Assets/Capital, as a criterion for classifying a company as an MSME sector in the Federal Democratic Republic of Ethiopia

7 – Industrial companies

8 – Trade and service companies

9 – Depending on the industry sector

10 – Depending on the following industry sectors: Agriculture/ Mining and Quarrying/ Manufacturing/ Electricity, Gas & Water/ Construction/ Retail, motor trade and repair services/ Wholesale/ Catering, Accommodation and other Trade/ Community, Social and Personal Services

11 – 58% in formal sector; 14,5% are self-employed as per Seda SMME Quarterly Update 2nd Quarter 2023 using the QLFS

12 – 34% - according to the report by the International Finance Corporation 2023; 40% - as per FinScope MSME Survey South Africa 2020

13 – Depending on the industry sector, revenue and assets (more detailed information is provided below)

14 – For medium-sized business: the number of employees is set up to 1000 (manufacture of textiles, clothing, leather and leather goods) and up to 1500 (activities of hotels and catering establishments)

15 – More detailed information is provided below

16 – More detailed information is provided below

Arab Republic of Egypt

The Egyptian government is working to support the small business sector as part of the Egypt Vision 2030 program, which is a national strategic document indicating the importance of MSME development in achieving the country's goal of increasing the role of the private sector in the economy.

Egypt Vision 2030 aims to achieve key objectives such as:

- Developing clear and consistent policies that provide these projects with an enabling environment to achieve high growth rates;
- Enhanced dissemination of an entrepreneurial culture and technical support in the area of administrative, productive and innovative capacity-building;
- Facilitating access to credit and financial guarantees, as well as assistance in accessing foreign markets and supporting their competitiveness, human and technical capacity.

Plans for the development of this vital sector are also related to expanding access to financial services to increase economic diversification and integration into local and global value chains.

The said program outlines ways to achieve the main objectives:

- Strengthening links between MSMEs and larger enterprises;
- Adopting effective and fair competition policies that lead to overcoming barriers to entry and expansion in various markets;
- Encouraging and motivating enterprises to choose to work in the formal sector
- Encouraging innovation and entrepreneurship;
- Improving financial literacy and awareness of trends in the provision of non-banking financial services and alternative and modern financial instruments;
- Providing research and innovation to help MSMEs improve productivity.

Federative Republic of Brazil

- Brazil does not have a policy specifically targeting medium-sized companies, so the data presented refer only to Brazilian micro and small enterprises (MSEs).

- Statistics:

- Individual microentrepreneurs = 13.9 million.
- Micro and small enterprises = 5.5 million
- Informal entrepreneurs = about 20 million
- Startups = 22 thousand
- Handicraft = 192 thousand
- Exporting MSMEs = 11.4 thousand

- Sector Features:

- Flexibility: MSEs are flexible enough to adapt quickly to market changes.
- Limited resources: MSEs face difficulties due to limited financial, human and technological resources.
- Customer-centricity: MSE actors maintain close relationships with customers by offering more personalized services.
- Local competition: MSEs compete mainly at the local or regional level.
- Innovation: MSEs try to take an innovative approach to stand out and win customers.
- Funding challenges: there remains limited access to funding for MSEs.
- Regulations: MSEs face difficulties in complying with tax and licensing regulations.
- Economic importance: despite their size, MSEs make a significant contribution to the economy.
- Resilience: MSEs demonstrate the ability to recover and thrive in any environment.

- Indicators taken into account when assessing the development of MSEs:

According to a study conducted by Valor Econômico (a Brazilian newspaper dedicated to economics and business), the following are some common performance indicators that help managers of micro and small companies in decision-making:

	Finance	Customers and Market	Internal	Learning and Growing
Indicators	Net Margin	Growth rate	Rework Rate	Computerization Fee
	Onerous Debt	Default Rate	Service Failure	Training
	Average payment period	Customer retention		Employee Accidents
	Average Receipt Deadline			Employee Productivity

According to the abovementioned study, companies needed to measure their performance in both the social and economic spheres.

- Main trends in the development of Brazilian MSEs over the last 20 years:

The "Brazilian MSE Digitalization Map" study conducted by the "Brazilian Association for Industrial Development" (ABDI) on MSEs over the last 10 years, showed that 68% of entrepreneurs are open and available to participate in the Digital Maturity Acceleration Program, which helps on the path to digital transformation. Simply put, entrepreneurs understand the importance of this, know how they need to proceed, and are open to transforming their business.

Thus, the main trends of Brazilian MSEs are the increasing automation, optimization and personalization of their products through interactive social networks, as well as enabling the rapid and secure delivery of services or products to their customers. MSEs represent an important part of the digital market and have great growth potential to export their products, provided there are effective public policies that can strengthen these companies, enabling them to cope with the changes and challenges arising in relation to future-oriented activities in the market.

People's Republic of China

Detailed breakdown by SME sector indicators in China

Sector	Criteria	Unit of measurement	Medium	Small	Micro
Agricultural, forestry, animal husbandry and fishery industries	business revenue (Y)	10 ⁴ yuan	$500 \leq Y < 20000$	$50 \leq Y < 500$	$Y < 50$
Industrial	staff (X)	Staff	$300 \leq X < 1000$	$20 \leq X < 300$	$X < 20$ or
	business revenue(Y)	10 ⁴ yuan	$2000 \leq Y < 40000$	$300 \leq Y < 2000$	$Y < 300$
Construction industry	business revenue(Y)	10 ⁴ yuan	$6000 \leq Y < 80000$	$300 \leq Y < 6000$	$Y < 300$ or
	total assets(Z)	10 ⁴ yuan	$5000 \leq Z < 80000$	$300 \leq Z < 5000$	$Z < 300$
Wholesale industry	staff (X)	Staff	$20 \leq X < 200$	$5 \leq X < 20$	$X < 5$ or
	business revenue(Y)	10 ⁴ yuan	$5000 \leq Y < 40000$	$1000 \leq Y < 5000$	$Y < 1000$
Retail industry	staff (X)	Staff	$50 \leq X < 300$	$10 \leq X < 50$	$X < 10$ or
	business revenue(Y)	10 ⁴ yuan	$500 \leq Y < 20000$	$100 \leq Y < 500$	$Y < 100$
Transportation industry	staff (X)	Staff	$300 \leq X < 1000$	$20 \leq X < 300$	$X < 20$ or
	business revenue(Y)	10 ⁴ yuan	$3000 \leq Y < 30000$	$200 \leq Y < 3000$	$Y < 200$
Warehousing industry	staff (X)	Staff	$100 \leq X < 200$	$20 \leq X < 100$	$X < 20$ or
	business revenue(Y)	10 ⁴ yuan	$1000 \leq Y < 30000$	$100 \leq Y < 1000$	$Y < 100$
Postal industry	staff (X)	Staff	$300 \leq X < 1000$	$20 \leq X < 300$	$X < 20$ or
	business revenue(Y)	10 ⁴ yuan	$2000 \leq Y < 30000$	$100 \leq Y < 2000$	$Y < 100$
Accommodation industry	staff (X)	Staff	$100 \leq X < 300$	$10 \leq X < 100$	$X < 10$ or
	business revenue(Y)	10 ⁴ yuan	$2000 \leq Y < 10000$	$100 \leq Y < 2000$	$Y < 100$
Food and beverage industry	staff (X)	Staff	$100 \leq X < 300$	$10 \leq X < 100$	$X < 10$ or
	business revenue(Y)	10 ⁴ yuan	$2000 \leq Y < 10000$	$100 \leq Y < 2000$	$Y < 100$
Information transmission industry	staff (X)	Staff	$100 \leq X < 2000$	$10 \leq X < 100$	$X < 10$ or
	business revenue(Y)	10 ⁴ yuan	$1000 \leq Y < 100000$	$100 \leq Y < 1000$	$Y < 100$
Software and information technology services industry	staff (X)	Staff	$100 \leq X < 300$	$10 \leq X < 100$	$X < 10$ or
	business revenue(Y)	10 ⁴ yuan	$1000 \leq Y < 10000$	$50 \leq Y < 1000$	$Y < 50$
Real estate development	business revenue(Y)	10 ⁴ yuan	$1000 \leq Y < 200000$	$100 \leq Y < 1000$	$Y < 100$ or
	total assets(Z)	10 ⁴ yuan	$5000 \leq Z < 10000$	$2000 \leq Z < 5000$	$Z < 2000$
Estate management	staff (X)	Staff	$300 \leq X < 1000$	$100 \leq X < 300$	$X < 100$ or
	business revenue(Y)	10 ⁴ yuan	$1000 \leq Y < 5000$	$500 \leq Y < 1000$	$Y < 500$
Leasing and commercial services industry	staff (X)	Staff	$100 \leq X < 300$	$10 \leq X < 100$	$X < 10$ or
	total assets(Z)	10 ⁴ yuan	$8000 \leq Z < 120000$	$100 \leq Z < 8000$	$Z < 100$
Other unspecified industries	staff (X)	Staff	$100 \leq X < 300$	$10 \leq X < 100$	$X < 10$

Source: Notice of Ministry of Industry and Information Technology, National Bureau of Statistics, National Development and Reform Commission and Ministry of Finance on Promulgation of the Provisions on Classification Standards for Small and Medium Enterprises.

Russian Federation

The MSME sector in Russia is demonstrating positive dynamics. The number of MSMEs by the end of 2023 increased by more than 5% compared to 2018 and amounted 6.35 million units (over 6.5 million as of June 2024), and the number of newly created MSMEs increased by 6% to over 1.2 million units.

The number of employees in the MSME sector increased by 45% (from 21.9 million in early 2019 to 31.9 million in June 2024).

Small enterprises specialize mainly in trade and agriculture. Medium-sized enterprises are more represented in spheres with higher added value – manufacturing and construction.

One of the urgent tasks for the further development of the MSME sector is to work out comprehensive support measures aimed at qualitative rather than quantitative growth and to achieve the following results:

- promoting technological sovereignty;
- creating an enabling environment for MSME growth, including outside the sector (so-called MSME+);
- stimulating MSMEs' access to procurement by major customers;
- providing MSMEs with high quality infrastructure for development;
- supporting MSMEs' entry into new markets and developing their export potential.

Republic of South Africa

Detailed breakdown by SME sector indicators in RSA

Size	Number of Employees	Revenue / Sales	Sector / Industry
micro	0 – 10	≤ 7.0 million	Agriculture
small	11 – 50	≤ 17.0 million	
medium	51 – 250	≤ 35.0 million	
micro	0 – 10	≤ 15.0 million	Mining and Quarrying
small	11 – 50	≤ 50.0 million	
medium	51 – 250	≤ 210.0 million	
micro	0 – 10	≤ 10.0 million	Manufacturing
small	11 – 50	≤ 50.0 million	
medium	51 – 250	≤ 170.0 million	
micro	0 – 10	≤ 10.0 million	Electricity, Gas & Water
small	11 – 50	≤ 60.0 million	
medium	51 – 250	≤ 180.0 million	
micro	0 – 10	≤ 10.0 million	Construction
small	11 – 50	≤ 75.0 million	
medium	51 – 250	≤ 170.0 million	
micro	0 – 10	≤ 7.5 million	Retail, motor trade and repair services.
small	11 – 50	≤ 25.0 million	
medium	51 – 250	≤ 80.0 million	
micro	0 – 10	≤ 20.0 million	Wholesale
small	11 – 50	≤ 80.0 million	
medium	51 – 250	≤ 220.0 million	
micro	0 – 10	≤ 5.0 million	Catering, Accommodation and other Trade
small	11 – 50	≤ 15.0 million	
medium	51 – 250	≤ 40.0 million	
micro	0 – 10	≤ 5.0 million	Community, Social and Personal Services
small	11 – 50	≤ 22.0 million	
medium	51 – 250	≤ 70.0 million	

Total amount of MSMEs, mln	Share of MSMEs in total amount of enterprises, %	Share of MSMEs in total employment, %	Share of MSMEs in GDP, %
2 689 418 as per Seda SMME Quarterly Update 2nd Quarter 2023 using the QLFS	QLFS is quiet on this percentage. Even the Seda SMME quarterly report that source its statistics from QLFS. Other sources are research based (i.e. almost 90% ¹)	72,5% (58% formal sector and 14,5% own account worker) as per Seda SMME Quarterly Update 2nd Quarter 2023 using the QLFS	34% (according to a report by the International Finance Corporation 2023) ² 40% as per FinScope MSME Survey South Africa 2020 ³ GDP ranges between 34%-40%

¹ Zulu, B.C. & Zondi, B.W., 2023, 'Challenges faced by SMMEs operating in the ocean economy in KwaZuluNatal province: A quantitative study', *Southern African Journal of Entrepreneurship and Small Business Management* 15(1), a629. <https://doi.org/10.4102/sajesbm.v15i1.629>

² SMEs need support to thrive – Prof Stan du Plessis. Stellenbosch University

³ Finscope MSME Survey South Africa 2020



4. Ongoing issues for the MSME sector development and approaches to their solution

In general, the MSME sector in the BRICS countries shows significant growth potential, high flexibility and adaptability. However, the following barriers to MSME sector development can be identified, which are characteristic of all BRICS countries in one way or another:

- insufficient funding;
- informal activities;
- shortage of qualified personnel;
- lack of information and tools to access foreign markets.

In some countries, low access to new technologies and underdeveloped MSME regulatory frameworks can also be added to these challenges.

There are two main levels of state support to MSMEs in the BRICS countries: national and regional.

At the national level of support, the main focus is on the improvement of legislation regulating the economy and taxation of MSMEs. The aim of these measures is to provide equal opportunities for MSMEs to invest, lend, and introduce high-tech technologies into production. Among the BRICS countries, this level of support is implemented most extensively in China.

At the regional level of entrepreneurial support, the focus is shifted to specific regional support measures that can be addressed through individual programs and strategic plans. Among the BRICS countries, this level is most significant in India, where most states have established special authorities or agencies to support MSMEs.

As an example of the best practices related to the tools for supporting the MSME sector, adaptive government support measures taken in the BRICS countries during the spread of Covid infection can be cited.

Thus, starting from 2020, entrepreneurs in the BRICS countries were given access to state support in various areas:

Country	Type of Policy	The Goal	Measures taken
Brazil	Institutional	Reduction of transaction costs; elimination of information asymmetry between entrepreneurs and commercial banks	Electronic accounting of information on the main indicators of economic activity. The State ensures the exchange of information between SMEs and banks
	Fiscal	Preferential loans for entrepreneurs	Due to government guarantees, interest rates were reduced and an interest-free period of up to 90 days was provided
	Monetary	Ensuring the availability of loans for entrepreneurs	Reduction of the key rate by 225 basis points, to a value of 2%
Capital requirements for loans have been reduced for SMEs, and the required amount of reserves has been reduced for banks financing them			
China	Fiscal	Reducing the cost of doing business for entrepreneurs	Postponement of social security payments for employees; tax benefits and rent reductions for tenants of public property
	Monetary	Ensuring the availability of loans for entrepreneurs	Gradual reduction of the key rate by 45 basis points, from 4.3% to 3.85%.
			Reduction of the required reserves rate for banks financing SMEs; government subsidies in the amount of 1% of the debt body
		Reducing the credit burden on entrepreneurs	A loan refinancing program for entrepreneurs, under which they could reduce interest rates on their loans by 50 basis points
India	Fiscal	Providing financial resources to entrepreneurs	Provision of subsidized government loans to entrepreneurs in the most affected industries
	Monetary	Ensuring the availability of loans for entrepreneurs	Reduction of the key rate by 115 basis points to 4%
For entrepreneurs, the requirements for the required amount of collateral for obtaining a loan have been temporarily eliminated			
Russia	Institutional	Reduction of transaction costs	Compensation for the costs of bank transfers, a moratorium on inspections of MSMEs, as well as the initiation of bankruptcy cases
	Fiscal	Providing financial resources to entrepreneurs	Provision of subsidized government loans to entrepreneurs in the most affected industries, reduction of the insurance premium rate, extension of the tax payment period; direct

			payments per employee for MSMEs from the most affected industries, provided that 90% of employment is maintained
	Monetary	Ensuring the availability of loans for entrepreneurs	Gradually reducing the key rate to the level of 4,25%
			Reduction of requirements for credit risk assessment, implementation of a restructuring program for more than 110 thousand credit agreements of MSMEs
RSA	Monetary	Ensuring the availability of loans for entrepreneurs	Gradually reducing the key rate: first by 100 basis points, then by another 100 basis points, then by 50 basis points and finally by 25 basis points to the level of 3.5%

Sources:

- *Policy responses to COVID-19 // International Monetary Fund:*
<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>
- *Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard Brasil // OECD iLibrary:*
<https://www.oecd-ilibrary.org/sites/91ccd722-en/index.html?itemId=/content/component/91ccd722-en>
- *Chen J., Cheng Z., Gong R. K., Li J. Riding out the covid-19 storm: How government policies affect smes in china // China Economic Review, Vol. 75, 2022.*
- *Banco central do Brasil // Interest rate policy decisions:*
<https://www.bcb.gov.br/en/monetarypolicy/interestrates>
- *South African Reserve Bank // Selected historical rates:*
<https://www.resbank.co.za/en/home/what-we-do/statistics/key-statistics/selected-historical-rates>
- *India Interest Rate // Trading Economics:*
<https://tradingeconomics.com/india/interest-rate>
- *China Loan Prime Rate // Trading Economics:*
<https://tradingeconomics.com/china/interest-rate>

The policy of supporting entrepreneurs was mainly aimed at providing them with financial resources by ensuring the availability of credit. This could be ensured by reducing the key rate, requirements for obtaining loans, creating separate institutions, and other instruments. Reduction of the key rate was the most common measure and was not caused solely by the problems of entrepreneurs, as in crisis periods this approach is used to stimulate the economy as a whole. Also, the BRICS countries initially had relatively higher key rates than Western countries, which provided them with more room for maneuver.

In the BRICS countries, fiscal support measures have been used quite rarely, which can be explained by their potential ineffectiveness due to the disruption of market mechanisms and the significant additional burden on the state budget. In developed countries they were applied during the period of strict lockdown to

increase business survival, but in BRICS countries the policy of imposing such strict restrictions, related to the spread of viral infection, has been applied less frequently.

Arab Republic of Egypt

Despite all the legislative and regulatory measures approved by the government to support small projects, as well as the initiatives presented by the Central Bank of Egypt and many stakeholders, the MSME sector still faces a number of obstacles that require further cooperation and integration between all parties to overcome:

- Access to finance remains limited due to MSMEs' financial needs and entrepreneurship development.
- Lack of awareness, inaccessible export channels, insufficient access to market information, lack of capacity and difficulties in connecting to global value chains.
- Insufficient capital to protect the business in the event of an economic shock.
- High degree of dependence on a group of customers (e.g. subcontractors).
- Lack of functional distribution systems and lack of access to productive and affordable marketing services.
- Low level of access to new technologies.
- Lack of sufficient management and economic knowledge.
- Limited access to international markets. As MSMEs export less than in other MENA countries, this limits the extent to which they can take advantage of internationalization. A World Bank enterprise survey found that in 2020, only 4.7% of Egyptian enterprises with 5 to 19 employees accounted for at least 10% of export sales.
- The high level of informality further reduces the efficiency of MSMEs. According to the 2017-2018 economic census, 53% of businesses in Egypt were

unregistered. This figure would probably be much higher, considering the large number of agricultural, forestry and fishing activities.

- A large number of Egyptians are business owners. The International Labor Organization estimates that 27% of Egyptians are self-employed.
- There is a shortage of policy support measures and incentives for MSME greening and green entrepreneurship in Egypt.
- Access to financing for green investments remains a challenge for MSMEs.
- There is a lack of sector-specific accelerators and tailored support services for green MSMEs and entrepreneurs.

Federative Republic of Brazil

- MSEs development objectives:

Micro and small enterprises tend to be focused on:

- a) Revenue growth: an increase in sales and earnings over time.
- b) Market expansion: entering new geographic markets or market segments.
- c) Product/service development: increased investment in research and development to create or improve products/services.
- d) Operational efficiency: reducing costs and optimizing processes to improve profitability.
- e) Talent development: attracting, retaining and developing qualified employees.
- f) Brand and reputation strengthening: building a trusted brand and a good reputation in the marketplace.
- g) International expansion: entering foreign markets by exporting or establishing operations abroad.
- h) Sustainable development: embedding sustainable practices in business operations.

- Due to the importance of MSEs for jobs creation, Brazil has recently created the Ministry on Entrepreneurship and Small and Medium Enterprises to promote their development, improve business environment and better elaborate policies for those enterprises.

- A broad Brazilian National Policy for the MSEs is about to be released, aiming at fostering a differentiated treatment to these enterprises, with simplification and removal of red tape to overcome informality and semi-informality; access to sustainable credit; encouraging innovation and technologies; encouraging exports and participation in public procurement, among other benefits.

- Brazil currently holds a Permanent Forum for MSEs, where public and private sectors can discuss the policies and potential improvements on the national environment.

- During the discussions on the adopted BRICS MSMEs Cooperation Framework, Brazil emphasized the importance of focusing the group efforts on well-defined areas in order to enhance the effectiveness of discussions and conclusions.

- Useful sources of data on MSEs:

- A useful source to be used is the tool called “MAPA DE EMPRESAS” (“Map of Enterprises”) from which statistical data can be extracted, by size (Microenterprise or Small-sized Enterprise), by state or city, originating from records made at the Brazilian registration body.
- The Business Map is a tool made available by the Federal Government that provides indicators relating to the number of companies registered in the country and the average time required to open companies. The 3rd quarter of 2023 report is available at the following website: <https://www.gov.br/empresas-e-negocios/pt-br/mapa-de-empresas/boletins/mapa-de-empresas-boletim-3o-quadrimestre-2023.pdf>

Republic of India

The challenges faced by the MSME sector in India inter alia include access to affordable credit, technology, formalization of MSMEs, shortage of skilled manpower and information on access to market.

To mitigate these challenges, the Ministry of Micro, Small and Medium Enterprises, Government of India implements various schemes/programs for MSMEs across the country, such as:

- To ensure easy access to credit for MSMEs, Ministry is implementing schemes like Prime Minister's Employment Generation Program (PMEGP) and the Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE).
- To support MSMEs in technology upgrade and quality certifications there are MSME Champion Scheme and various Technology centers/Tool rooms spread across the country.
- To enhance the competitiveness of MSMEs in the market, schemes such as Procurement and Marketing Support Scheme (PMS) and International Cooperation (IC) Scheme are being implemented.
- For entrepreneurship and skill development, there are programs like Entrepreneurship Skill Development Program (ESDP), PM Vishwakarma Scheme, Assistance to Training Institutions (ATI) and training/skilling by various technology centres, Incubation centres of this Ministry and its organisations are there.

Details of the schemes/programs of the Ministry of MSME are available in the handbook at <https://msme.gov.in/sites/default/files/FlipbookEnglishSchemeBooklet.pdf>.

National Small Industries Corporation Ltd. (NSIC) under the Ministry of MSME also promotes and supports micro, small and medium enterprises by providing integrated support services covering marketing, finance, technology and other services.

The Ministry of MSME also has organizations like Khadi & Village Industries Commission (KVIC) and Coir Board which cater to the various needs of khadi & village industries and coconut sector respectively.

In the recent past, Government has taken various measures in the areas of credit support, formalization, technological assistance, infrastructure development, skill development and training, and market assistance.

People's Republic of China

The Chinese government attaches great importance to the development of MSMEs and it has introduced a number of measures in order to enhance their development capacity.

- Enhance policy support. (1) Introduce policies to address difficulties. In May 2022, The State Council of China issued *Measures to Help Micro, Small and Medium-sized Enterprises Solve Difficulties*, to help MSMEs stable and healthy develop by arranging special funds for rescue, adding new inclusive small and micro loans, clearing up MSMEs' arrears, ensuring supply of bulk commodities, and optimizing public services provision for MSMEs. (2) Extend the phased inclusive policies for MSMEs. Prolong the preferential tax policies for MSMEs, and extend a number of preferential tax policies involving MSMEs, such as tax incentives for small-scale taxpayers and tax incentives for small and micro-profit enterprises, to the end of 2027.

- Ensure the guiding role of government investment funds. *The National SMEs Development Fund* will continue to support the rapid development of seed - and early-stage growing MSMEs. With the policy goal of promoting the development of MSMEs, the fund adheres to the principle of market-oriented operation and attracts social capital investment through the form of Fund of Funds to jointly expand the scale of equity investment in MSMEs. By the end of 2023, the National SMEs Development Fund has set up 36 sub-funds, raising a total of nearly 100 billion yuan, and each sub-fund has invested in more than 1,300 projects.

- Continue to optimize the business environment for MSMEs. (1) Strengthen the environmental assessment of businesses and outsource it to a third party. (2) Take actions to promote MSMEs' financing, expand the coverage of

inclusive finance, and alleviate the difficulties and high cost of financing for small and medium-sized enterprises. (3) The Ministry of Industry and Information Technology of China issued the *"14th Five-Year Plan" of Big Data Industry Development*, encouraging MSMEs to achieve specialized and sophisticated development, and enabling MSMEs to achieve high quality development through digital technology. (4) Support MSMEs to carry out research and industrialization of new technologies and services based on the cloud platform. Continue to improve the standard system of information technology service, support MSMEs to participate in the development and application of standards, and constantly improve service capabilities.

Russian Federation

The MSME sector in Russia has changed fundamentally in recent years. The number of entities has increased by more than 5% and the number of employees – by 45% compared to 2019. The sector is also increasing supply in logistics (+23%), tourism (+13%), manufacturing (+9%) and IT (+4%). MSMEs manufacture and supply technologically complex products for large customers both in Russia and abroad.

In order to overcome the challenges facing business, specialized National Projects have been launched: Small and medium-sized enterprises and support for individual entrepreneurial initiative, Labor productivity and employment support, International cooperation and exports.

This work has contributed to the opening of domestic markets for entrepreneurs and the development of exports, strengthening interaction between business and society, as well as increasing the technological effectiveness of business.

Support of foreign economic activity

Supporting entrepreneurs in entering foreign markets is one of the priorities of state policy.

An example of successful practice in providing MSMEs with all the services and support measures necessary for business, including the development of their international contacts, is the Digital Platform SME.RF (<https://mcpi.pf>).

With its help an entrepreneur, self-employed or someone starting a business can remotely use government and commercial services and support measures.

The "Production Cooperation and Sales" service functioning on the platform is aimed at expanding sales markets and increasing the competitiveness of Russian MSMEs.

Using the service, entrepreneurs can find new suppliers, establish cooperation with Russian and foreign large companies, bring their products to the shelves of retail chains and start cooperation with major customers both in Russia and abroad.

The platform was launched in 2022 by the Ministry of Economic Development of the Russian Federation and JSC Corporation SME.

As of September 2024, 5.5 thousand manufacturing enterprises have already registered on the platform. The platform is actively used by foreign entrepreneurs: 72 foreign companies from 12 countries use its services, including 17 companies from the BRICS countries. 65 transactions between Russian MSMEs and foreign partners have been concluded through the platform.

In addition, in order to assist Russian MSMEs in entering international markets and concluding export contracts, a network of regional export support centers has been established.

By current moment, 82 such centers have been created. They are located in all regions of Russia and act as "single-window" assistants for companies, providing a wide range of services and helping them at every stage of export activities.

Structural support measures

One of the characteristics of the MSME sector in its current state is the high risk of closure of newly created companies in the first two years of their activity. According to statistics, 30% of the opened companies close in the first year, and another 20% in the second.

To help entrepreneurs overcome this barrier, they are provided with direct financial support measures (grants) aimed at certain categories of entrepreneurs (social, young, as well as novice entrepreneurs in the field of agriculture) who do not have access to other forms of attracting financing at the initial stage of their activities.

An important task is to maintain motivation for the growth of MSMEs, including growth exceeding the criteria for the MSME sector. Now such companies (so-called MSMEs+) are deprived of support measures, benefits and preferences.

The relevant draft law has already been submitted to the Government in order to establish criteria for MSMEs+, as well as their inclusion in MSME support programs.

Transition to the formal economy

In order to reduce informal economic activity and increase the competitiveness of the state, it is important to create preferential business conditions as an incentive for business legalization.

Measures aimed at this goal include modernizing the institutional framework of MSMEs, increasing their access to financial markets, as well as assisting them in technological development and finding markets for their products.

These measures are not stand-alone projects, but an integral part of national development strategies.

Thus, information about legal entities and individual entrepreneurs who meet the conditions for being classified as small and medium-sized businesses is entered into the Unified Register of Small and Medium-Sized Enterprises.

At the same time, self-employed citizens who are included in the category of MSMEs under the Russian law can take advantage of government support measures. For this purpose they must also be registered in the above mentioned Register.

An important track in the development of entrepreneurship was the adoption in 2018 of the federal law on the establishment of a special tax regime for the self-employed, so-called «Professional Income Tax».

Entrepreneurs who have switched to this regime can pay tax on income from activities at a reduced rate – 4% when working with individuals or 6% if the partners are legal entities (and these rates will not increase until 2029).

This allows self-employed citizens to legally conduct business and earn income from part-time jobs without the risk of being fined for illegal business activities.

The number of self-employed who have registered their status and apply the special tax regime is steadily increasing and as of August 2024 amounted to 11.2 million people.

The popularity of the tax regime is due to the availability of registration and the simplicity of doing business. This is one of the most convenient ways to start in business, to try yourself as an entrepreneur.

The application of a special tax regime has created the background for the formation of a separate federal project to create conditions for the development of the activities of self-employed citizens, the main features of which are the following:

- provision of information, consulting and educational services on the basis of «My Business» centers – the backbone infrastructure for supporting MSMEs, where services and support measures are provided in a "single-window" mode. Currently there are more than 430 such centers operating throughout Russia;
- the federal project provides entrepreneurs with access to financial support;
- MSMEs also have preferential access to services for the placement of products, goods, and works on commercial electronic platforms;
- and entrepreneurs can use production and office space with the necessary equipment on a lease basis.

Support for technological entrepreneurship

In order to fulfill the task set by the President of the Russian Federation within the framework of the National Goal "Technological Leadership" to increase the revenue of small technology companies by at least 7 times by 2030, the Government of the Russian Federation has adopted a set of measures to develop and support small technology companies (STC) – Russian commercial organizations engaged in development and (or) production of goods (provision of

services, performance of works) using innovative technologies and corresponding criteria for assignment to the STC category.

The Federal Law, adopted in 2023, defines the legal basis for the activities of STC, the basic concepts and principles in the field of state support for their activities, as well as the criteria for recognizing companies as STC in order to provide them with state support.

An organization is classified as an STC based on the results of an examination (conducted by special expert centers), revenue, the main type of economic activity, the level of scientific and technical potential, as well as an assessment of the capabilities of a technology company to create innovative technologies.

At the same time, the basic criteria for all companies are: revenue (up to 4 billion rubles) and the main type of economic activity (the list is approved by the Government of the Russian Federation).

As of September 2024, more than 3.6 thousand companies in Russia have already received the status of STC.

Investment climate and taxation

When assessing the current activities of foreign businesses in Russia, it should be emphasized that in addition to implementation of systemic measures to improve the investment climate, a large block of work by the Government of the Russian Federation is aimed at addressing the problems faced by businesses operating in Russia due to the current geopolitical situation. The constant dialogue between business and the authorities allows for timely identification of emerging difficulties and promptly taking the necessary measures.

For example, government authorities assisted businesses in finding and establishing contacts with new suppliers and investors and solving logistics issues, which made it possible to maintain uninterrupted operation of enterprises dependent on import supplies.

Foreign companies operating in Russia have access to the same support measures as Russian residents. This involves a wide range of tools that allow to

support the project in various forms - from risk sharing to the construction of ready-made infrastructure.

At the same time, a foreign investor has access to the entire portfolio of support measures provided that a Russian legal entity is registered.

According to UNCTAD's World Investment Report 2023, the key advantages of foreign direct investment in Russia include: a strong economic structure based, in particular, on rich natural resources (oil, gas and metals); a large domestic market; attractive labor costs for foreign investors; availability of qualified personnel; low public debt; sufficient foreign exchange reserves; and a current account surplus.

The tax legislation of the Russian Federation also provides for a wide range of tax preferences for investors aimed at supporting the creation of new production facilities, improvement (expansion) of existing production facilities, renovation of fixed assets, as well as reducing the payback period of certain investment projects.

In particular, reduced tax rates of corporate profit tax are established for residents of special economic zones, participants in regional investment projects, participants in special investment contracts, residents of advanced development territories, residents of the free port of Vladivostok, residents of the Arctic zone of the Russian Federation, participants in free economic zones, agricultural producers and other categories.

In addition, since 2018, the regional authorities of the Russian Federation have been granted the right to establish in their territories the possibility for taxpayers to apply an investment tax deduction, which makes it possible to substantially reduce the tax burden of corporate income tax by deducting a number of capital and non-capital expenditures from the amount of this tax. At the same time, regional authorities have the right to determine the categories of taxpayers to whom the investment tax deduction is granted.

Regional and local authorities also have the right to establish benefits for regional and local taxes on their territories, respectively.

At the same time, the basic principles of tax legislation guarantee equal rights and obligations for taxpayers regardless of the form of ownership, citizenship of individuals or the place of origin of capital.



5. Proposed Actions and Deliverables

In order to intensify cooperation in terms of MSMEs, develop the MSME sector in the BRICS countries and its export potential, an important task is to create tools and mechanisms for a mutually complementary foreign economic ecosystem of the association's MSMEs, allowing them to search for partners, verify counterparties, and build business processes of interaction with the support of specialized development and support institutions.

Based on the above, the following conclusions can be drawn:

- Taking into account that the availability of sales markets is of key importance for the development of entrepreneurship, the SME sector will be boosted by maintaining sustainable trade relations with foreign partners. In order to develop the export potential and cooperative ties of SMEs in the BRICS countries, it is crucial to consider the possibility of creating a mechanism to support cooperative projects involving SMEs. One of the options for such an instrument could be integration between the existing digital systems of the BRICS countries, which would allow to "seamlessly" find suppliers of components, develop production and participate in procurement.
- Legal entity verification plays a critical role in creating a secure environment that protects users from illegal activities. It is not only a recommended practice, but also a standard requirement of regulators as part of risk mitigation and compliance measures, especially in ensuring effective risk assessment. The availability and accessibility of such mechanisms for entrepreneurs should be considered.
- Undoubtedly, digital development and support for high-tech companies is one of the topical issues of the modern economic model. It is extremely important to develop cooperation in these areas, for example, in the format of specialized

seminars with the participation of representatives of business communities of the BRICS countries.

- Organization of specialized consulting sessions would greatly contribute to raising MSMEs' awareness of the specifics of doing business in the BRICS countries.

- The BRICS countries could expand the opportunities of MSME development and support institutions by preparing joint plans for holding exhibitions and fairs, launching common programs aimed at promoting MSME exports and production cooperation. On the Russian side, the JSC “Russian Export Center” (the state Institute for Export Support) could assist in the implementation of these tasks.

- In order to simplify access to information and create a knowledge base, it is crucial to form an independent research area in BRICS, such as collecting data on the use of digital technology by entrepreneurs to understand the processes of digital business transformation and its impact on competitiveness and productivity.



6. Contact details of the MSMEs support and development institutions

Arab Republic of Egypt

- Medium, small, and micro enterprises development agency (MSMEDA)
Web: <https://www.msmeda.org.eg/>
- Central Agency for Public Mobilization and Statistics (CAPMAS)
Web: <https://www.capmas.gov.eg>
- Ministry of Planning and Economic Development
Web: <https://mped.gov.eg>
- The Egyptian Financial Supervisory Authority
Web: <https://fra.gov.eg/>

Federative Republic of Brazil

- SEBRAE (Brazilian government institution, supporting micro and small companies)
Web: <https://sebrae.com.br/>
- Brazilian Government
Web: <https://www.gov.br/empresas-e-negocios/pt-br/redesim/abra-sua-pessoa-juridica>

Republic of India

- MSME Champions Cell, Ministry of MSME
Address: Udyog Bhawan, New Delhi
Email: champions@gov.in
Tel: 011-23061574
- Office of DC-MSME
Address: A-Wing 7th Floor, Nirman Bhawan, Maulana Azad Road, New Delhi – 110108 PABX No-011-23063800
Web: www.dcmsme.gov.in
- The National Small Industries Corporation Ltd.
Address: NSIC Bhawan, Okhla Industrial Estate, New Delhi - 110020, India
Web: www.nsic.co.in
Tel: +91-11-26926275, 26926370
- Khadi & Village Industries Commission
Address: 3 Gramodaya, Irla Road, Vile Parle (West), Mumbai – 400056
Email: khadi.kvic@gov.in
Tel: 022 26207624
- Coir Board
Address: Coir House, Coir Board, M.G. Road, Kochi, Kerala, 682 016.
E-mail: info@coirboard.org
Tel: 0484-2351900

- National Institute for MSME (ni-msme)
Address: Yousufguda 500 045, Hyderabad, Telangana
Email: info@nimsme.org; ar@nimsme.org
Tel: 91 40-23633260
- Mahatma Gandhi Institute for Rural Industrialization
Address: Maganwadi, Wardha, Maharashtra – 442 001, India
Email: director.mgiri@gov.in
Tel: 07152-253512

People's Republic of China

- Ministry of Commerce
Web: <https://www.mofcom.gov.cn>

Russian Federation

- Ministry of Economic Development of the Russian Federation
Address: 10, build. 2, Presnenskaya embankment, Moscow, 123112
Web: <https://en.economy.gov.ru/> E-mail: mineconom@economy.gov.ru
Tel.: +7 495 870-29-21
- JSC Russian Export Center
Address: 12, Krasnopresnenskaya embankment, Moscow, 123610
Web: <https://www.exportcenter.ru/> E-mail: info@exportcenter.ru
Tel.: 8-800-550-0188, +7 (495) 937-4747
- JSC Corporation SME
Address: 4, build. 1, Slavyanskaya pl, Moscow, 109012
Web: <https://corpmsp.ru> E-mail: info@corpmsp.ru
Tel.: 8-800-100-1100

12	Development of additional measures of MSMEs' support (maintaining the tax rate for growing companies, etc.)								<i>+/- (The Draft Law is under consideration)</i>	
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