



## POLICY OPTIONS TO SUPPORT DIGITALIZATION OF BUSINESS MODELS DURING COVID-19

### Introduction

The G20 Saudi Presidency initiative, “**Policy Options to Support Digitalization of Business Models during COVID-19**”, aims to collect and share new, re-adjusted and emerging policy examples and practices through which G20 member states are accelerating the availability and use of digital tools to strengthen business continuity and resilience in the context of the COVID-19 crisis. The initiative aims to create a shared G20 knowledge asset that could be of immediate value to G20 countries and beyond in their efforts to use digital technology to address the novel challenges of business continuity in the current crisis and enhance business resilience for the future.

The resulting policy examples will allow all countries to benefit from the global policy experimentation underway in this area in both the near and medium term. While some of these examples reflect policies that are well established, others have only recently been designed and deployed. A crucial aspect of this initiative is to **capture key insights** from the emerging policy innovations and document the new, re-adjusted and emerging practices so that they can inform policy-making across the G20 and beyond. This report summarizes responses to a policy questionnaire that were collected from all G20 and four partner countries, highlighting key features and emerging insights.<sup>1</sup> It does not seek to be exhaustive and highlights initiatives most relevant to business resilience. These Policy Options and the associated Annex reflect input from G20 members and invited countries, and their inclusion in this document does not imply endorsement of the policy approaches described by the G20 or its members. G20 countries may wish to take this report as a basis for further knowledge sharing around this area, which will remain important as the world continues in its fight against COVID-19.

### Emerging Policies and Innovations

The COVID-19 crisis has taken a terrible human toll and the necessary containment measures have already had enormous impacts on the G20’s economies and societies. Fortunately, digital technologies, business models and work practices are helping G20 economies avoid a complete standstill. **Many policy innovations are emerging** that enable firms, entrepreneurs, and independent workers to deepen their digital engagement, continue business operations and strengthen business resilience. Several areas of policy innovation are emerging.

**Connectivity – responding to growing demand:** Since the start of the crisis, demand for broadband communication services has soared as firms and households have gone digital, with some operators experiencing as much as a 60% increase in Internet traffic. Without connectivity, firms would not have been able to continue their operations and keep the economy going. Many G20 and partner countries have therefore taken initiatives – typically working closely with their telecommunications operators – to enhance broadband connectivity for enterprises and employees. For example, in several countries, more spectrum was made available for telecommunications services, e.g. in **Canada, the Kingdom of Saudi Arabia, South Africa, Turkey** and the **United States**. **Australia** has established a financial relief package to help Internet providers support their residential and MSME customers. The **European Commission** has called upon the cooperation of major platforms, BEREC; telecom operators, and the public to ensure connectivity and an open Internet across Europe. Several initiatives to enhance connectivity were also aimed at specific groups requiring priority access to broadband networks, e.g. health care providers (**Brazil, Indonesia, Italy, Saudi Arabia, the United Kingdom, and the United States**), schools (**Italy, South Africa** and the **United States**), government services (the **United Arab Emirates**) or important services more generally (**Russia**). Several countries also stepped up their ongoing efforts to invest in broadband networks in response to the crisis (e.g. in **China** and **Singapore**). Some of the connectivity initiatives were taken by telecom providers, e.g. in **India**, often in cooperation with the government, reflecting enhanced public-private cooperation in response

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<sup>1</sup> The questionnaire and countries’ responses can be found in a separate Annex document.

to the crisis, e.g. in **Brazil, Japan, Mexico** and **Switzerland**, with governments sometimes guaranteeing Internet service for all (e.g. in **Spain**).

**Fostering e-commerce, on-line business models and market access:** As traditional markets have been affected by sanitary measures and non-pharmaceutical interventions, many G20 countries have taken new or enhanced initiatives to help firms engage in e-commerce and on-line business models or to access customers and markets through digital tools. For example, **China** scaled up its existing efforts to provide MSMEs with access to e-commerce platforms to help them reduce costs, expand markets and support jobs. **Australia** pivoted its *Entrepreneurs' Programme* to virtual delivery to allow digital facilitators to continue to provide businesses with advice and support to improve their digital knowledge and confidence, increasing their digital capability. **Indonesia** launched the *MSMEs Go Online* programme, which provides capacity building to MSMEs to support their speedy digitalization. **Korea** is providing support to MSMEs as regards their investor relations and has encouraged brick-and-mortar shops to open their business online through a dedicated support programme. **Japan** has offered subsidies to support firms to adopt IT solutions and develop e-commerce sales channels. Broader support programmes for MSMEs, such as the *FranceNum* initiative by **France** also help MSMEs transition to an online business model. Some countries, e.g. **Mexico** and **Turkey**, also promote solidarity campaigns to provide MSMEs with essential cash flows during the COVID-19 crisis or encourage online sales (**Mexico's Solidarity Market** platform). Other countries help MSMEs with access to essential services related to their online business model, e.g. e-customs processing (**Switzerland**), strategic consulting to strengthen MSME's online presence for the international market (**Italy** and **Spain**), or delivery and platform services (**Saudi Arabia**). **Singapore** launched a *Grow Digital* initiative to support MSMEs in accessing e-commerce platforms with regional or global reach, so that they can sell overseas through digital means.

**Increasing access to digital services and tools:** As firms go digital, access to key digital services relevant to their business becomes even more important. Many G20 and partner countries have therefore undertaken initiatives to help MSMEs gain access to such services. For example, **Argentina's Digital Support Network for MSMEs** is a public-private collaboration to help MSMEs make the transition to a more digital business model. **China's Action Plan to Digitalize MSMEs** helps pool digital service providers and recommends digital platforms, solutions, products and services to MSMEs. **Spain's Digital Transformation Offices** support MSMEs and entrepreneurs in accelerating their process of digital transformation through awareness-raising and dynamic actions, as well as personalized advisory services. **France** launched a call for business continuity solutions and supported MSMEs with guidelines in their efforts to go digital, whereas **Germany's Mittelstand – Digital** program is intended to support the adaptation to digital processes in MSMEs. **India** is supporting the digitalisation of MSMEs by developing platforms and apps and by supporting access to key software products such as enterprise resource planning, accounting and customer service software. **Italy** launched an initiative called *Digital Solidarity*, which includes a portal where companies can register to access without costs digital services from large private sector companies. **Korea** provided support to MSMEs and startups developing COVID-19-related AI technology through *AI Open Innovation Hub*. **Singapore** launched a *Stay Healthy, Go Digital* initiative, that includes a solutions directory to help businesses with remote working and visitor management, as well as selling, billing, and paying online. It also increased support under its *SMEs Go Digital* programme and expanded the scope of pre-approved digital solutions under the *Productivity Solutions Grant (PSG)*.

**Enabling remote working:** G20 governments and employers have also been encouraging prolonged "teleworking" which, with the right IT equipment, is possible in many workplaces. While some businesses have thus far been hesitant to promote teleworking, the COVID-19 crisis made it in their direct interest to maintain business operations and reduce their employees' exposure to the virus. Many G20 governments are therefore providing different types of support to MSMEs to help them quickly develop teleworking capacities through financial assistance to purchase equipment and by supporting the development of suitable teleworking policies. **Argentina** introduced a collaborative portal called *Entre Todos* that provides information, recommendations and tools to enable workers to engage in teleworking and introduced financing for MSMEs to support teleworking. **China** has collected and recommended a range of digital solutions to support remote

working. **Japan** expanded support to MSMEs in introducing teleworking office environment by raising the subsidies rate, while **Korea** opened a website to offer MSMEs information about solution companies for remote working. **India** relaxed licensing rules and regulatory guidance and promoted work from home. **Italy** set up a website that provides an overview of the various available web-based tools that permit remote work and remote education, and **Russia** is providing free tools for online working. **Singapore** also extended its digitalization funding support to include remote working solutions. The **Kingdom of Saudi Arabia** has issued guidelines and best practices to facilitate remote working and is helping businesses digitalize with remote working solutions. The **United States** is promoting remote learning based on funding from the CARES Act's Education Stabilization Fund. In some countries, private initiatives support MSMEs. For instance, in **France**, industry associations support MSMEs through a toolkit on teleworking and advice to companies.

**Fostering digital upskilling through online training:** As more firms have gone digital, demand for training in digital skills and about digital tools has increased sharply, including in the business sectors. Many G20 and partner countries have therefore taken action to improve the access of businesses to online learning tools. **Argentina**, for example, is about to introduce a tax credit for MSMEs to support investment in training. **China** is offering free access to online training platforms and subsidising training for MSMEs. **Germany** has launched the *Alliance for STEM Education* to enhance access to STEM education and training. **India** added 12 new Direct to Home (DTH) channels to enable online education. The **United Kingdom** introduced the *Skills Toolkit*, an online platform giving people access to free, high-quality digital and numeracy courses to help build up their skills, progress in work, and boost their job prospects. In the **United States**, the FCC examined a number of programs to connect schools and individuals who are deaf or have a speech disability and relaxed the rules to help extend services to more people during the pandemic. **Spain** is providing a *Digital Business Development Course* to assist entrepreneurs and MSMEs develop a digitalization plan and introduced the *Talent Accelerate* programme to strengthen the training of MSMEs. In **Switzerland**, the *Federal Institutes of Technology* transferred more than 1,000 courses from the classroom to the online realm thus making online training available to a wider community, including business.

**Accelerating electronic payments:** Initiatives to accelerate the uptake of electronic payment methods go hand in hand with the uptake of e-commerce and on-line business models. They have grown in importance as traditional forms of payment have become less desirable with growing requirements for social distancing. For example, the **Kingdom of Saudi Arabia** is working with delivery services applications to utilize e-payment solutions that can preserve the safety and health of beneficiaries. In **Mexico**, the Bank of Mexico adjusted its collection and payments platform *CoDi* to the COVID-19 crisis to help its users process e-payments. In **Russia**, the government reduced the maximum commission on money transfers between individuals. In **South Africa**, the Post Office and Postbank provided new electronic payments facilities for social grants. In **Turkey**, the government worked with telecommunications operators to improve and facilitate electronic payments. In **Singapore**, the Association of Banks in Singapore (ABS), supported by the Monetary Authority of Singapore carried out various campaigns to promote the use of e-payment solutions, such as PayNow and Singapore's unified payment code SGQR.

**Enhancing access to finance and supporting digitalization:** Initiatives are also emerging using digital tools to help firms' access finance or government support that can help them engage in digital activities for their business continuity. The initiatives are sometimes part of the broader support that governments have provided to businesses. In **Germany**, the government is implementing a EUR 2 billion *Corona Matching Facility* to support start-ups and small businesses mainly in the digital sector during the coronavirus crises. The **United Kingdom** is currently developing a business support platform that will provide services to MSMEs for the recovery following the crisis, including as regards access to finance. The **European Commission** has launched a new call on medical technologies, digital tools, and AI analytics, with a budget of EUR 56 million, to quickly deploy new solutions to increase the European Union's response capabilities, improve the recovery, and better prepare for future crises. **Korea** is developing a *Digital New Deal* that will implement large-scale investments in the digital sector to prepare for changes in social and economic structures after COVID-19 and develop new engines of innovation-led growth. **Singapore** has also set up the *SG Digital Office (SDO)* to accelerate digitalization of economy and



society by ramping up existing digital inclusion efforts, so as to equip every individual and business with digital tools and skills. Several other countries, e.g. **Italy**, **Turkey**, and **Spain** have introduced wide-ranging support programmes to support MSMEs in their efforts to go digital, while **Brazil** provided emergency support for micro-entrepreneurs. **Mexico** launched a Fintech initiative to alleviate liquidity problems of entrepreneurs.

Apart from these seven categories of responses, that were included in the questionnaire to G20 and partner countries, two other areas of policy innovation emerge from the reported actions:

1. **Ensuring digital security:** Several countries have undertaken actions to help MSMEs strengthen their digital security. As malicious actors seek to take advantage of the crisis, digital security threats to MSMEs have increased. For example, coronavirus-related scams and phishing campaigns are on the rise. **Japan**, for example, is raising awareness throughout the supply chain and in MSMEs of increasingly sophisticated cyber-attacks that are seeking to take advantage of the COVID-19 crisis. In **Russia**, the Central Bank provided guidelines for financial organizations in terms of cybersecurity. **Turkey's** National Computer Emergency Response Team has helped to address Digital security concerns that have emerged in response to the COVID-19 crisis.
2. **Enabling MSMEs to contribute to addressing the COVID-19 crisis:** Several G20 and partner countries have also undertaken initiatives to strengthen private sector contributions to addressing the COVID-19 crisis, creating new opportunities for MSMEs. For example, **Argentina** provides support to MSMEs to develop products or technological solutions that could help address the health crisis. **Canada** and **Turkey** adjusted a number of existing innovation programmes, e.g. the *Digital Technology Supercluster* (Canada) and the *SME R&D and Innovation Grand Programme* (Turkey), to provide funding for the development of innovative solutions that could help address the crisis. The **European Commission** has launched the AI-ROBOTICS vs. COVID-19 repository initiative to collect ideas about deployable AI and Robotics solutions as well as information on other initiatives that could help face COVID-19. In **Japan**, the government requested firms to provide data and information that would contribute to preventing the expansion of COVID-19, e.g. as regards the effectiveness of social distancing policies. In **India**, the government has established various programmes to encourage the development of new solutions for video conferencing, telework, collaboration, remote monitoring, etc.

## Emerging Insights

**An accelerated drive to go digital:** The wide range of new and emerging policy innovations, across many areas, suggests that G20 economies are accelerating their drive to go digital in response to the COVID-19 crisis. Some of the measures taken in recent months appear to be of a temporary, emergency nature, as economies are adjusting to the immediate impacts of the COVID-19 crisis, e.g. temporary access to spectrum or solidarity schemes to help firms generate revenue in the short term. Others, e.g. programmes and incentives to engage in teleworking, e-learning or online business models, may well prove to be longer lasting and could continue to support businesses in their long-term efforts to strengthen resilience through greater use of digital technologies and business models.

**Most of the reported digital policy responses are new:** The majority of the policy initiatives reported by G20 and partner countries are new or emerging, i.e. introduced only in 2020 in response to the COVID-19 crisis, with the remainder reflecting existing initiatives that were adjusted to the crisis context, e.g. the strong surge in demand for connectivity and digital services. While the adjustment or upgrading of existing initiatives may be easier for policy makers, as it can build on existing legislation and implementation frameworks, the wide range of new initiatives, e.g. new services and support programmes, shows the high speed of the digital policy response to the COVID-19 crisis in many countries. Some policy initiatives are still emerging, e.g. **Korea's** *Digital New Deal*, and demonstrate how countries are starting to move beyond the immediate crisis response to the development of digital policies for the medium term, e.g. in support of the economic recovery.

The policy innovations across G20 countries represent both well-established and tested policy interventions, as well as new, more experimental initiatives, developed to address the new and sometimes unique problems that firms are facing in the COVID-19 context. At this stage, it may be **too early to evaluate** in detail which policies are effective in achieving their goals, although several countries indicate in their responses that many of their new interventions are already considered to have worked well, e.g. in achieving the expected impacts on firm performance or in coping with the high demand for connectivity. In the future, it will be important to evaluate the impacts of the new policies in more detail, to ensure they achieve the desired results and do so in the most efficient and least distortive way. Such evaluations can help improve existing policies and will also be beneficial for the international exchange on good practices, both within and beyond the G20. In this context, and as noted by the **United Kingdom**, it is also important to further consider the varying needs of different business and tailor policies to their needs where possible.

The range of actions also point to some differences in countries' approaches to policy action, e.g. as regards the **mix of public and private actions**. In some G20 and partner countries, government has engaged directly in certain actions relevant to MSMEs, e.g. the provision of digital services or platforms. In other countries, governments have acted as the facilitator for private actors to provide services to MSMEs, e.g. as regards connectivity, in some cases by enhancing access and reducing costs for MSMEs requiring such services. In yet other cases, governments have mainly acted to provide guidance and information to MSMEs as regards the services and tools available for their digital operations, with the private sector, including charities, universities and research organizations taking the lead role.

**Frameworks for digital policies matter:** The range of policy innovations emerging from G20 countries can support business resilience, but do not stand on their own and are typically part of a **broader framework** of policies for the digital economy. Indeed, the accelerated drive towards a digital future may not only require new initiatives, but also an upgrading of existing policies for the digital economy. For example, while operators and governments have been able to address the growing demand for broadband communication services with a number of emergency actions, long-term investments in broadband networks will likely be required as well, as suggested in the responses by **China** and **Singapore**. Moreover, with the growing exposure of firms to digital activities, digital security risks have increased as malicious actors seek to take advantage of the crisis, possibly requiring a careful review of policies in this area. In the **United States**, The National Institute of Standards and Technology is offering telework cybersecurity recommendations to address the increase in remote work and broader changes in business practices. In addition, the drive to go digital has demonstrated the high demand for relevant skills, including strong ICT skills, for a growing share of workers in the economy. Meeting this demand will not only require short-term actions to support MSMEs with their short-term needs, but also broader policies for education and training.

**A lasting shift in business behavior?** An important question for the future is whether the COVID-19 crisis and the actions and policies of G20 countries in response to the crisis will contribute to a **lasting shift** in behavior towards a more digital economy, and how extensive this shift will ultimately prove to be. Many firms, including many MSMEs, have now shifted towards a more digital business model because it was the only way for these firms to continue operations, generate revenue and survive. Once the COVID-19 health crisis has been resolved, firms may – at least partially – return to a more traditional business model. However, firms may also decide to continue to further strengthen their digital focus, e.g. as regards the role of remote working in business operations, the role of e-commerce and online sales, etc. This will vary by the degree to which these operations can be undertaken online. It will also differ by firm (large service firms will often find it easier to go digital in many of their operations than small manufacturing firms), by sector (digital operations are more suited to financial and business services than to agriculture, manufacturing or construction) and by country (e.g. well-developed broadband networks are likely to facilitate digital operations).

### Looking Ahead

Further digital policy actions may be required once the immediate health crisis is under control. Some countries (e.g. **Germany**, **Korea** and the **United Kingdom**) indicate in their responses that



they are now starting to consider **medium-term actions** to support business in the recovery, including through policies in the digital area. As the policy landscape continues to evolve, **sharing of practices and experiences** will remain important and the G20 DETF provides a venue for such exchanges.

The COVID-19 crisis may well mark an **important turning point** for the digitalization of G20 countries. It has demonstrated the possibilities for much of the economy to digitalize and continue business operations in challenging circumstances. The DETF may wish to consider whether further policy action will be required to strengthen this process of digital transformation, and what actions will be required to address medium-term policy needs that are starting to emerge as the crisis continues to unfold.