

DAY 1 – Presentation 1

EInA Initiative

Entrepreneurship Innovations and Advice - North Africa

African Development Bank



AFRICAN DEVELOPMENT BANK GROUP

eina
Entrepreneurship Innovations
& Advice - North Africa

2. EInA vision & approach

Mandate: support governments in improving the design, implementation, and coverage of the policies and programs that promote entrepreneurship and support MSMEs

4 PILLARS

3S CHALLENGE

SCALABILITY
Scaling up

SUSTAINABILITY
Financial sustainability

SELECTIVITY
Suitability to the target profile



1. DIAGNOSIS (+15)

- Covid-19 & Investments impact evaluation
- Value chains mapping
- Entrepreneurship profile national surveys
- Economic analysis



2. INNOVATIONS (The Rabat Manifesto) (+3)

- Enabling environment : regulatory framework conducive to formalization and MSMEs development.
- Entrepreneurship promotion tools: profiling systems, outsourcing mechanisms, impact investment fund.



3. TECHNICAL ASSISTANCE

- Dialogue (meetings, workshops) and capacity building to facilitate innovations adoption by stakeholders
- Advice and contribution to the design/optimization of programs/reforms



4. PARTNERSHIP (+5)

- Share of experiences and Contribution to existing DFIs working groups
- Technical and financial resources mobilization for joined activities (EBRD, WB, UK, etc.)
- High level multiactors events : Rabat Conference (June 2022); Cairo workshop (February 2024)

OUTCOMES

5+

AfDB's projects and Country Strategy Papers informed by EInA activities

Morocco: PAGCS-2; PI2EF; 2024-2028 Moroccan CSP.
Tunisia: 2024-2028 Tunisian CSP; RBF

6+

Policies/programs designed or implemented with EInA support

Morocco: Ana Moukawil; Entrepreneurship & jobs national Policy ; SNFE; CNEA
Tunisia: CAP-Emploi; YEIB, MSME Act
Egypt: : JELE program

Influence



DAY 1 – Presentation 2

INSTRUMENT DE PROFILAGE DES ENTREPRENEURS

Objectives et aspects méthodologiques

Atelier sur les Innovations Opérationnelles

Cairo, 12 et 14 février, 2024



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SOMMAIRE

- 1.** Pourquoi une enquête sur l'entrepreneuriat ?
- 2.** Méthodologie
- 3.** Types d'analyse

01

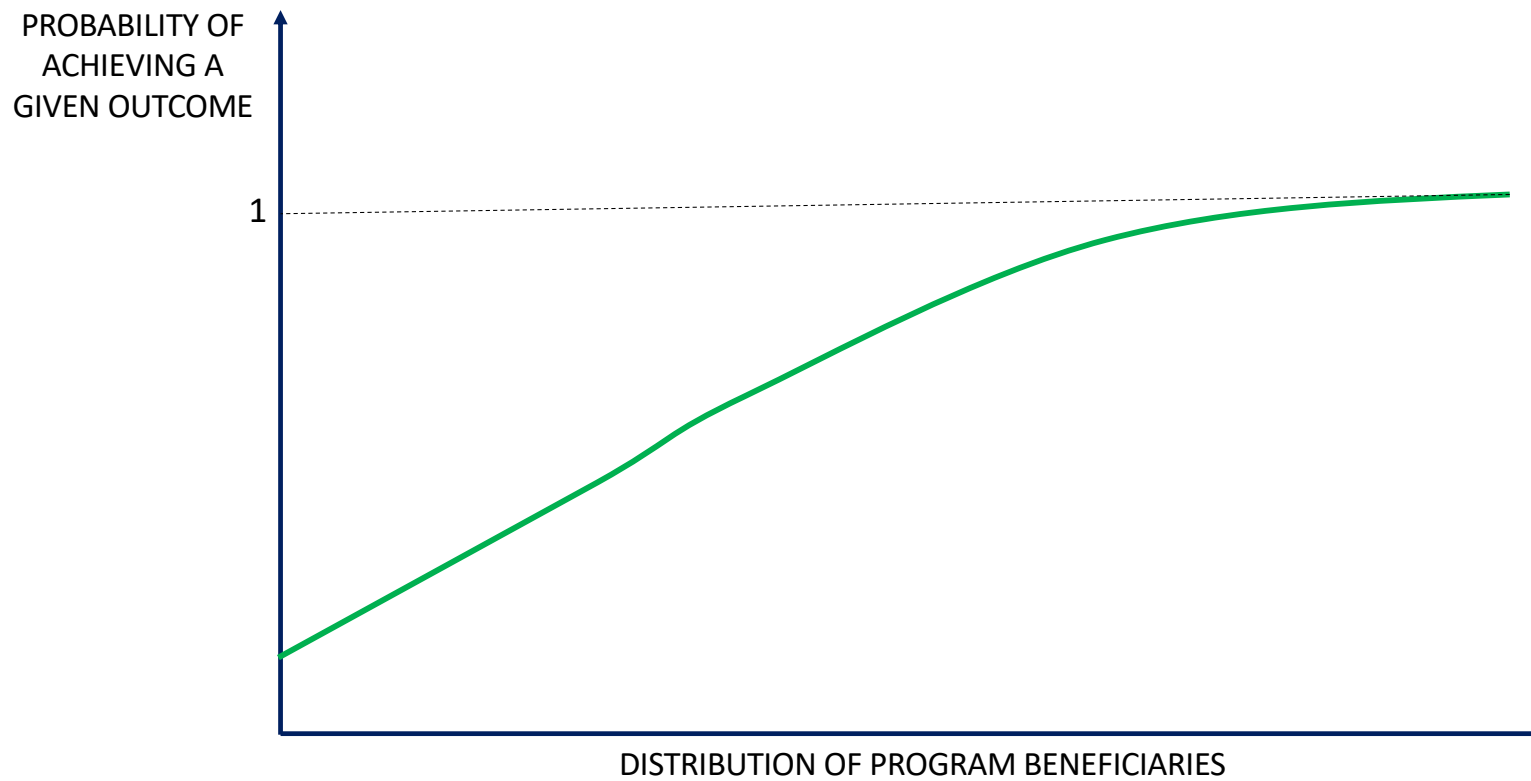
**Pourquoi une enquête sur
l'entrepreneuriat ?**



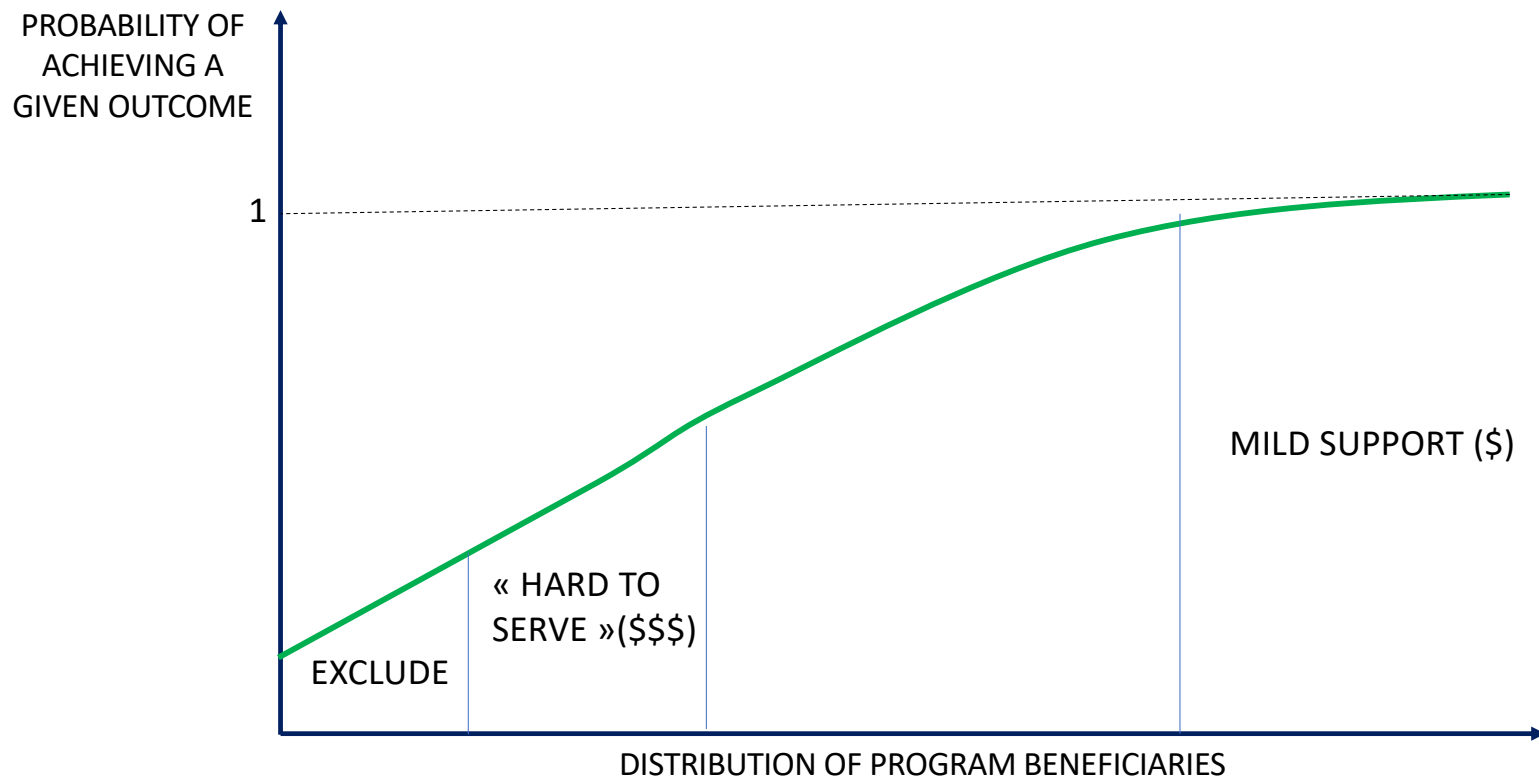
■ **Le principal objectif de l'enquête est de soutenir l'élaboration de programmes et politiques basées sur l'évidence empirique**

- Estimer les taux d'activité entrepreneuriale et la taille et distribution de la population entrepreneurs *établis* et *potentiels* par région, secteur économique et type d'activité (formelle/informelle)
- Obtenir des informations sur leurs caractéristiques sociodémographiques.
- Identifier les facteurs sociodémographiques, économiques et institutionnels qui affectent le niveau d'activité entrepreneuriale et le succès de ces activités.
- Estimer le potentiel de création d'emplois des entrepreneurs actuels et futurs.

- L'enquête est aussi nécessaire pour concevoir les *systèmes de profilage statistique* des différents programmes (pour réduire les problèmes de sélectivité)



- L'enquête est aussi nécessaire pour concevoir les *systèmes de profilage statistique* des différents programmes (pour réduire les problèmes de sélectivité)



02

Méthodologie



L'enquête du profil entrepreneurial

Représentative du marché du travail au niveau national et régional



Ménages



Individus
âgés 18+



Entrepreneurs
établis



Entrepreneurs
potentiels



Autres travailleurs
(inactives, chômeurs,
salariés formels, salariés
informels)



L'enquête du profil entrepreneurial

Données collectées

**Caractéristiques
sociodémographiques**

**Motivations et
capacités intrinsèques**

**Utilisation des
programmes publics**

**Caractéristiques des
entreprises**

**Contraintes à l'activité
entrepreneuriale**

**Demandes en termes
de services d'appui**

(Taille, secteur, ventes, CI,
productivité, salaires)

(Création, croissance,
formalisation)



Arbitrage entre entrepreneuriat et travail salarié

(Le modèle s'applique à la population des travailleurs occupés)



Caractéristiques
Démographiques

Education

Capacités
Intrinsèques

Caractéristiques
économiques des régions



TRAVAIL SALARIÉ FORMEL

TRAVAIL SALARIÉ INFORMEL

ENTREPRENEURIAT D'OPPORTUNITÉ

ENTREPRENEURIAT DE NÉCESSITÉ



L'intention d'entreprendre

(Le modèle s'applique à la population des 18+ moins les entrepreneurs établis)



Caractéristiques
Démographiques

Education

Capacités
Intrinsèques

Caractéristiques
économiques des régions

INACTIVITÉ

CHÔMAGE

TRAVAIL SALARIÉ



INTENTION D'ENTREPRENDRE



De l'idéation à la gestation

(Le modèle s'applique à la population des entrepreneurs potentiels)



Caractéristiques
Démographiques

Education

Capacités
Intrinsèques

Caractéristiques
économiques des régions



IDÉATION

ACTIONS CONCRÈTES



Le succès de l'activité entrepreneuriale

(Le modèle s'applique à la population des entrepreneurs établis)



Caractéristiques
démographiques

Éducation

Capacités
intrinsèques

Caractéristiques
économiques des
entreprises et des régions

Cadre réglementaire

Financement



FORMALISATION

CROISSANCE DE L'ENTREPRISE

PRODUCTIVITÉ DU TRAVAIL

03

Questions de politique et type d'analyse



CAS DU MAROC

25% de l'emploi

Entrepreneurs établis

Ils gèrent des entreprises de différentes tailles (l'auto-emploi est inclus)

43%

D'opportunité

- Ils le sont par choix. après avoir identifié une opportunité d'affaires

57%

De nécessité

- Ils le sont par contrainte, faute d'opportunités dans l'emploi salarié

TYPOLOGIE DES ENTREPRENEURS



10% des inactifs; 39% des chômeurs; 28% des salariés

Entrepreneurs potentiels

Porteurs de projets ayant l'intention d'entreprendre

40%

En gestation

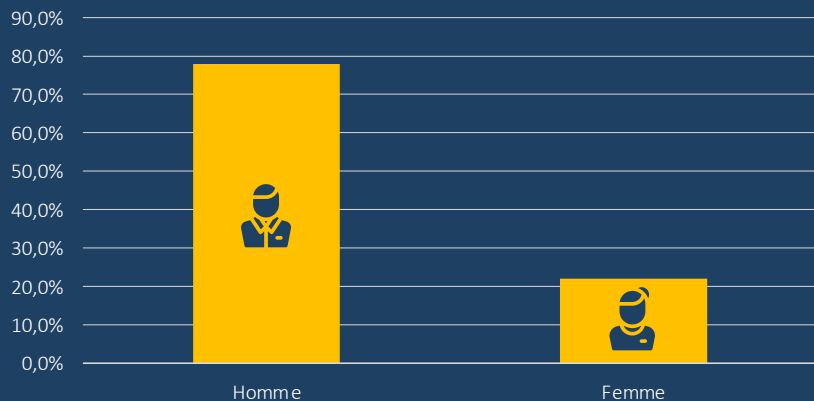
- Ils ont initié des actions concrètes vers la création d'une entreprise (certificat négatif, location d'un local, etc.)

60%

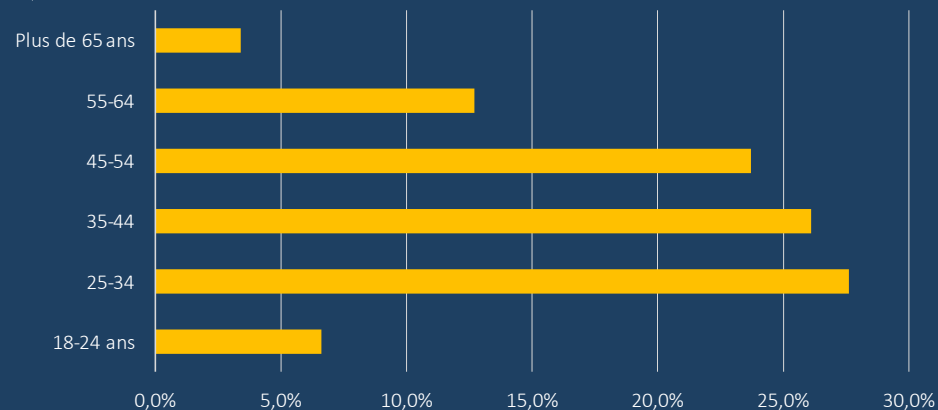
En idée

- Ils ont initié des actions conceptuelles vers la création d'entreprise (BP, formation, recherche d'un local, etc.)

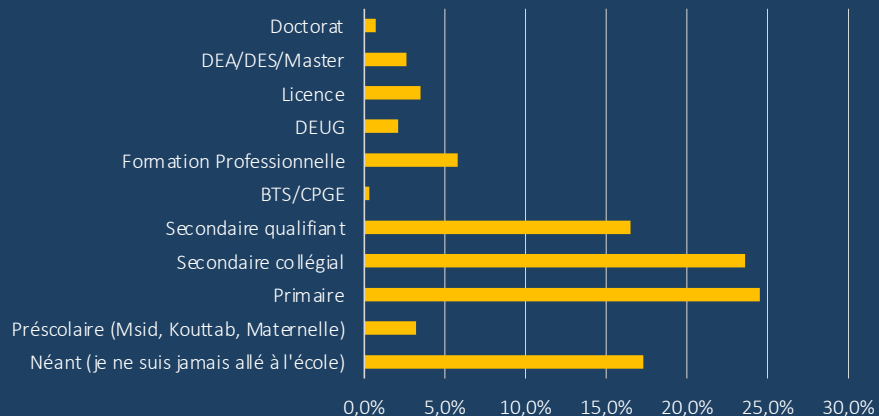
◆ Ce sont surtout des hommes...



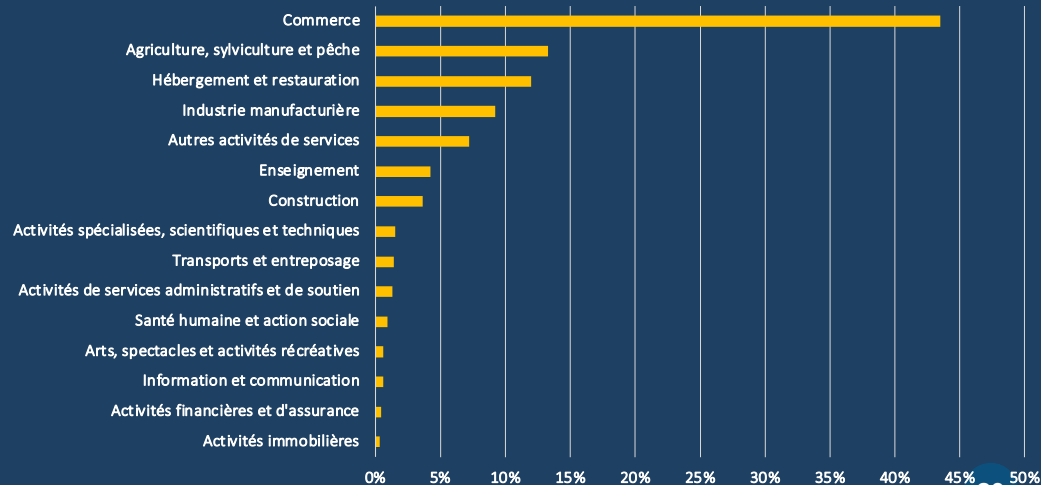
◆ ... des jeunes



◆ ... avec un faible niveau d'éducation



◆ ... dans des secteurs de faible productivité



CAS DU MAROC

CARACTERISTIQUES INDIVIDUELLES ET ACTIVITÉ ENTREPRENEURIALE : le niveau d'éducation, les compétences intrinsèques, et le genre ont un rôle important

	DECISION					INTENTION		SUCCÈS	
	Nécessité	Opportunité	Salarié informel	Salarié formel	Inactivité	Idéation	Gestation	Formel	Croissance
NIVEAU D'EDUCATION									
Secondaire	-	-			0.660	1.162	-	1.904	1.568
FP		-	0.522	1.556	0.628	1.471	2.010	2.304	1.516
Universitaire	0.249	-	0.373	3.369	0.595	-	2.387	13.582	1.638
CAPACITÉS INTRINSÈQUES									
Psychosociales	-	-	0.635	0.690	-	2.340	-	-	-
Cognitives	0.696	-	-	-	-	0.828	-	-	-
Entrepreneuriales	3.122	6.492	-	-	0.677	2.133	2.118	2.244	1.290
Comportementales	1.696	1.831	-	-	0.507	2.633	-	-	-
GRIT	-	-	-	1.293	-	1.294	0.795	1.733	1.225
DEMOGRAPHIE									
Genre	2.213	-	2.140	1.645	0.182	-	-	1.687	1.339
Age	1.036	1.050	-	1.039	1.037	0.9769	1.0244	1.025	-

DEMANDE D'APPUI DES ENTREPRENEURS: l'accès à des services d'accompagnement sont une contrainte pour l'activité entrepreneuriale ; plus de 60% des entrepreneurs demandent des services d'accompagnement technique

	Béni Mellal-Khénifra	Casablanca-Settat	Drâa-Tafilalet	Fès-Meknès	Marrakech-Safi	Oriental	Rabat-Salé-Kénitra	Régions du Sud	Souss-Massa	Tanger-Tétouan-Al Hoceima	TOTAL
ENTREPRENEURS											
Vocation	66 858	298 292	39 569	104 903	153 029	13 819	231 166	30 237	145 405	86 938	1 170 216
Subsistance	170 380	224 368	48 279	165 098	213 324	40 114	205 086	52 108	239 883	179 433	1 538 072
Gestation	114 894	71 958	28 753	233 928	141 900	94 189	442 805	110 422	474 985	114 537	1 828 371
Latent	377 612	75 745	57 092	277 487	359 485	50 005	264 540	209 195	527 463	636 763	2 835 387
TOTAL	729 744	670 363	173 693	781 415	867 738	198 127	1 143 598	401 961	1 387 736	1 017 672	7 372 047
DEMANDE											
Établis	123 364	423 145	36 053	147 393	194 387	21 541	308 823	36 816	255 754	172 902	1 720 178
Potentiels	270 632	103 111	46 390	283 631	307 399	41 427	539 209	173 904	579 215	415 093	2 760 011
TOTAL	393 996	526 257	82 443	431 024	501 786	62 968	848 032	210 720	834 969	587 995	4 480 190

- L'accès au financement est aussi une « contrainte » à l'activité entrepreneuriale (près de 90%), mais qui reflète, en grande mesure, la nature des entreprises

Mode de financement	Opportunité	Nécessité
Financement des membres de la famille	48,0%	44,1%
Amis ou voisins	9,8%	10,1%
Auto-financement	66,8%	72,4%
Banques ou autres institutions financières	10,6%	6,3%
Programmes gouvernementaux	2,3%	2,1%
Demande de crédit aux banques	9,5%	4,8%

MERCI

Retrouvez les
partenaires, opportunités,
témoignages et autres informations
sur notre site Internet :

<https://www.eina4jobs.org>

Contactez notre équipe via notre adresse électronique :

eina@afdb.org



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DAY 1 – Presentation 3

NON-COGNITIVE SKILLS FOR ENTREPRENEURSHIP

Dr. Nancy Guerra
University of California at Irvine
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SUMMARY

1. What are non-cognitive skills?
2. What has research shown across studies?
3. PRACTICE-8 key skills that predict success
4. NCS for entrepreneurs—what predicts success; why we need to measure and train NCS.
5. PRICE—Problem solving, resilience, initiative, control, emotional intelligence.

01

What are Non-Cognitive Skills?

Non-cognitive skills have been defined broadly as “patterns of thoughts, feelings and behavior.”

What they are not: Academics:
Math, reading, job-specific skills.

Economic studies of employer demand for skills reveal a multitude of lists of desired skills. Different studies have vastly different lists of skills, ranging from discrete life skills such as “being on time” or “computer literacy” to broader constructs such as “teamwork.” **A recent review of international studies on employer demand for skills identified approximately 140 “soft skills” defined across the sample (Cunningham and Villaseñor 2014).**

Many types of non-cognitive skills

- Personality
- Motivation
- Social-Emotional Skills
- Interpersonal Behaviors
- Attitudes and Values



PERSONALITY—bulk of research

- Traits—inherited, stable over time, difficult to teach.
- BIG FIVE:
 - Conscientiousness+
 - Agreeableness+
 - Neuroticism-
 - Openness to Experience+
 - Extraversion+



SOCIAL-EMOTIONAL SKILLS

- Impulse control
- Anger management
- Perspective taking
- Empathy
- Coping with stress



INTERPERSONAL BEHAVIORS

- Works well in groups (teamwork)
- Follows instructions
- Effective communication



ATTITUDES AND VALUES

- Respect for self and others
- Fairness
- Ethics
- Independence—being own boss



02

**What has research on NCS
and labor market outcomes
shown across studies?**

WHAT HAS RESEARCH SHOWN?

- The Returns to Non-Cognitive Skills: A **Meta-Analysis**
Sofie Cabus (University of Leuven, Belgium), Joanna Napierala (Joint Research Centre), Stephanie Carretero (Joint Research Centre)

(JRC Working Papers Series on Labour, education and Technology
2021/06)

- ❖ The systematic literature review of articles published in the last decade and analyzing labor market outcomes and non-cognitive skills allowed us to extract more than **300 estimates linking earnings and non-cognitive skills**, often measured by the Big Five inventory.
- ❖ We observe that **conscientiousness** and **openness** are two personality traits that **bring higher earnings**, while **agreeableness and neuroticism** (low emotional stability) are associated with receiving **lower earnings**.
- ❖ Some gender differences are also observed. With trainable skills, **older and female participants seemed to benefit more** from programs targeted at developing non-cognitive skills than younger participants and men.

03

**PRACTICE—Eight key
trainable skills that predict
labor market success**

How do we select most relevant NCS to predict labor market success and that can be trained?

- <https://openknowledge.worldbank.org/entities/publication/31d87f4a-8d86-50e8-9996-c9a4fb2f1177>
- The objective of this paper is to provide a coherent framework and related policies and programs that bridge the psychology, economics, and education literature, specifically that related to skills employers value, non-cognitive skills that predict positive labor market outcomes, and skills targeted by psycho-educational prevention and intervention programs.

PRACTICE—8 trainable skills

- **Problem-solving**
- **Resilience**
- **Achievement Motivation**
- **Control (Self-control)**
- **Teamwork**
- **Initiative**
- **Confidence**
- **Ethics**

04

Non-Cognitive Skills for Entrepreneurs

WHAT ARE KEY SKILLS FOR ENTREPRENEURIAL SUCCESS IN THE RESEARCH LITERATURE?

- Key is to select based on **skills** that are most predictive of **entrepreneurial success** and that can be enhanced with additional training.
- **Skills that predict overall earnings may not be specifically related to entrepreneurship, or may not be enough (conscientiousness helps, but need skills like resilience, problem solving).**

Morocco Survey

- Psychosocial
- Cognitive
- Entrepreneurial **
- Behavioral
- GRIT **

**Entrepreneurial success

Research has found these skills, traits and beliefs predict entrepreneurial success:

- Problem Solving*
- Initiative*
- Creative thinking*
- Entrepreneurial self-efficacy*
- Positive attitudes towards entrepreneurship*
- Emotional stability
- Emotional intelligence*
- Conscientiousness
- Openness to experience
- Risk tolerance*
- Calculated risk taking*
- Internal locus of control*
- Resilience*
- Self awareness*
- Self regulation & discipline*

Why entrepreneurship programs need to measure and train NCS

- Policymakers can **identify**, at the national and regional level, what skills seem to be important to predict entrepreneurial success that can be enhanced with training.
- This allows for identification of who is a better ‘risk” for entrepreneurial engagement with perhaps limited support and who might be better off going into wage employment.
- Government can put in place the necessary **policies and programs to** maximize likelihood of E-success by augmenting trainable skills.

How do we know which skills to measure?

- **What skills are most relevant for entrepreneurial success in N. Africa?**
- **What skills can be enhanced through targeted policies and programs?**



PRICE

- Problem solving
- Resilience
- Initiative
- Control (self control)
- Emotional intelligence

PROBLEM SOLVING

- Gather information, generate multiple solutions, consider consequences, act, reflection.

“I don’t run away from problems.”

“I have no problems making decisions.”

RESILIENCE

- Ability to bounce back after failure—involves GRIT (long-term goals, persistence), growth mindset, not afraid of risk.

“I’m not afraid of change.”

“I’m in a perpetual learning process.”

“I am persistent.”

INITIATIVE

- Assess and initiate things independently; take charge before others do, take appropriate action without being told what to do, independence.

“I like to take initiative.”

“I want to create something new.”

CONTROL

Ability to regulate one's own emotions and behaviors:

- Anger management
- Self-discipline/conscientiousness
- Impulse control

“I remain calm even in difficult situations.”

“I respect my commitments.”

EMOTIONAL INTELLIGENCE

- Self awareness
- Other awareness--empathy, social skills

(No related questions on survey—would ask about knowledge of strengths and weaknesses, gets along with others, works well in groups)

NEXT STEPS

- Are PRICE skills related to entrepreneurial success and relevant for N. Africa?
- When and how should they be assessed?—to determine eligibility and to maximize success.
- Can educational programs and policies be enhanced to support development of these skills?

THANK YOU!
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Banque Européenne
pour la Reconstruction et le Développement

DAY 1 – Presentation 4

Tunisia Entrepreneurship profiling

12-14 February 2024, Cairo



OVERVIEW

Part I

Entrepreneurship profiling: **Household survey**

Part II

Entrepreneurship profiling: **SME survey**

Context and Objectives

- ❑ The study, was carried out jointly with the African Development Bank (AfDB) through the EinA initiative (Entrepreneurship Innovations and Advice) with IACE and other partners.

The study aims ;

01 to deepen understanding of the entrepreneurial sector in Tunisia

02 To examine the profiles of current and potential entrepreneurs and identify their challenges and needs

03 to provide evidence-based policy recommendations

04 to stimulate entrepreneurship and the development of SMEs in Tunisia

Part I

Entrepreneurship profiling: **Household survey**

Part I

Entrepreneurship profiling: Household survey

□ The survey covers both individuals and households based on a single questionnaire covering 5 axes.

Axe 1 - Socio-demographic profiling: Gather information on region of residence, level of education, field of study, current activity, professional experience, etc.

Axe 2 - Current entrepreneurs: Gather information on the business sector, number of employees, costs, motivations, legal status, accounting management, obstacles to entrepreneurship, sources of financing, etc.

Axe 3 - Future entrepreneurs: Gather information on the sector of activity envisaged, actions taken, motivations, administrative formalities, legal status, accounting management, obstacles to entrepreneurship, sources of financing, etc.

Axes 4 - Intrinsic capabilities: Assessment of entrepreneurial personality traits, entrepreneurial skills, non-cognitive and behavioral skills.

Axes 5 – Informality: Understand the main obstacles preventing companies from formalizing their operations.

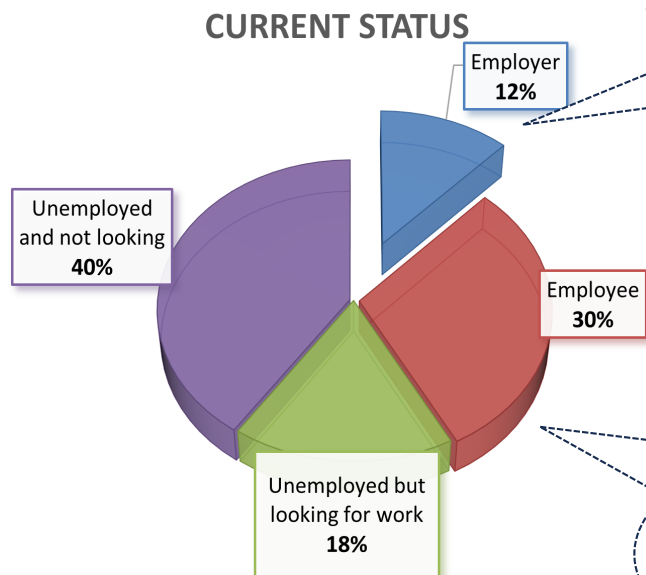
Part I

Entrepreneurship profiling: Household survey

- The survey target is Tunisian adults aged 18 or over, living in urban or rural areas.
- **9,000 individuals** will be selected to take part in the survey, corresponding to an estimated **3,000 households**, taking into account an average of 3 adults per household, according to data from the Institut National de la Statistique (INS).
- Distribution by region and gender;
 - **7 Tunisian regions** will be represented
 - **4,500 men** and **4,500 women** will be interviewed

Part I
Entrepreneurship profiling: Household survey

□ A preliminary snapshot of the results of 1,000 individuals surveyed since the start of the survey on 8/02/2024.



- 33% of Employers are women and 67% are men
- 8% of employer are informal

- 33% of respondents who are not satisfied with their current situation are planning to create their project

The main obstacles to entrepreneurship in Tunisia, mentioned by current and potential entrepreneurs interviewed;

- ✓ Access to financing
- ✓ Administrative complexity
- ✓ Lack of support services

Part II

Entrepreneurship profiling: **SME survey**

Part II

Entrepreneurship profiling: SME survey

□ The survey covers SMEs from different sectors based on a single questionnaire covering 7 axes.

Axe 1- Managers: Collect information on managers' socio-demographic characteristics

Axe 2- Employment and skills: Evaluate the situation in terms of employability and examine the problems faced

Axe 3- Revenues/Activities/Financing: Understand the company's financial analysis, in particular the cash flow situation

Axe 4- Market positioning: Determine the level of market access, including export activities

Axe 5- Needs and expectations: Gather company needs and expectations concerning existing SME support policy programs

Axe 6- Ecosystem: Analyze companies' perceptions of the proximity of support services for job creation, access to information, and the quality of support provided to SMEs, including access to financing

Axe 7- Regionalization and informality: Identify regional and living environment disparities and the causes of the predominance of informality;

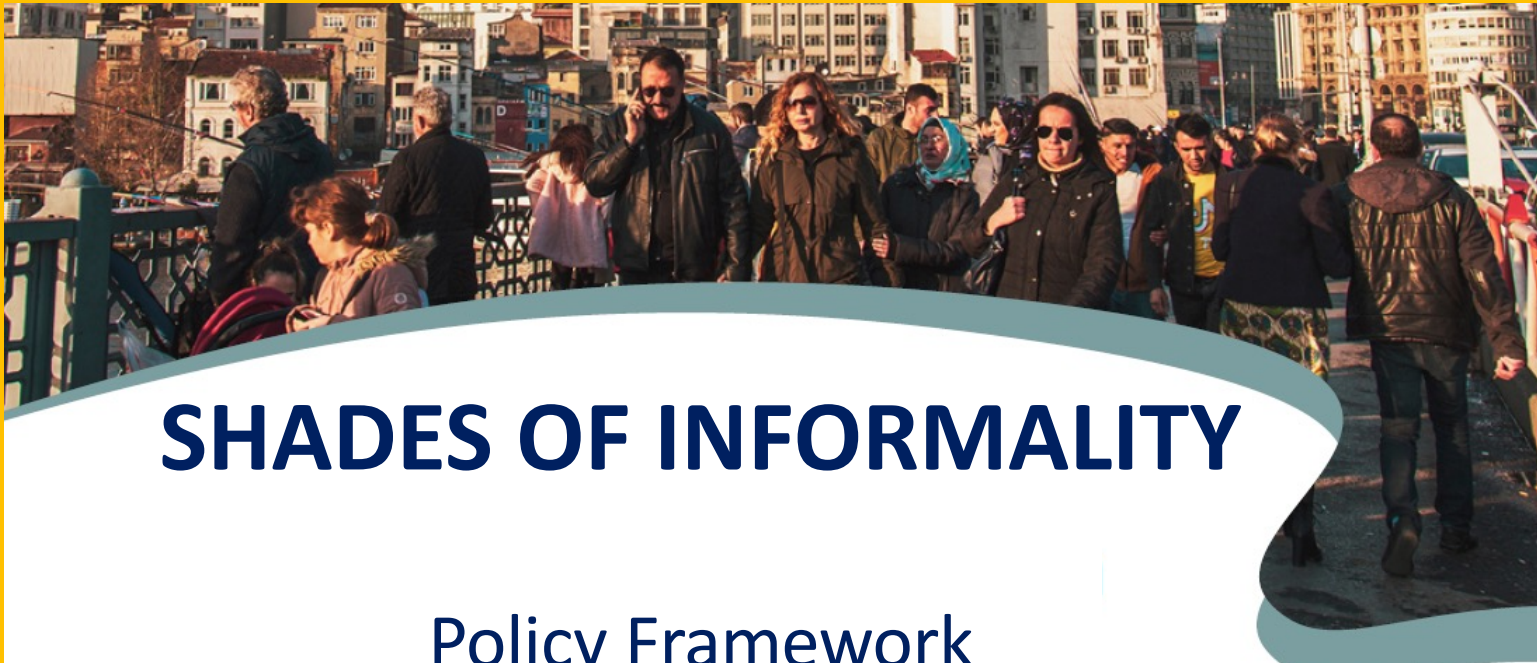
Part II

Entrepreneurship profiling: SME survey

- The survey target is Tunisian SMEs,
- **2,200 SMEs** will be selected to take part in the survey, corresponding to companies employing between 6 and 200 employees according to the Institut National de la Statistique definition of SMEs,
- Distribution by region and sector;
 - **7 Tunisian regions** will be represented
 - **5 sectors** will be targeted (agriculture, industry, construction, trade, services)

Thank you For you Attention

DAY 1 – Presentation 5



SHADES OF INFORMALITY

Policy Framework

Heba Elgazzar
World Bank

■ Outline

Aim: Examine segmentation of firms and workers in terms of (in)formality, with a focus on labor markets and social security

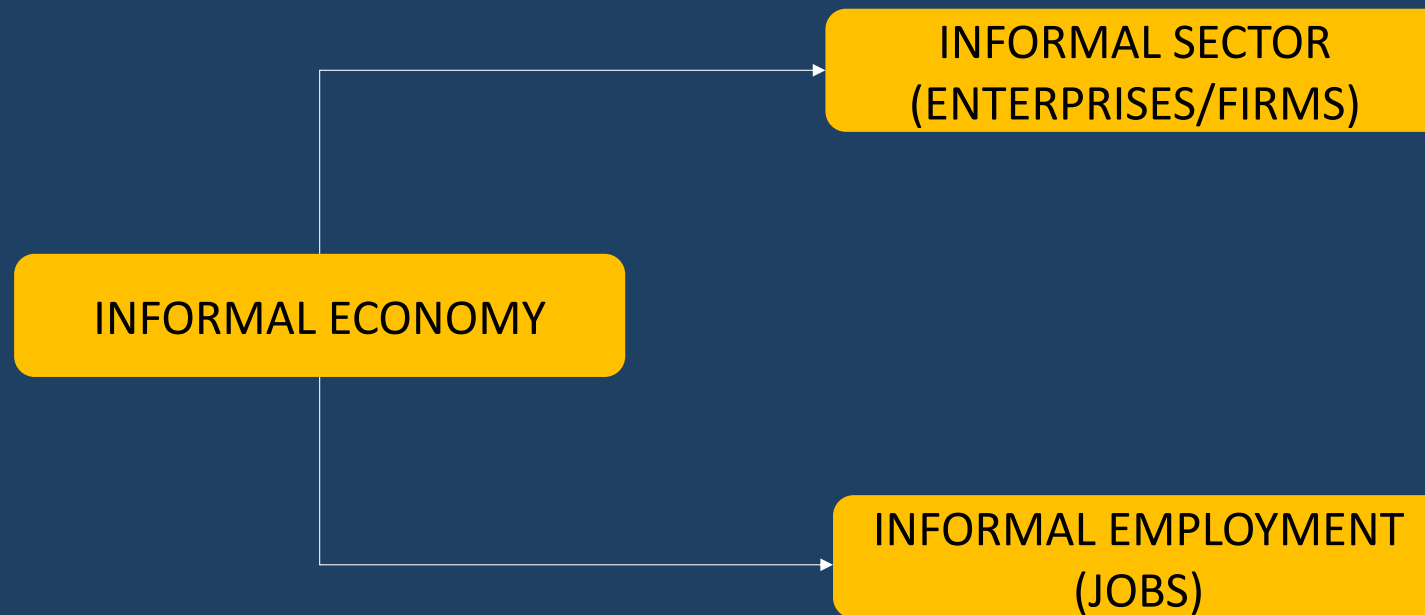


01

DEFINITION(S)

■ No clear consensus, some working definitions

International Conferences of Labour Statisticians (ICLS; 15th 1993, 17th 2003)



“...The resolution recognized that activities excluded from the scope of the informal sector definition were not necessarily formal.” (15th resolution)

■ Some variations, generally firms without tax or social security registration

BRAZIL

Household unincorporated enterprises with **fewer than six employees** and without a complete set of accounts (agriculture excluded)

MEXICO

Household unincorporated enterprises that have no complete set of accounts and are **not registered** (agriculture excluded)

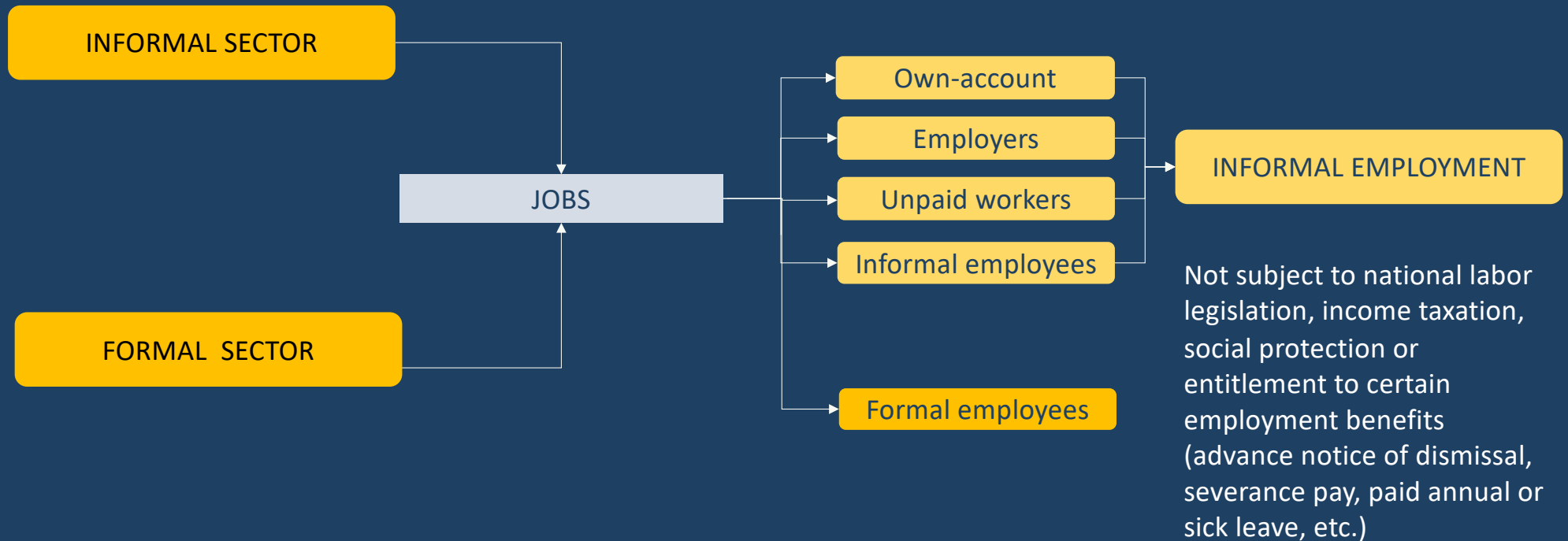
TÜRKIYE

Household unincorporated enterprises **paying a lump-sum tax or not paying any tax**, and with **fewer than 10** persons engaged (agriculture excluded)

CÔTE D'IVOIRE

Household unincorporated enterprises that **do not have a tax registration number** or written accounts and **do not pay social security contributions** (agriculture largely excluded)

■ Segmenting “jobs in the informal sector”/“informal employment”



02

TRENDS

■ Informality has different shades, from agricultural to digital, from low- to high-income

Low middle-income



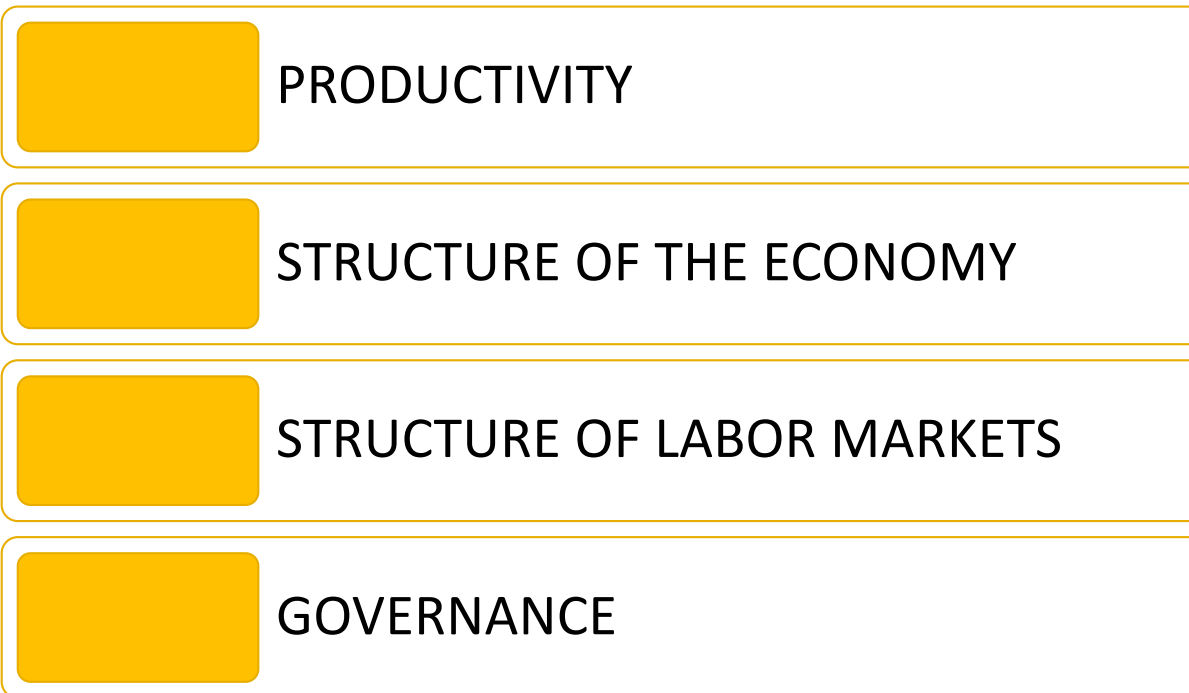
COTE D'IVOIRE

Upper middle-/high-income

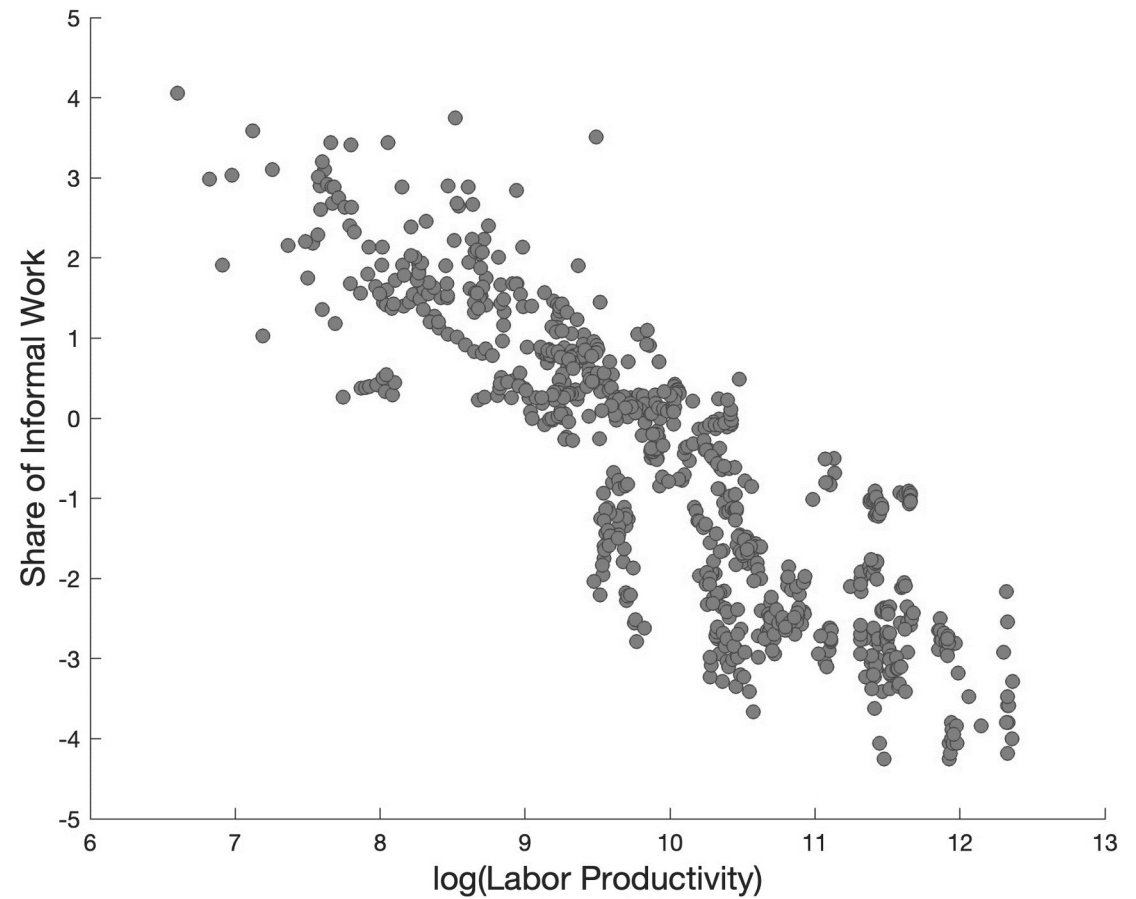


TURKIYE

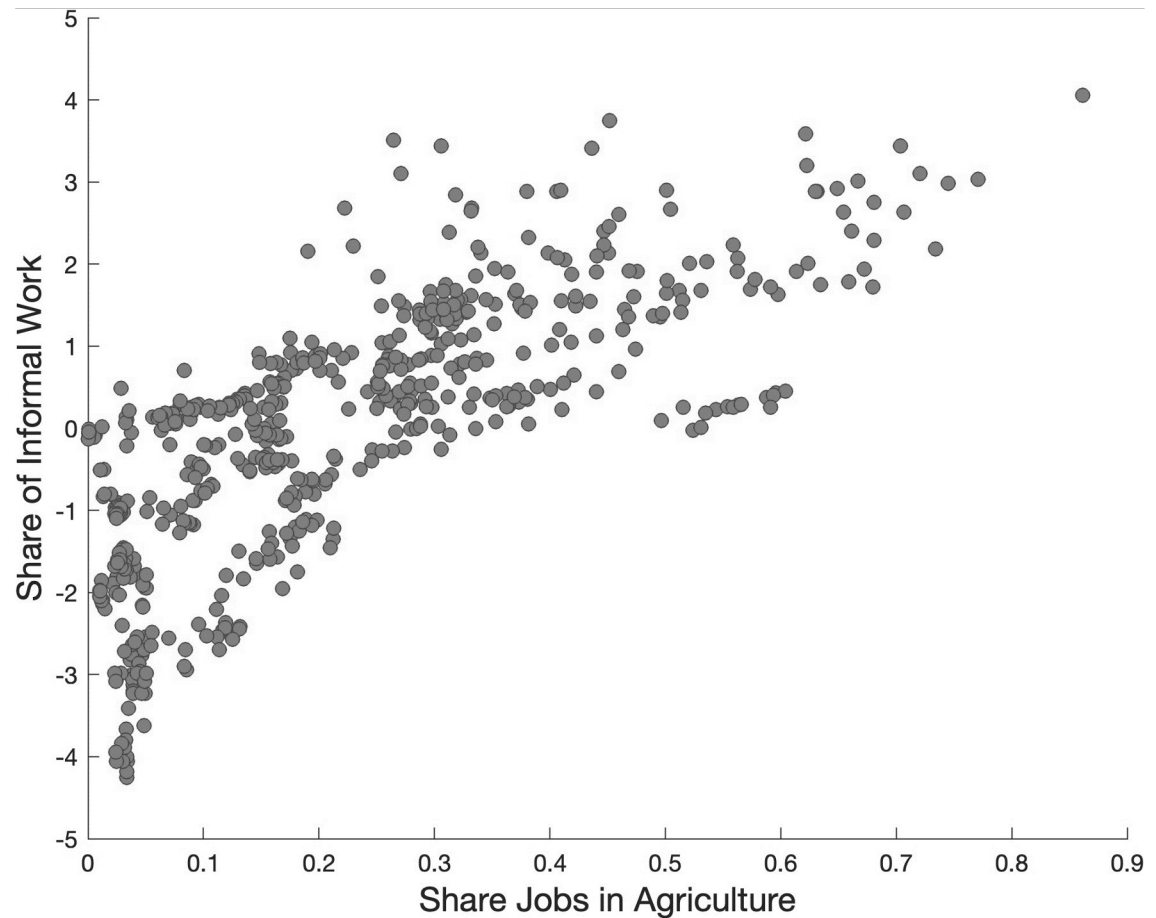
■ Four key macro-drivers of informality



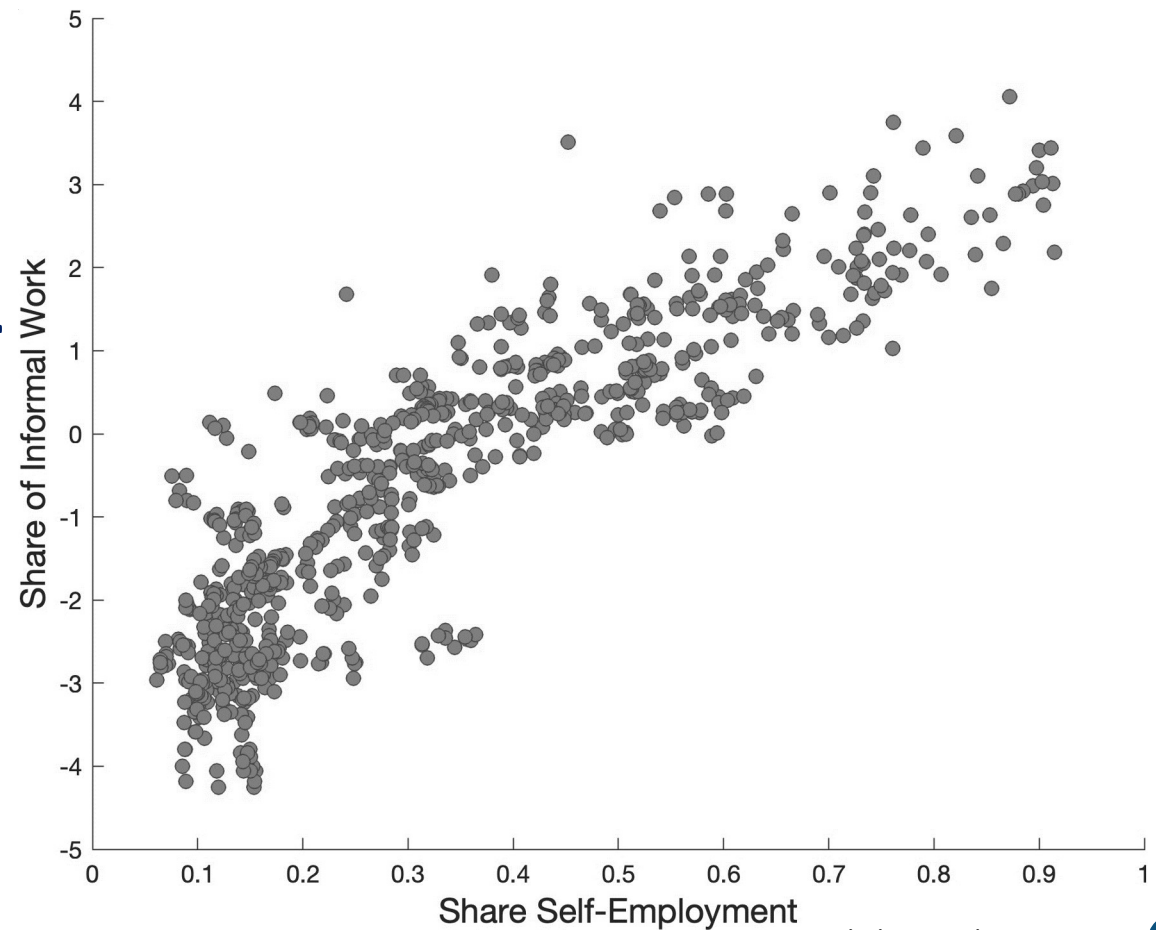
- As labor *productivity* increases, informality decreases



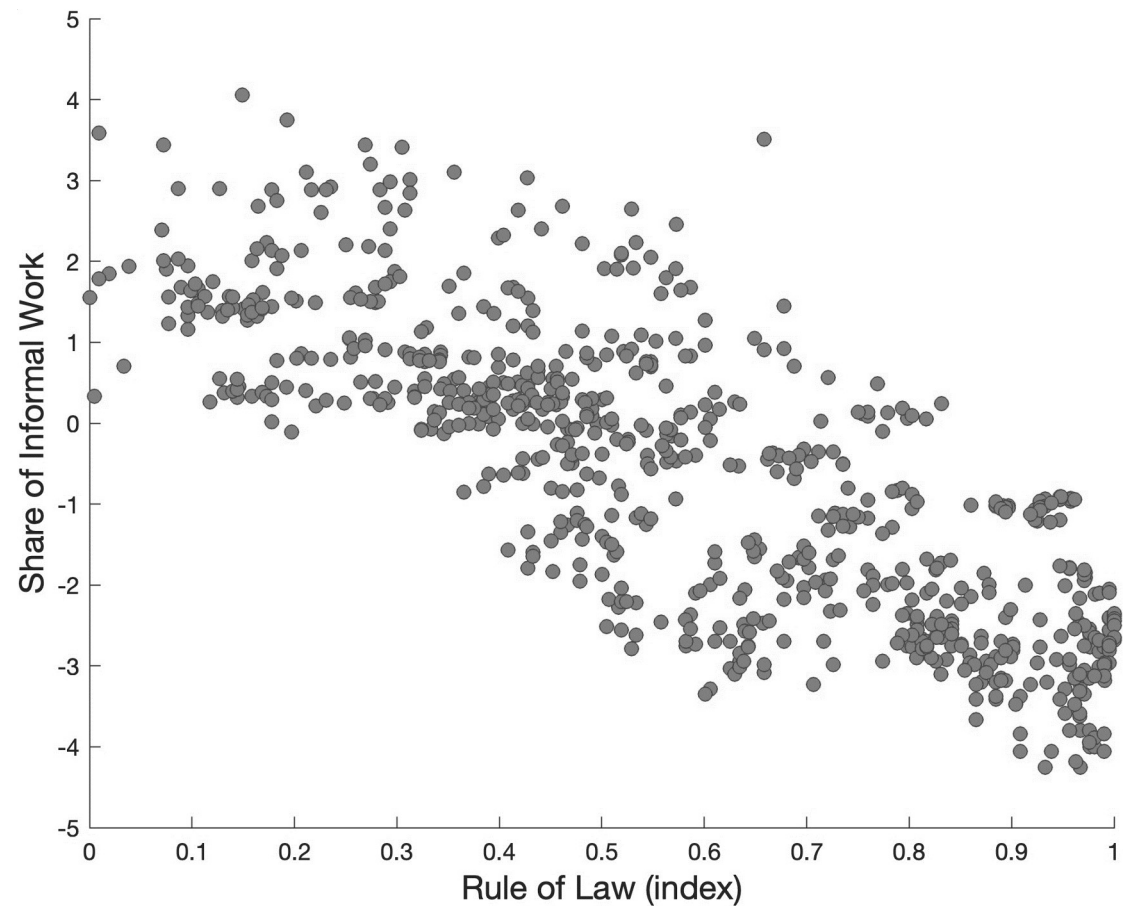
- **Structure of the *economy* matters: Informality is higher where *agriculture* accounts for more jobs**



- Structure of the *labor market* matters: Informality is higher where self-employment is higher



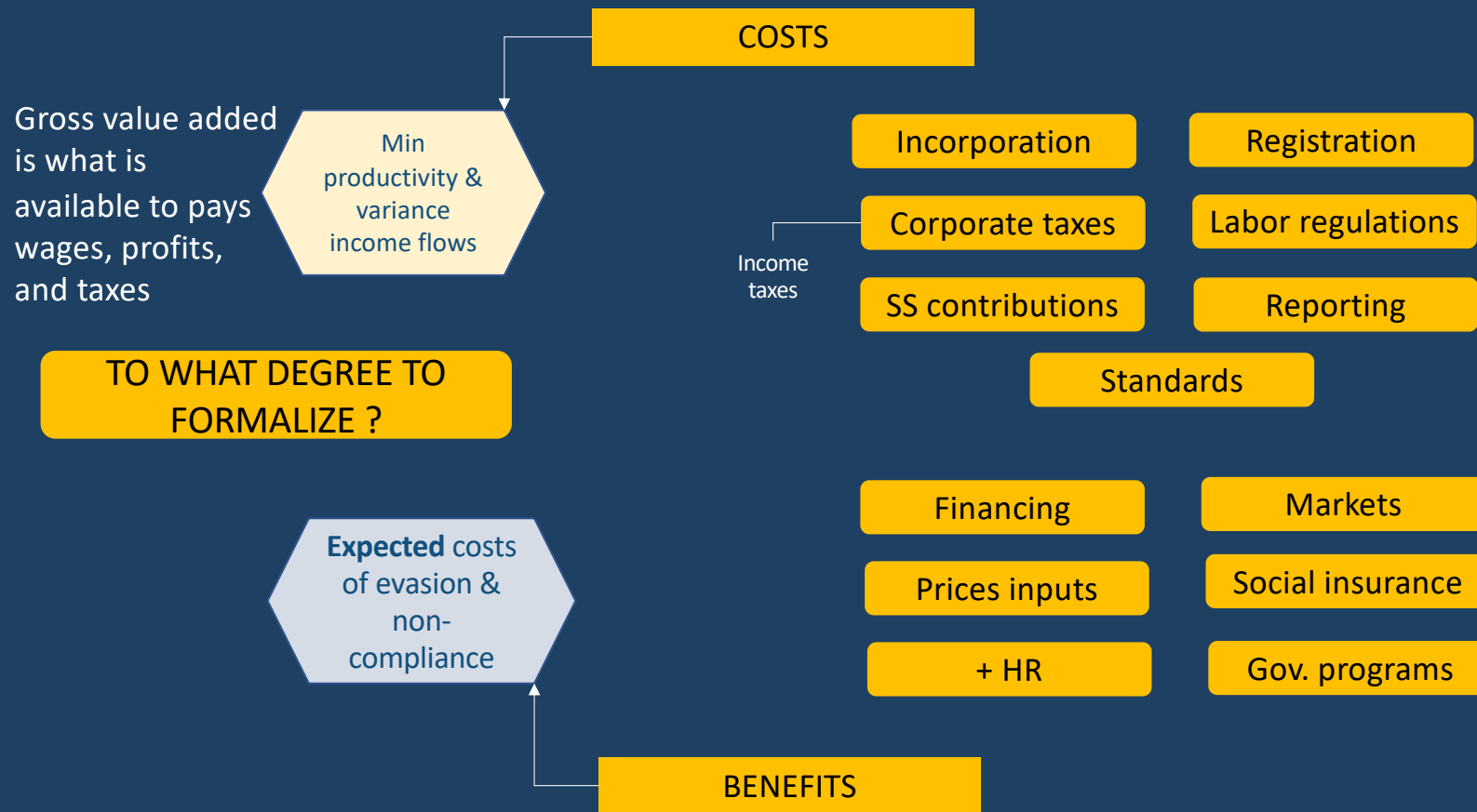
- **Governance matters:**
Informality is lower
where the rule of law
(and quality of
regulation) is stronger



03

POLICY

■ Choices facing entrepreneurs (own-account; employers)



■ Policy framework for boosting formal, quality jobs via labor and social security policy

AT THE FIRM-LEVEL

Improve incentives for employers to formalize firms and create formal jobs

- Improvements in general regulations/fiscal policies to reduce the cost of formality and increase the benefits (including access to social insurance)
- Special, temporary, regimes for micro, low-productivity enterprises (exemptions from tax, SS contributions, and labor regulations)
- Programs to provide support services, finance, and increase labor productivity

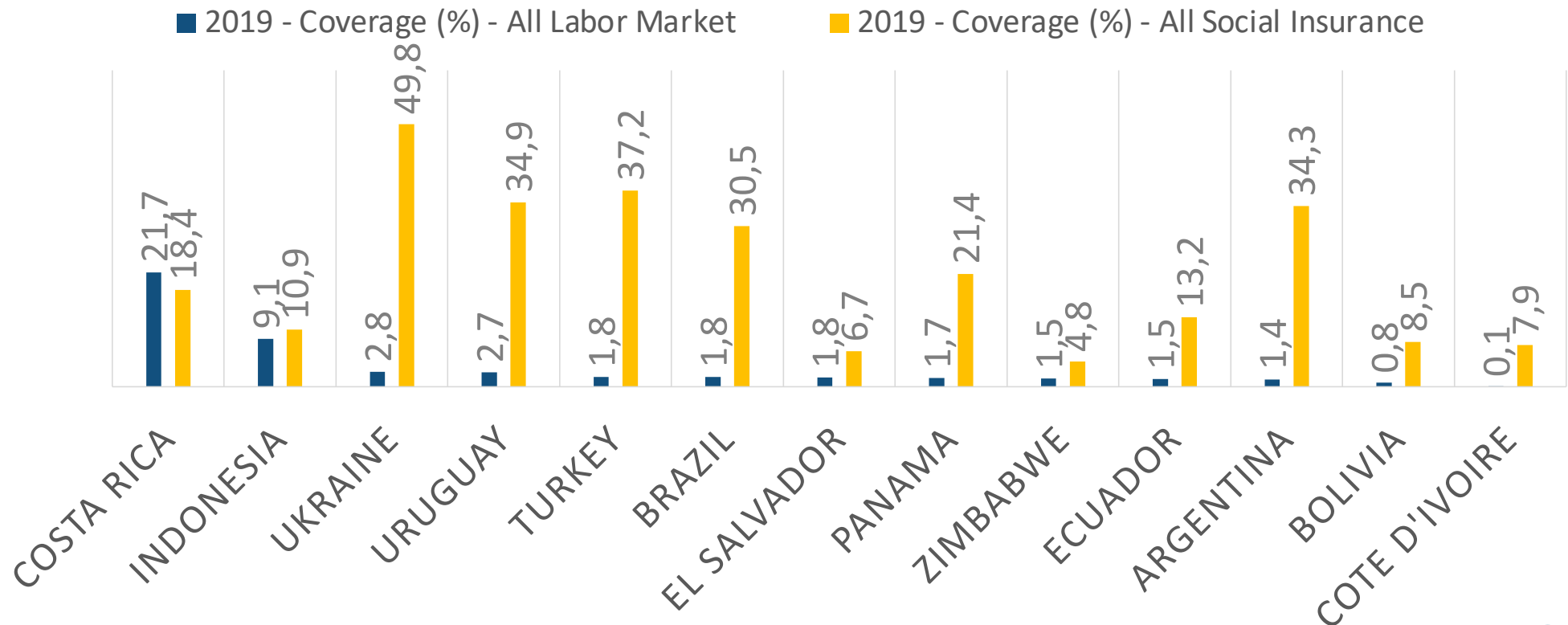
AT THE WORKER-LEVEL

Improve incentives to take formal jobs and enroll/contribute to social security

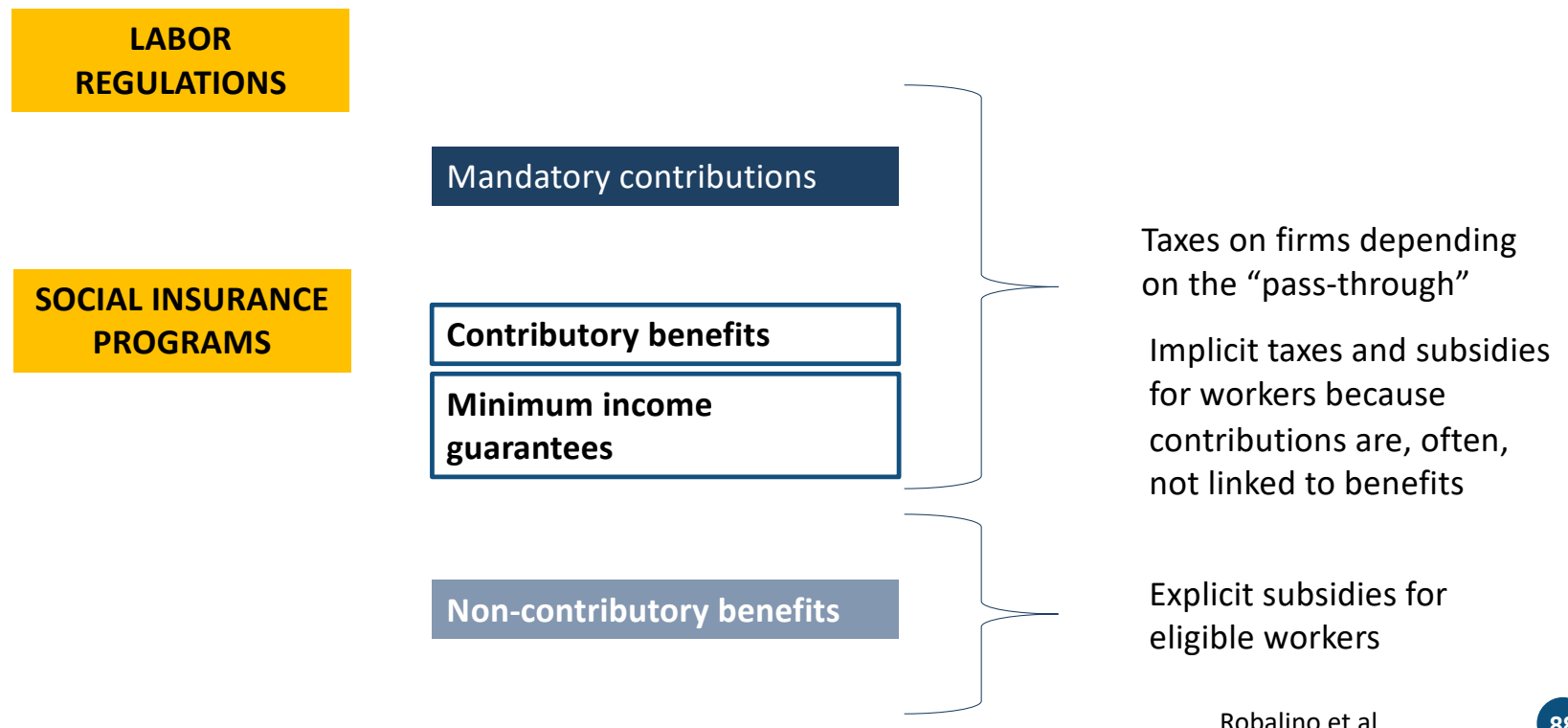
- Training and retraining programs to improve levels of human capital
- Regulatory neutrality across contracts
- Delink access to social insurance programs from the labor contract
- Eliminate implicit subsidies and taxes in social insurance programs

■ Choices facing policy: social security and labor regulation design

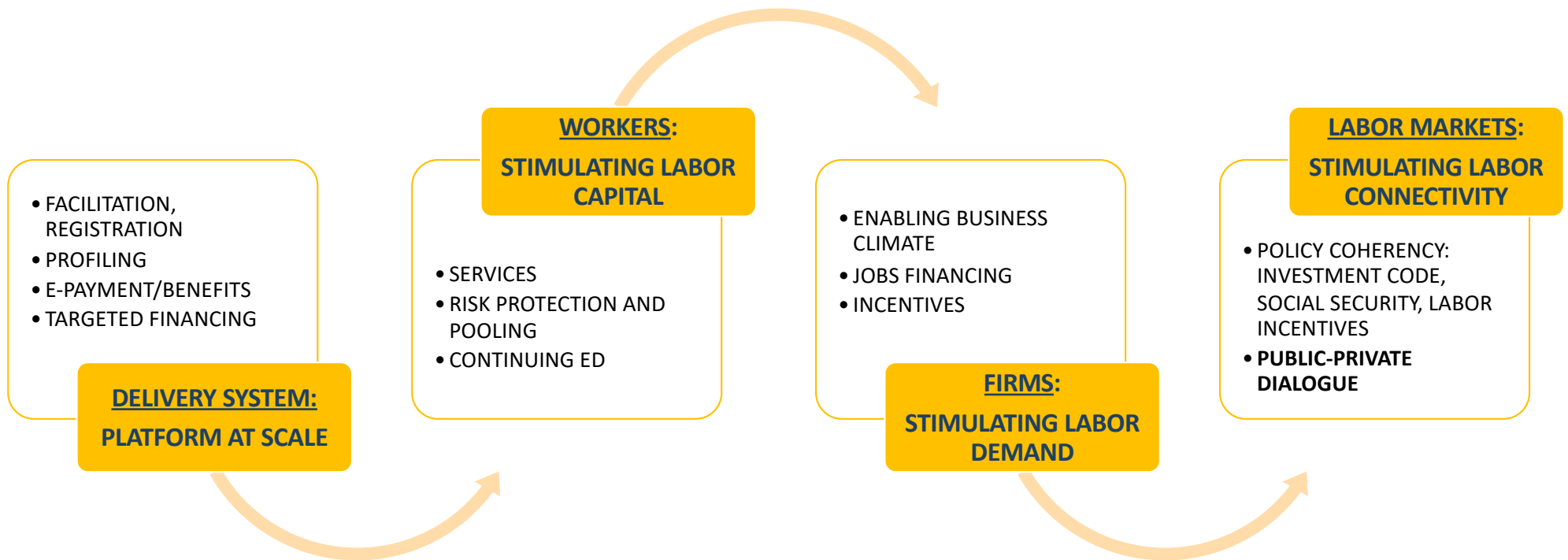
COVERAGE OF LABOR POLICIES, 2015-2019 ESTIMATE (%)



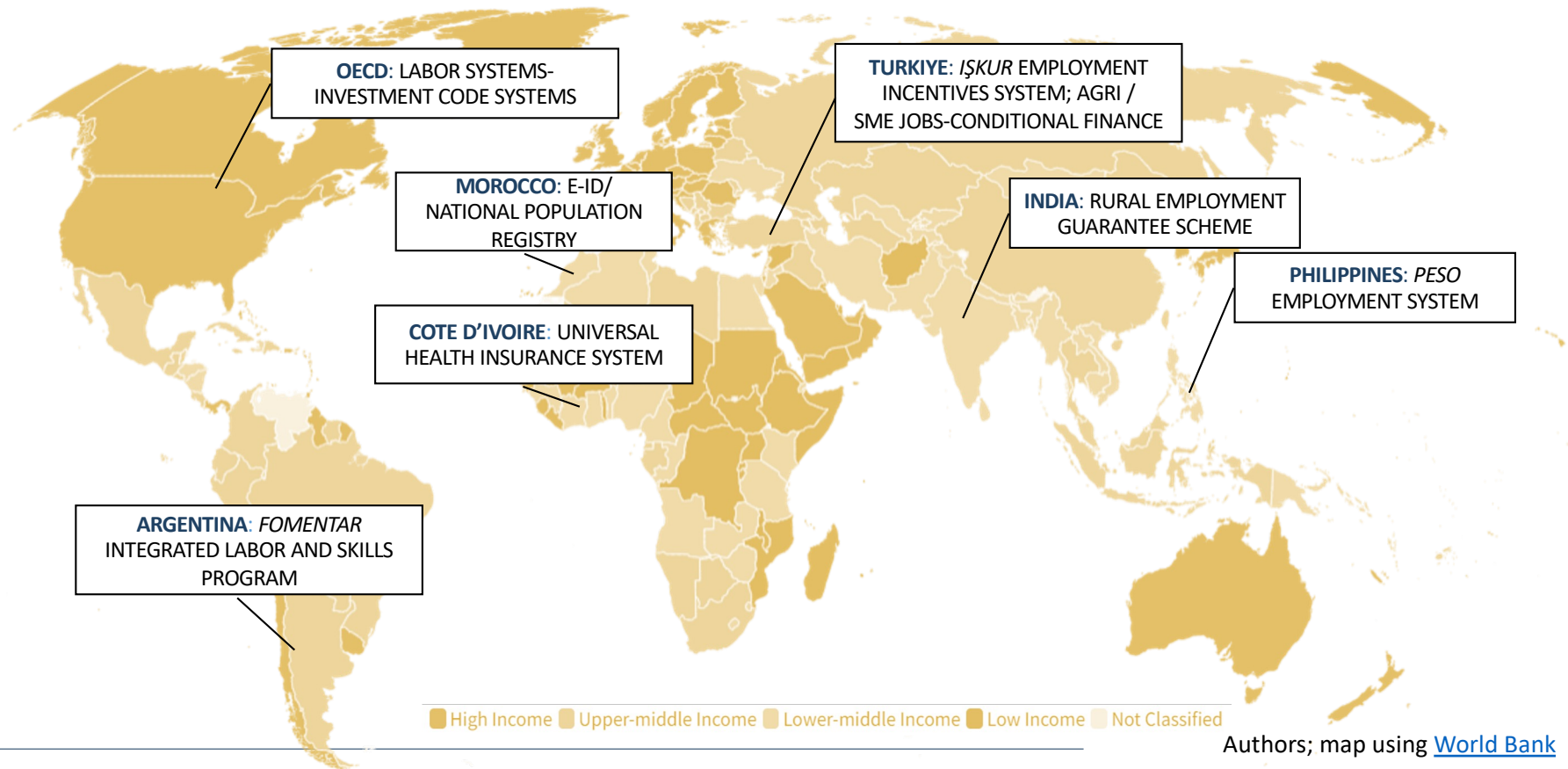
■ Better incentives to formality require eliminating implicit taxes and subsidies



■ Designing smart labor systems at scale: public-private dialogue



■ Outlook: informality and labor systems in *transition*



Authors; map using [World Bank](#)



THANK YOU

DAY 1 – Presentation 6

Special Schemes for Small Taxpayers: Lessons from Latin America

- Regulatory framework for small taxpayers and informal sector integration: lessons learned from Latin America.
- Taxes and Social Security Contributions included in the Special Schemes for Small Taxpayers (SSST)
- Ricardo Fenochietto, International Consultant

February 2024



Outline

- *Introduction: General Description of Tax Systems in Latin America (LATAM); Level and Causes of Labor Informality.*
- *International Experience (emphasis in LATAM Countries).*
- *Conclusions and Recommendations*

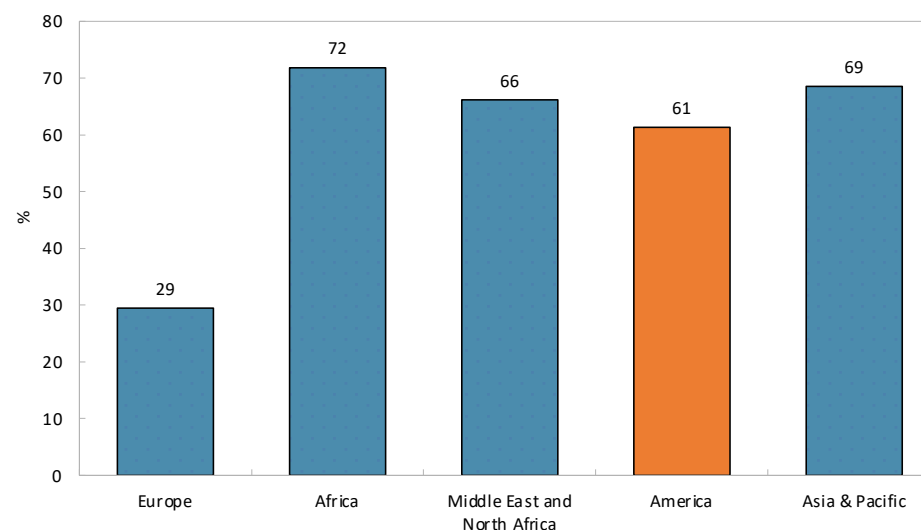
Introduction

Tax Indicators

	Central America	South America	Latin America	OECD
Taxes	14.4	18.7	16.7	25.3
Income Taxes	5.1	5.3	5.3	11.9
PIT	1.5	1.9	1.8	8.7
CIT	3.6	3.5	3.5	3.2
VAT	5.4	6.9	6.2	7.2
Others on Good & Services	2.8	1.7	3.1	2.4
On Property	0.2	0.4	0.3	1.8
Other Taxes	0.8	4.3	1.8	2.0
Social Security Contributions	4.4	4.6	4.4	10.4
Taxes and Contributions	18.8	23.3	21.1	35.7
VAT Standard Rate	13.3	17.2	15.5	19.2
VAT Non-compliance (% of potencial)	35.7	23.8	31.8	10.2
Total Tax Exp - % of GDP	4.7	3.1	3.7	
Tax Exp % of Tax Revenue	33.7	17.3	24.6	
PIT minimum Rate	10.8	8.3	9.3	9.2
PIT Top Marginal Rate	23.7	30.2	27.7	38.3
CIT Standard Rate %	27.8	27.3	27.7	22.6
CIT plus Dividends %	33.8	30.9	32.9	

Source: WEO; OECD; IBFD; y Tax Laws.

Share of Informal Employment among Total Labor (ILO)



Labor informality is complex and heterogeneous, and it is the result of multiple causes. Focusing on taxes (and social security contributions) to reduce labor informality might not be enough; a holistic approach is needed to identify all factors that may influence informality to tackle them all together.

Causes (Variables associated) of Informality

No Taxes and Reg	
	Salary
Paid per unit	100
Maximum	105

With Taxes and Reg	
	Salary
Min Wage	110
Soc Cont	10
Total Cost	120
Maximum	105

Improving Productivity	
	Salary
Min Wage	150
Soc Cont	15
Total Cost	165
Maximum	210

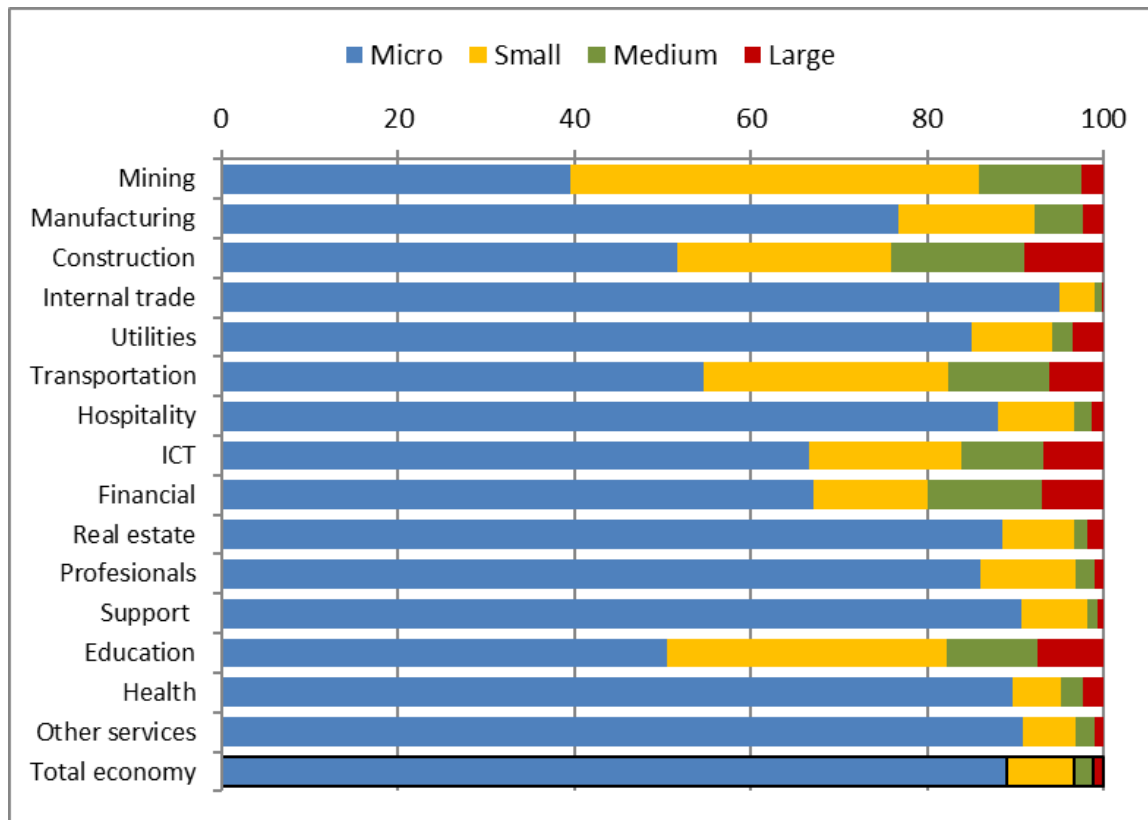
- **Taxes (benefits) and regulations have usually been mentioned as the main causes of informality** (neoclassical model). The analysis has been extended to other factors such as per-capita income, growth, education, governance (transparency, control), tax policy (administrative burden), and productivity (size of the firms, etc.)
- **Taxes and regulations do not appear to have a strong negative effect on overall employment.** However, the evidence suggests that they do change the composition of employment, shifting workers from formal to informal sectors.
- **Salaries become more expensive with taxes** and regulations (compensation for dismissal, minimum wage, etc.), which means that employers are only willing or able to pay high salaries (including taxes and regulations) to workers whose productivity (derived largely from the level of education) makes up for it. For workers with a level of productivity lower than that salary (with taxes and regulations) employers can only offer them a job 'on the sidelines' of the regulations (for example, with wages below the minimum salary or without payment of contributions and contributions).
- **Choices are made based on expected cost and benefits, and constraints (e.g., transparency and control affect expectations about costs and benefits).**

Revenue

- Collection from SSST is usually low.
- Except in Brazil (where the threshold is very high, US\$970,000), collection in Latin America does not exceed 0.11 percent of GDP.
- The objective of the SSST is not collection but rather to facilitate control and compliance (registration, reporting, and payments)

2021	
Country	% of GDP
Brazil	1.60
Argentina	0.11
Uruguay	0.04
Nicaragua	0.05
Peru	0.02
Mexico	0.02
Bolivia	0.02
Paraguay	0.04
Ecuador	0.02
Dominican Rep	0.01

Distribution of taxpayers by size (WBG)



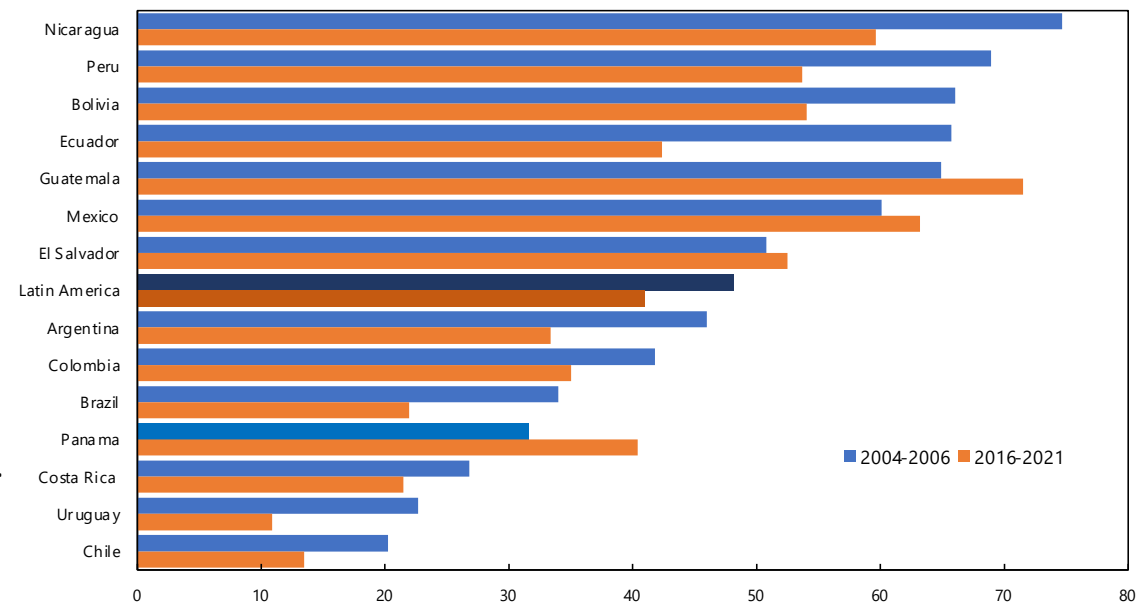
Significant Concentration of Revenue in Large Taxpayers, not only in LATAM but also around the world

International Experience

Labor Informality in LATAM

Labor informality decreased about 8 p.p. in LATAM:

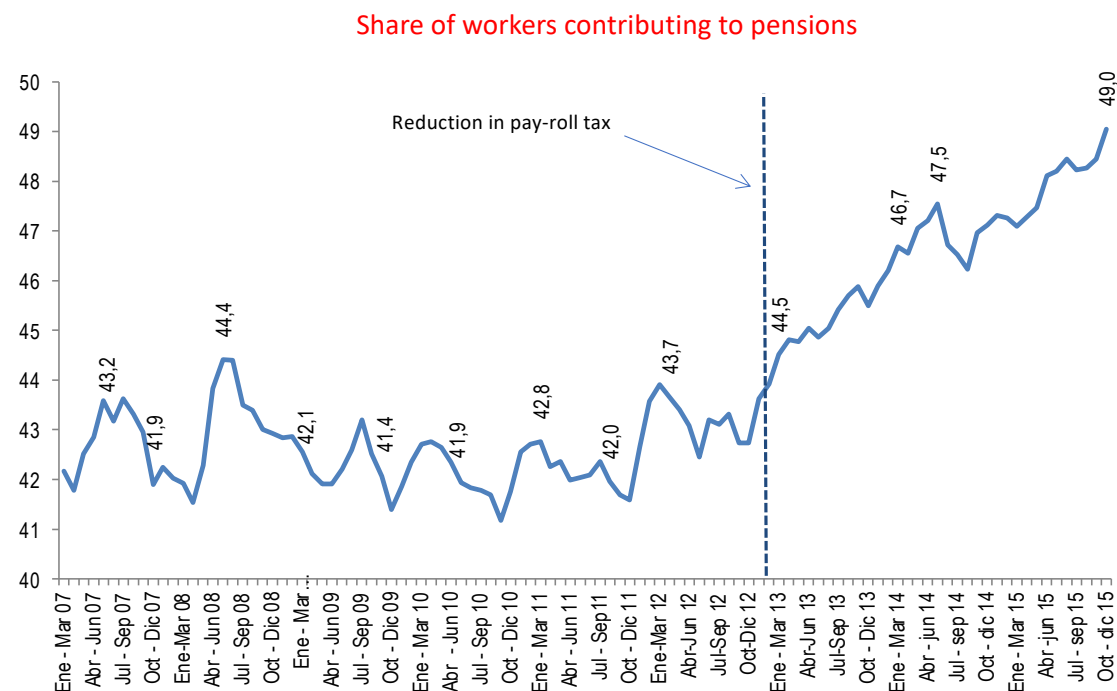
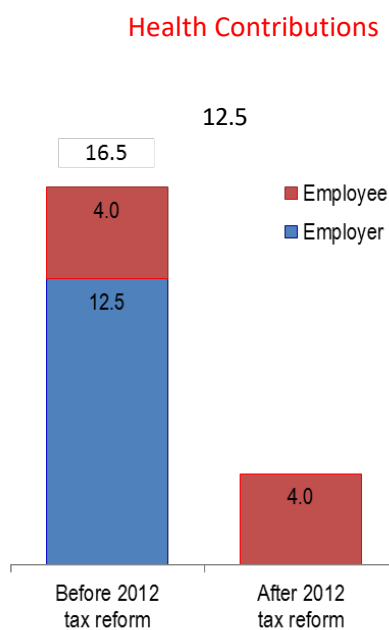
- Economic growth (driven in part by commodity price increase)
 - ✓ revenue increased which allowed to allocate fiscal resources to increase contributory benefits (Nicaragua and Bolivia, for example, 'generously' increased minimum pensions by tying them to the minimum wage, and not to contributions), and
 - ✓ Formal labor-demand grew (Bolivia, Uruguay, Chile, Peru, Ecuador, Paraguay, Mexico, Argentina and Brazil).
- Uruguay (health); Bolivia, Argentina, Nicaragua, Brazil, and Ecuador: minimum pensions.
- Social Security Contributions reduction (Colombia, in 2012).
- Better control and transparency: Chile and Uruguay (on the field; cross-check of informality; coordination between SSA and tax admin) (Ecuador, Argentina, Brazil and Uruguay).
- Financial credits (Mexico, but very expensive).



Percent of Occupied Population. Share of Salaried Workers in Informal Jobs
 For Panama the blue line is for 2011 data (source: International Labor Organization); for the rest of the countries 2005
 (Source: Soc

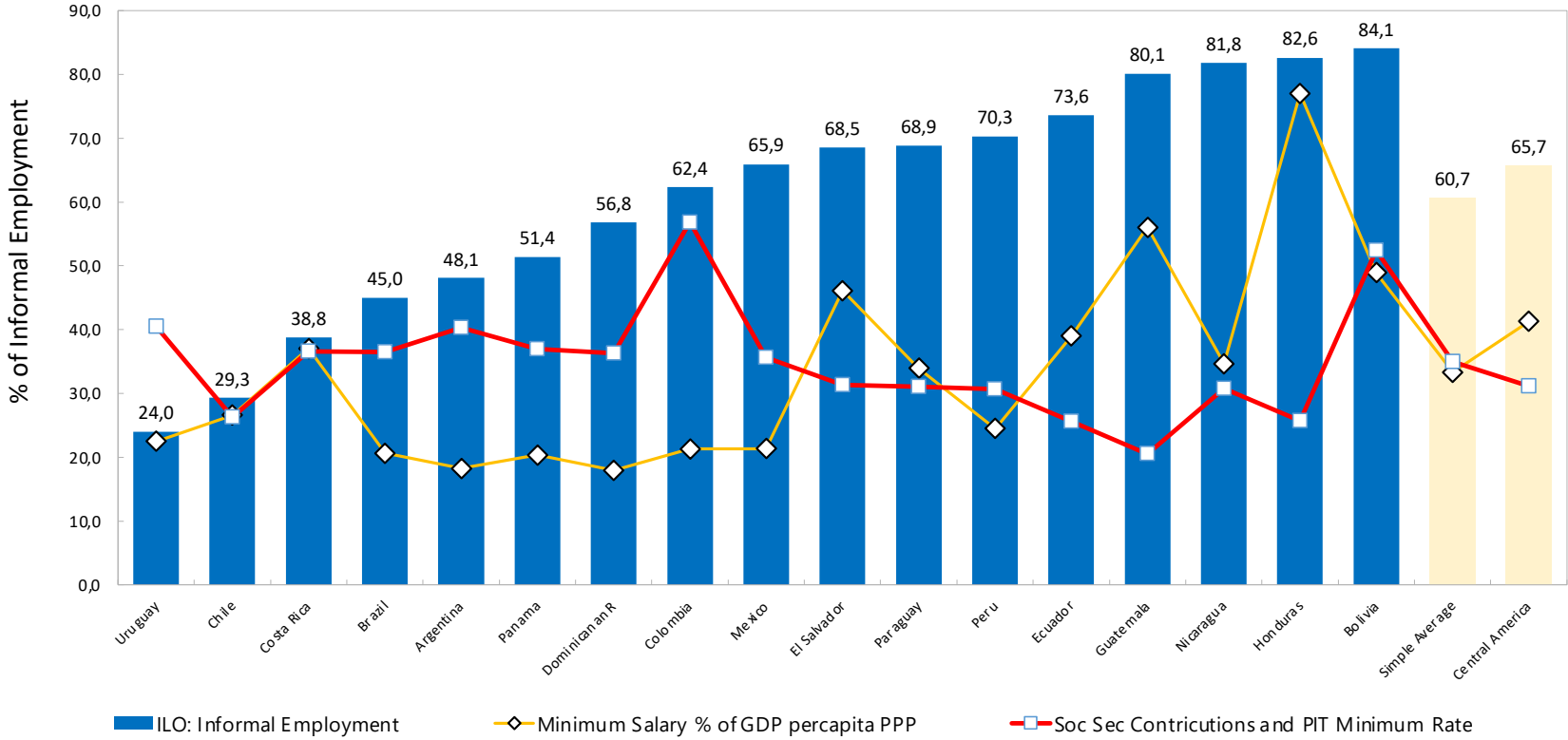
- More severe penalties (Ecuador penalized no-payment of withholding of contributions with imprisonment and Argentina established the right of informal workers to compensation equal to a quarter of their salaries during the informal employment relationship).

Evidence from the 2012 Tax Reform in Colombia



In May 2013 health contributions were reduced by 4 pp from 1/5/2013 and by another 8.5 pp from 1/1/2014: thus, direct contributions (percentage of wages) decreased from **33.6 to 21.1 percent**. The reduction did not apply to exempt taxpayers; the higher income earners (seeking progressivity) including only workers with 10 minimum wages or less and (ii) employers with less than two workers (Kruger and Kruger, 2015); Morales and Medina 2012, estimated a positive and significant increase in formal employment of about 600,000 jobs in the long run (Source: Santiago Levy 2015 presentation in Tokyo).

LATAM Countries: Informal Employment, Social Security Contributions and PIT (Lowest Rate), and Minimum Wage



Threshold

- A key consideration when designing a simplified system is to set a reasonable threshold.
 - ✓ While a relatively high threshold, that leaves too many taxpayers outside the tax system, may facilitate control, it may come with high revenue and efficiency costs.
 - ✓ A very low threshold might be efficient but will be very difficult to control in practice and impose an undue burden on the smallest businesses (Keen and Mintz, 2004).
- Most developed countries exempt taxpayers (usually individuals) under a threshold from the VAT, while keeping them in the income tax (IT) regime with some administrative advantages.
- Several developing countries instead exempt taxpayers below the threshold from both the VAT and the IT, and apply a presumptive tax to them, using a (i) turnover tax or (ii) a monthly (or bimonthly) fixed amount like a patent (lump sum).

Threshold

- Setting too low a threshold can significantly compromise tax administration. Thus, **with limited administrative capacity**, a relatively high threshold can be preferable to reduce the number of registered taxpayers to administer.
- Huge dispersion in each group of countries.
- Single threshold - multiple thresholds too complex (if a differentiation is introduced, as the SSST replaces the VAT, a higher threshold should apply on activities with greater value-added (services) and a lower one should apply on activities with lower value-added (commerce)).

Average in (without maximum)	Threshold 2023	
	US\$	To GDP-PPP/1
Developed Countries	51,755	1.1
Singapore	Highest 751,880	6.9
Sweden	Lowest 7,920	0.1
Emerging Economies	47,550	2.7
Brazil - Large	Highest 960,000	63.0
Cyprus	Lowest 14,182	0.3
Developing Countries	51,522	10.3
Dominican Rep	Highest 174,736	8.3
El Salvador	Highest 5,715	0.6
Latin America	41,154	2.8
Brazil - Large	Highest 960,000	63.0
Dominican Rep	174,736	8.3
El Salvador	Lowest 5,715	0.6
Middle East Countries	63,899	8.4
Armenia	Highest 287,500	26.1
Jordan	105,750	10.1
Saudi Arabia	100,000	1.9
Sudan	Lowest 5,518	1.1
Oman	14,808	0.4
Egypt	16,181	1.2

1/ Power purchasing parity.

Source: WEO, IBFD, and EY.

Different SMEs and Regimes

- Special Schemes for Small Taxpayers apply on a broad range of taxpayers in LATAM.
- From very small taxpayers with income lower than US\$ 3,800 (ARG Social Inclusion Scheme) to SMEs with income near US\$ one million (SIMPLES for SMEs in Brazil).
- SSST can be
 - ✓ a fixed amount (varying by income brackets, called patents in East Europe and Central Asia) or an Amount Proportional to Gross Income (e.g., 5% of gross income). While the former may be simpler to control, the latter provide a better gradual transition to the general regime.
 - ✓ Annual fee for micro taxpayers; no rate differentiation.
- Except for micro taxpayers, tax burden a gradual approximation of that under general regime to facilitate transition (no big increase of tax burden).

Different SMEs and Regimes

- Some countries apply a special tax for the very small taxpayers (micro taxes: only a fix amount and many exclusions).
- The SSST usually replace the VAT and CIT/PIT (Argentina, Peru, Ecuador, and Brazil); in Chile only the VAT.
- Developed countries, with more efficient tax administrations do not have SCSTs and, in general, exempt from VAT taxpayers with income below the threshold (who pay the PIT under the general regime).
- Finally, a few countries (in the region, Mexico, and Chile in the past) present only administrative simplifications, forcing small taxpayers to pay taxes under the general regime.
- Some countries (Chile for specific activities, Guatemala, and Angola, AFR) apply the reverse charge rule (VAT) for payments to non-registered taxpayers.

Different Kind of Regimes

	Number	Type	Number of Categories	General Regime (GR)	Connection with GR	Rate %	Social Sec Cont (Independent)	Corporations	Threshold in US\$
Argentina	Goods	Patent	11	Optional	IT	-	Yes	No	17,100
Argentina	Services	Patent	8	Optional	IT	-	Yes	No	12,000
Brazil	Small	Proportional	-	Optional	IT	15.5	No	No	72,000
Brazil	Large	Proportional	-	Optional	IT	16/17.5	No	No	960,000
Bolivia	Transportation	Patent	3	Optional	None	-	No	No	2 vehicles
Bolivia	Retail Sector	Patent	6	Optional	None	-	No	No	26,628
Bolivia	Agriculture	Patent	4	Optional	None	-	No	No	2,500 acres
Colombia	One	Proportional	4	Optional	IT	1.5-5.6	No	No	37,500
Guatemala	One	Proportional	-	Optional	IT (VAT)/1	5.0	No	Yes	60,000
Peru	One	Patent	7	Optional	None	-	No	No	25,260
Ecuador /2	One	Patent	6	Optional	None	-	No	No	60,000
Chile	One	Exemption		Optional			No	No	Selected Act
Mexico	None								
Spain	One	Patent	Multiples	Optional	IT/VAT	-	No	No	150,000

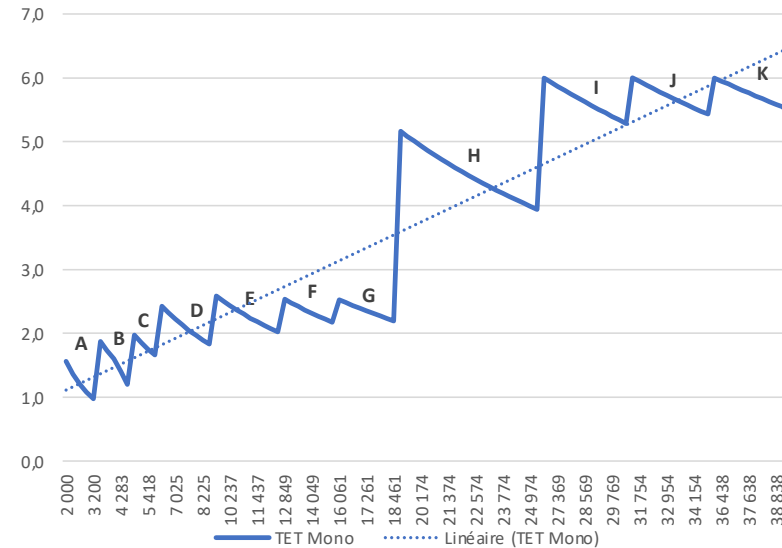
1/ VAT in the past.

2/ 5% discount for every new employee.

Fixed Amount by Category and Gradual Transition

Category	Gross income up to \$	Tax		Social Security		Total	
		Services	Sales	Pension	Insurance (health)	Services	Sales
A	107,525.3	87	87	384	536	1,007	1,007
B	161,287.9	168	168	422	536	1,126	1,126
C	215,050.5	287	265	465	536	1,288	1,266
D	322,575.8	471	435	511	536	1,519	1,483
E	430,101.1	896	695	562	536	1,995	1,794
F	537,626.3	1,233	908	618	536	2,388	2,062
G	645,151.6	1,568	1,132	680	536	2,785	2,348
H	896,043.9	3,584	2,778	748	536	4,869	4,062
I	1,052,851.6		4,480	823	536		5,840
J	1,209,659.3		5,270	906	536		6,712
K	1,344,065.9		6,048	996	536		7,581

Sales (Gross Income)	Tax	TET	Tax Increase	Marginal Income after Tax
600,640	4,062	0.68		
690,641	4,062	0.59	0	90,001
790,641	4,062	0.51	0	100,000
896,043	4,062	0.45	0	105,402
896,044	5,840	0.65	1,777	-1,776
900,000	5,840	0.65	0	3,956
928,769	5,840	0.63	0	28,769
1,209,658	5,840	0.48	0	280,889
1,209,659	6,712	0.55	872	-871



The transition to the general system should be gradual and as smooth as possible to avoid step increases in the total tax burden.

Large Taxpayers are difficult to Control as well as Small Taxpayers

Category	Gross Income up to	Total	Services	Goods	Social Monotributo	%
A	138,128	1,629,360	848,760	145,197	635,403	46.5
B	207,192	397,198	328,533	68,665		11.3
C	276,256	366,422	289,810	76,612		10.5
D	414,384	458,278	370,987	87,291		13.1
E	552,512	263,689	206,959	56,730		7.5
F	690,640	165,616	129,060	36,556		4.7
G	828,768	127,470	95,303	32,167		3.6
H	1,151,067	85,608	63,232	22,376		2.4
I	1,352,503	4,154		4,154		0.1
J	1,553,940	1,687		1,687		0.0
K	1,726,600	917		917		0.0
		3,500,399	2,332,644	532,352	635,403	100.0

VAT General Regime			
Annual Sales in US\$ up to	# of Taxpayers	Output tax - Input by Taxpayer in US\$	
		Monthly in US\$	Annual in US\$
0	140,247	(234)	(2,810)
6,042	62,759	(45)	(537)
211,480	615,024	295	3,544
906,344	176,407	1,560	18,718
3,806,647	79,847	12,795	153,540
More than 3.8 millions	2,627	414,112	4,969,349
	1,076,911		

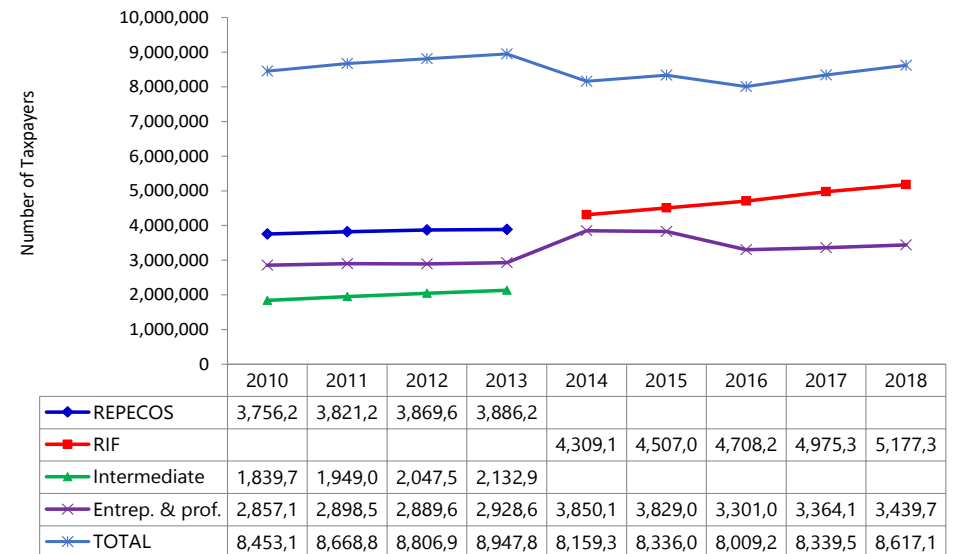
AFIP, Argentina: Table 2.1.2.1

Objectives of Tax Administration

- 1. Integrity of the registered taxpayer base.**
- 2. Accurate reporting in tax declarations.**
- 3. Supporting voluntary compliance.**
4. Effective risk management.
5. Timely filing of declarations.
6. Timely payment of taxes.

Avoid Complex Regimes

- **Avoid complex regimes with huge initial incentives**
- RIF, in **México**, replaced a patent regime collected by subnational governments.
- To promote growth, taxpayers under the RIF are subject to the general system: VAT, Excises, and, SSC, PIT (although with a significant decrease of the last two taxes during the first years: 100% reduction the first year, 90% the second, 10 pp per year until the tenth, when there is no longer discounts). It may result exaggerated; many taxpayers from the general regime (intermediate, entrepreneurs, and professionals) switched to the RIF when it was introduced; the number of formal taxpayers (individuals) did not increase during the first five years of the RIF.
- RIF taxpayers have certain administrative simplification; they calculate and pay taxes bimonthly; E tax return).



Social Inclusion Schemes (SIS)

- **SIS are very useful because informal workers income is usually below the average and minimum and average wages.**
- Very small taxpayers under SISs should not be registered in tax administration offices (this process usually takes place in the ministries in charge of social assistance). It is an important and reasonable difference (the idea is not discourage the small taxpayers registration); the objective of tax administrations is to collect taxes, which is not the objective of a SIS.
- This does not imply that tax administrations should be absent, since the information of those who register in SISs is useful for tax purposes (taxpayers registry; to cross-checking of data with the aim of detecting who they could be improperly using the SISs).
- Good practices (many of them are the same of the Special Schemes for Small Taxpayers):
 - ✓ **Minimum administrative requirements** (to encourage formalization)
 - ✓ Avoid improper use by taxpayers of the general regime (broader list of exclusions than that of the SSST: not available for professionals (lawyers, engineers, etc.); members of legal entities; importers; property owners; etc.
 - ✓ Opcional (even the smallest taxpayers should have the alternative of the general regime; to issue VAT invoices to taxpayers of the general regime).
 - ✓ In Argentina, two regimes helped reduce labor market informality from 2006 to 2011 (facilitating the registration of nearly 650 people): the Social Inclusion and Promotion of Independent Work Regime (MS) and the Regime for Domestic Workers.
 - ✓ MS: independent workers only pay a subsidized amount to the health system.

	2006	2010	2015	2018	2018-2006
Formal Workers	9,882,616	11,419,288	12,621,791	12,459,602	2,739,175
Employees	5,896,634	6,829,752	7,431,396	7,134,202	1,237,568
Non-obligated employees	2,563,000	2,691,187	2,463,162	2,563,162	162
Self-employed and Specail Scheme (MT)	1,260,485	1,616,833	2,026,783	1,943,100	682,615
Social Inclusion Scheme	0	0	327,176	387,141	387,141
Domestic Employees	162,497	281,516	373,274	431,997	269,500

Conclusions and Recommendations

Special Schemes for Small Taxpayers

- ✓ **Objectives:** encourage small taxpayers to be formal by reducing compliance cost (use of Internet, telephones, procedures); facilitating access to credit; and capacitation.
- ✓ **Tax burden: assure gradual transition to the general regime.** If taxpayers in the simplified tax scheme enjoy a substantially lower tax burden than those in the general tax regime, they are not encouraged to transit to the general system.
- ✓ **A lower tax burden may also confer a competitive advantage compared to those businesses operating above the threshold.** This can have very distortive effects, as taxpayers will have an incentive to manipulate their business activity to qualify for the lower tax burden, including by splitting up into several businesses that are ultimately controlled by the same person.
- ✓ Policies that ensure access to financing for small businesses and **simplification in tax compliance and procedures** are more likely to be more effective (IMF 2012; Caliendo and Kuhn, 2011; IMF, 2016).
- ✓ **Provision of continuous energy**, without cuts, is also a factor that impact formalization. Larger companies have their own generators.

Good Policy Practices for Special Schemes

- I. As with any other tax, new laws and regulations are should cover (subject of the tax; tax returns; institutions in charge; support services; taxes and social security contributions included; labor arrangements; etc.)
- II. Whatever mechanism is used to simplify the system for the smallest taxpayers and regardless of the level of the threshold, taxpayers that are not registered in the VAT general regime should not be allowed to issue VAT invoices (with output-tax).
- III. Exclusions
 - Available to sole proprietors only, not for legal entities;
 - Not for exporters; importers; financial intermediation; etc.

Because, supposedly, these activities have enough administrative capacity for VAT registration (invoices, book registration).

 - Very limited access to professionals.
- IV. Annual fee for micro taxpayers; no rate differentiation.
- V. Turnover tax for small taxpayers; single rate on turnover (alternatively only 2-3)
- VI. Optional and no frequent migration between simplified and general regimes.

Segmentation of Taxpayers

Segment	Turnover	Eligibility ceiling (aligned with:)	Possible tax regime
Micro (only for individuals)	>10,000	VAT voluntary registration	Fixed fee/patent
Small (only for individuals)	10,000 - 50,000	VAT voluntary registration	Turnover tax
Medium	50,000 – 500,000	VAT mandatory	General tax regime with certain administrative concessions
Large	<500,000	VAT mandatory	General tax regime – no concessions

Assure efficient Tax Administration

- I. Not all ways to reduce non-compliance have the same impact. In terms of profitability, it is natural to focus efforts first on the largest taxpayers and finally on the smallest. However, focusing excessively on the large and medium can worsen inequalities and distortions; to improve equity and efficiency, controlling the smallest and reducing informality may be desirable even if it generates little revenue (Auriol and Warlters, 2005 and Keen, 2013).
- II. Taxpayer segmentation is not only useful for tracking large taxpayers. It is also the same for the monitoring of small taxpayers (in all functions, registration, services, tax return, and payment). In addition to the advantages of specialization, compliance risks vary with size and with activity (agriculture and commerce). **Lack of registration**, for example, is a greater risk for small taxpayers, while the use of transfer pricing is only a risk for a type of large companies (multinationals).
- III. Allow for self-assessment.
- IV. Specialized tax administration unit focusing on SMEs (similar to LTUs) to realize economies of scale.
- V. Assist SMEs to keep turnover records & provide free software.
- VI. Guide taxpayers, educate, assist with inquiries, improved services & outreach.
- VII. Limited use of penalties; use alternative deterrence strategies.
- VIII. Cross-checking of information (with banks, large taxpayers purchases, etc.) is a useful tool to identify taxpayers who should be registered in the general regime but use the special scheme for small taxpayers (Chile: <https://www.sii.cl/noticias/2023/301023noti01rp.htm>).

Thank you very much!

Impact of Benefits

✓ Informality decreases when benefits for formal workers increase

Uruguay extended health benefits (in 2010) to dependent children of private sector salaried workers. Informality decreased about 1.3 percentage points (a 5 percent change) among workers with children with respect to those in the control group (Bérgolo and Cruces, 2011).

✓ Informality increases when non-contributory benefits increase

- Mexico universal health insurance (Seguro Popular): to 50 million individuals, substantially altering the incentives for workers and firms to operate in the formal economy. SP had a negative effect in the creation of formal jobs, especially in small and medium sized firms: 300.000 new formal jobs should have been registered with Mexican SSA without SP. These represent 3% of the stock of registered employees in 2002 when the program started (Bosch and Campos-Vázquez, 2010).
- Argentina Universal Child Allowance program that provides monthly cash transfers to unregistered workers with children: significant and economically large disincentive to the labor market formalization. In contrast, there is no sufficient evidence for the existence of a significant incentive for registered workers to become informal (Garganta-Gasparini, 2015).

DAY 2 – Presentation 1

[See attachments](#)

DAY 2 – Presentation 2

Not available

DAY 2 – Presentation 3

EInA Initiative

Entrepreneurship Innovations and Advice - North Africa

Takeaways for the way forward on the collaboration with EINA platform



AFRICAN DEVELOPMENT BANK GROUP

eina
Entrepreneurship Innovations
& Advice - North Africa



PROFILING

- Interest from Egypt with emphasis on Start up
- Tunisia : survey on going, need to set up a steering committee including INS and ministry of economy
- Need to agree on a definition on MSMEs



REGULATORY & INSTITUTIONAL FRAMEWORK

- Egypt has a small business act and want to learn more about the start up act
- Tunisia has the start up act and are defining a MSMEs strategy and an innovation act
- Morocco has the CNEA, a MSMEs charter are ongoing and are interested to learn more about the Egypt experience with the small business act
- The MSMEDA is an interesting model with high leadership (the Prime minister is the head of the Board)
- Issue of coordination and sectoral approach, MSMEDA is in charge to do the "MSMEs lens" to all the strategies and policies



SUPPORT SERVICES

- Develop a model for the financial education and the post creation support



EVALUATION

- The 3 countries all agreed on the need to develop M&E system that really track the impact on jobs, poverty of the fund invested in MSMEs. To better know the most effective way to support MSMEs



PARTNERSHIP

- Willingness to reinforce the partnership among the 3 countries to share experiences
- Egypt put in place a platform Private sector/DFIs "Haifies" (Incentives in Arabic). We agreed that ElnA will facilitate the organization of a virtual presentation
- The partnership can help to mobilize resources to finance the design of operational innovations to countries but also mobilize fund to cofinance AfDB loan (or joint MDBs loan) in blending approach to reach impact at scale