POLICY REVIEW

Least Developed Countries Business Report

March 2023

IOE

A powerful
and balanced
voice for business

International Organisation of Employers | Organisation Internationale des Employeurs | Organización Internacional de Empleadores

Key findings

The private sector is the engine for growth, innovation, and job creation in all economies across the globe, contributing to greater economic and social equity, integration, and political stability.

Agenda 2030 and the Secretary General's report Our Common Agenda highlight the importance of the private sector, understanding that employment and prosperity would only be possible with the engagement of businesses of all sizes and in all sectors. However, businesses in Least Developed Countries (LDCs) often work in difficult environments where infrastructure and services are poor, the rule of law needs to be fully enforced, and corruption is a recurring factor. If LDC economies are to be fully transformed to achieve the Sustainable Development Goals (SDGs), government efforts to establish stable and supportive environments are critical, as is the inclusion of business leaders, institutions, and other stakeholders in determining the roadmap on the way forward. At the country level this means including employer federations in UN processes such as the Cooperative Frameworks, Common Country Analysis, and the National Voluntary Reviews. There inclusion will bring their innovative ideas, expertise in science and technology and data driven information to the UN table to advance the 2030 agenda at country lelvl.

The International Organisation of Employers (IOE) is the largest global network of the private sector. It represents over 151 employer and business membership organisations across 142 countries, representing over 50 million companies. IOE members are independent employer and business organisations, representing the country-level voice of business and supporting an enabling environment for businesses of all sizes to thrive. Employer and business membership organisations (EBMOs)[1] represent sustainable enterprises at the heart of any strategy to create employment and improve living standards. EBMOs play a vital role in fostering an environment conducive to creating jobs and wealth for the benefit of society. Their advocacy efforts with government and other stakeholders, as well as their services to members, are key factors in the growth, resilience, and sustainability of companies, large and small.

In its 2021 LDC Report, the United Nations Conference on Trade and Development (UNCTAD) revealed that the current national and international policy frameworks have yet to help the majority of LDCs address their major development challenges. Additionally, the economic crisis caused by Covid-19 has further affected the economic growth efforts of those LDCs that had focused their development objective on exports or are dependent on commodities. More than 80% of the 25 LDCs analysed in this report are heavily reliant on commodities (more than 60% of their GDP)[2]. All 25 LDC countries reviewed in this report struggled with soaring inflation, well above the global average of 3.8%.

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[6] The designation employer and business membership organisations (EBMOs): includes associations, organisations, unions, confederations, federations, chambers of commerce, councils etc. that have employers and businesses in their membership.
[2] UNCTAD – the state of commodity dependence https://unctad.org/topic/commodities/state-of-commodity-dependence

Therefore, the structural transformation of LDC economies remains a significant challenge to achieving the economic and social resilience set out in the SDGs. This structural transformation must involve strengthening institutional capacities, strengthening productive capacities, a growth in diversification and productivity, and increased formalisation of production units and workers. Priority should be given to leverage domestic and foreign investments and transfers of technical expertise in a paradigm shift beyond debt relief and official development assistance. The focus must be on building a vibrant and productive private sector.

The business environment in the majority of LDCs remain hampered by the lack of a skilled workforce to boost economic growth, develop human capital, and compete globally; unclear tax regulations; excessive and competing administrative procedures; unreliable social and physical infrastructures, difficulty accessing finance and foreign currency; and poorly designed and inadequate legal frameworks and labour systems. If LDC economies are to be transformed in ways to achieve sustainable development goals, governments and international institutions must include business leaders in these countries in determining the roadmap on the way forward. Governments in LDC countries need to prioritise activities that generate sustainable economic growth and decent jobs by supporting entrepreneurship, reducing poverty, and promoting social inclusion.

This report aims to review existing challenges and obstacles in the business landscape in LDCs and to provide detailed country recommendations to overcome these challenges. The report examines the main issues stopping economic development, the obstacles for employers in setting up, maintaining, and expanding businesses, the needs of employers on the ground, and the recommended policy and legislative framework changes needed. The report combines research with in-depth interviews and questionnaires with business leaders and senior managers from representative private sector associations in 25 countries. The information contained within is as close as possible to the reality of doing business in these 25 LDCs.

This report:

- Analyses trends and obstacles to enterprise creation, formalisation, and development in LDCs.
- Provides an assessment of the labour system in each LDC, identifying weaknesses.
- Evaluates the needs and expectations of the private sector in LDCs to improve the business climate.
- Formulates specific recommendations to improve the business climate in LDCs.
- Showcases business opportunities for private sector contributions

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There are no one-size-fits-all recommendations for the 25 countries reviewed in this report because each country is different and has particularities. However, some essential overarching recommendations clearly articulate the following urgent needs:

- Develop human capital further to prevent skills mismatches in labour systems and enhance entrepreneurship.
- Improve the local financial sector for resource mobilisation, improve accounting services, bank lending, and access to finance.
- Address relatively large informal sectors through registration methods and digital tools.
- Promote the growth, diversification and competitiveness of local industries through domestic and international investments.
- Strengthen and expand infrastructure developments to improve digital connectivity.
- Improve transparency and communication between government agencies and ministries to prevent differing or opposing policies and regulations.
- Practice good governance and social dialogue among stakeholders to work together to improve the business climate.

These recommendations can be seen in more detail in each country review.

Angola

Region
Southern Africa

Population
33 642 646

Demographic growth
3.2%

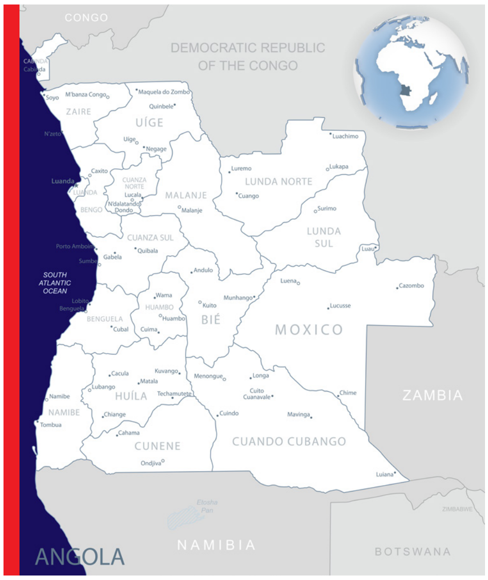
Average income (2021)
1,3953.5 USD

Human Development Index:
148th out of 191 countries (2021). Regarding the Human Development Index (HDI), Angola was 0.586 points in 2021.

Regional economic community
Southern Africa Development Community (SADC)

Economic overview

Angola is the ninth-largest economy in Africa and the second-largest oil producer on the continent. The top four employment sectors in the country are agriculture (55 per cent), wholesale and retail trade (20 per cent), administrative (6.8 per cent), transportation, logistics and communication (4.5 per cent).



The agriculture and fisheries sector provides the primary source of income for 90 per cent of the 10.7 million Angolans living in rural areas. However, agricultural productivity remains low due to the dominance of small-scale and subsistence-oriented family farms, which currently utilise (80 per cent of production and 92 per cent of land under cultivation). Poor agronomic practices, poor access to credit, and low access to improved technologies like climate-smart seeds, agrochemicals, and mechanisation constrain these small farms. Angola's worst drought emergency has lasted for 38 years and is attributed to climate change[3]. As a result of these factors, agriculture only accounted for 9.7 per cent of Angola's GDP in 2015–2019 and 9.5 per cent in 2020[4]. Nonetheless, both crop and livestock production have significant potential for growth due to the abundance of arable land, freshwater, and diversity of climatic conditions suitable to producing a variety of agricultural products, especially as only 16 per cent of the arable area is cultivated, nearly half of this arable land it is unused, and just 3.5 per cent of potentially irrigable land has been developed.

Many opportunities are also available in the growing ICT sector. However, inaccessibility due to high prices of telecommunication services has meant that mobile connections stand at only 46.3 per cent of the total population, and internet penetration is at 31.0 per cent as of January 2021.[5]

Covid-19 amplified the symptoms of the economic crisis that Angola, as an oil-dependent economy, has been undergoing since 2014. A crucial part of the country's economic diversification agenda is the 2019-22 Privatisation Programme (PROPRIV),

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[3] World Vision. "The Devastating Effects Of Climate Change In Angola". World Vision: Hope. Joy And Justice For ALL Children, Last modified 2021, https://www.wvi.org/stories/hunger-crisis/devastating-effects-climate-change-angola.
[4] World Bank https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=AO
[5] https://datareportal.com/reports/digital-2021-angola?rq=

which plans to sell more than 190 companies and assets that the State, partially or wholly owned, to the private sector. The programme has developed slowly under the economic pressures of Covid-19, with plans for airline privatisations postponed, for example. Still, sectors, including mineral resources, transportation, telecommunications, health, agriculture, and construction, are seeing renewed interest.

Challenges faced by the private sector

- **Inefficient bureaucracy** is a significant constraint to doing business in Angola, especially for local small and medium-sized enterprises. Unfortunately, Angola's endemic and entrenched corruption makes it difficult to root out these practices.

- **Corruption:** Standing at 136th out of 180 countries, Angola has a high corruption perception index[6]. Corruption impedes business and economic growth.

- **Informality:** Informal employment stood at 79.6 per cent of total employment in the third quarter of 2020, with nearly 8 million people total. In the same quarter, informal employment was 92.3 per cent in rural areas and 66 per cent in urban areas, 89.5 per cent for women and 69.6 per cent for men. Only 10 per cent of the population is covered by at least one social protection benefit. The government has approved the Program for the Reconversion of Informal Economy (PREI) and a strategy for transitioning from the informal to the formal economy.

- **Inadequately educated and skilled workforce:** Businesses face challenges recruiting skilled and qualified staff. In 2020, the share of young people whom neither work nor study increased significantly, to 32.5 per cent (from 23.5 per cent in 2019), with 29.6 per cent of young men and 35.2 per cent of young women in this category[7]. The adult literacy rate stands at 66.03 per cent (a 1.38 per cent decline from 2001), the male literacy rate is 79.97 per cent, and the female is 53.41 per cent, showing a very large gender gap.

- **Underdeveloped infrastructure:** The absence of effective transport solutions, including rail systems and road networks, is a major constraint to the private sector growth. The poor state of transport infrastructure has a substantial effect by reducing business productivity and increasing the cost and time of doing business.

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- **Limited access to financing:** due to gaps in information and lack of access to long-term bank loans or equity, ensuring investment and growth has been challenging for SMEs and MSMEs. This increases the cost of production and ability to scale and makes local products less competitive in the market.

- **Lack of economic diversification:** The crude oil sector accounted for 56.7 per cent of GDP in 2019 and 90 per cent of exports. The share of agriculture in Angola's economy has grown rapidly and has become the main opportunity for economic diversification and food security.

- **Wage inequalities:** There are significant wage inequalities across sectors and genders. Average salaries for women were lower than those of men across all economic sectors. On average, the wages of self-employed workers (Kz 24,506) were the lowest compared with the private (Kz 48,127) and public sector (Kz 138,012)[8].

[6] Transparency International https://www.transparency.org/en/cpi/2021/index/ago
[7] INE, 2020. Indicadores de emprego e desemprego. Inquerito ao Emprego em Angola. Annual report 2019, I quarter 2020 and II quarter 2020
[8] INE, 2020. Indicadores de emprego e desemprego. Inquerito ao Emprego em Angola. 2019

Private sector policy recommendations

Creating the basis for economic diversification and a private sector-driven growth model has become even more urgent in the face of the economic fallout of the Covid-19 crisis. Structural reforms that enable private sector growth and competition are needed to achieve this. This includes reforms of State-owned enterprises, State and other monopolies, and the pricing of energy and utilities.

- **Youth employment and skill development:** Policymakers need to adopt active labour market programs related to the Employability Promotion Action Plan (PAPE), including a stronger Technical and Vocational Education and Training (TVET) system. Fiscal incentives for apprenticeship programmes could be introduced to encourage employers to train and hire young people with limited professional experience, especially young women. Stronger partnerships between public and private TVET centres and business associations are needed to match vocational training with labour market needs. These actions should be coordinated and integrated with the Government's ongoing initiatives on the informal economy. For example, informal micro-enterprises could be provided incentives to formalise their business by obtaining access to social protection and skill certification for their workers. Access to credit by young entrepreneurs needs to be ensured.

- The government should partner with the private sector to improve the national data collection system for labour market indicators and develop a framework for identifying the competencies required in response to labour market demands through the national strategy for human capital development[9].

- **Increase power generation and distribution:** The management of existing power plants should be shifted to private entities to ensure capacity improvement that fully exploits the (estimated at 18,200 MW) of the hydropower developments located on the Kwanza River and Cunene River, which currently generates about 1,200MW. This can be realised by developing an effective framework for knowledge sharing and technology transfer with stakeholders in the private sector. The government should also implement policies that include the private sector in power generation and distribution through licensing independent power producers (IPP) and power distribution companies, Improving the country's capacity for renewable energy systems and the electricity access rate. This will expand electricity access to less-developed provinces and address regional disparities, poverty, etc. It will have a spillover effect in many other sectors, including agribusiness, ICT, health, and education, where electricity use is important. This policy has the potential to provide employment opportunities by opening new markets in energy retail and small-scale entrepreneurship in solar power.

- **Privatisation:** The government should pursue implementing key privatisation policies, improving the national regulatory framework in these sectors and promoting favourable conditions for the private sector to thrive. For instance, privatising state-owned Telcom companies to maximise the potential benefits of the country's poorly developed digital economy will facilitate Angolans' skills and knowledge acquisition.

- **Reduce informality:** Given the size and cross-cutting nature of the informal economy, a gradual and phased approach should be taken in medium and long-term plans. This will entail reducing the cost of formalisation, such as entry costs; reducing bureaucracy in the business start-up and authorisation process; reducing the cost of remaining in the formal market, such as taxes; developing a special tax scheme for easier to access credit.

- **Support and fostering digital services:** The Government can assist the private sector during this high inflation period by offering

[9] International Labor Organization, "Unemployment, Total (per cent Of Total Labor Force) (Modeled ILO Estimate) - Angola | Data", The World Bank, Last modified 2021, https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=AO-AO

credit, reorganisation of companies in distress, improving the investment climate and fostering competition, and supporting firms to access new markets or developing new business models. Credit lines and liquidity support to the private sector can be channelled through well-established, solvent banks instead of public banks. Also, understanding and fixing challenges in existing lines of credit for the private sector could help improve their uptake. Fostering digital financial services, including mobile money, could enable digital platforms and entrepreneurship to create new jobs.

- **The government should pursue a policy of production support, export diversification and import replacement programme** in close cooperation with the private sector. The policy should identify opportunities to capitalise on expanded market access through the AfCFTA and SADC FTA by increasing sector competitiveness and exporting to the wider African region. Funds should be mobilised for the industrial sector through commercial banks to support producers by simplifying and facilitating access to credit. The share of agriculture in Angola's economy has proliferated and has become the main opportunity for economic diversification and food security.

- **An information and communication technology (ICT) development strategy should be included in the national executive development plan to improve** employability, job training, youth employment and entrepreneurship through ICT.

- Engage the private sector in developing an industry-focused ICT skill development strategy that integrates ICT education into the primary, secondary, and higher education curriculum. This is a critical, long-term skill-development strategy considering that approximately 53 per cent of the country's population is under 18.

- **Policymakers should promote and support private investments in the agricultural sector to improve productivity** and reduce overreliance on imported foods. Private investments can be attracted by leasing dormant public land to agribusiness investors, supporting horticulture and helping to sustainably increase production and commercialisation through access to productive resources and climate-resilient farming practices.

- **Rural development through investment in infrastructure and skill development:** Promote industrial and agricultural value chains and agribusiness through investments in critical infrastructure that stimulate rural economic activity and create employment for rural workers. Employing an inclusive approach to investing in foundational skills development by simultaneously building children, young people, and adult literacy, numeracy, and socio-emotional skills. It also means investing in labour market training for disadvantaged youth, workers in low-productivity areas, farm and nonfarm rural activities, and urban self-employment[10].

- **The National Adaptation Programme of Action (NAPA) should be empowered** to deal effectively with the harmful effects of climate change. Private investments should be encouraged for capacity, financial and technical support to enhance the recording and monitoring of observational climate data.

> "To achieve the potential of tourism, the issues of land availability, lack of security, access of funds to tourism investors, red tape and bureaucracies need to be addressed.

Collaborations between NAPA and the private sector will facilitate capacity training and building on climate science and promote enhanced climate modelling through investments in research and development initiatives. Also, NAPA's priority activities and policy formulation processes should actively involve the private sector to identify populations vulnerable to

[10] Tackling Africa's Skills Gap to Build More Robust and Diversified Economies· World bank, (2017)

climate change and promote the design and implementation of efficient solutions.

- **The participation of domestic enterprises in the construction of public infrastructure** should be prioritised to build up skills and increase local employment.

- **Improve and support tourism:** The government should establish and support emergency response initiatives to boost the recovery of the tourism sector. This can be through creating specialised funds for promoting the tourism sector and facilitating workshops, training courses and exchange programmes to empower small and medium enterprises. To achieve the potential of tourism, the issues of land availability, lack of security, access of funds to tourism investors, red tape and bureaucracies need to be addressed.

Bangladesh

Region
South Asia

Population (2021)
169 356 251

Demographic growth
1.1%

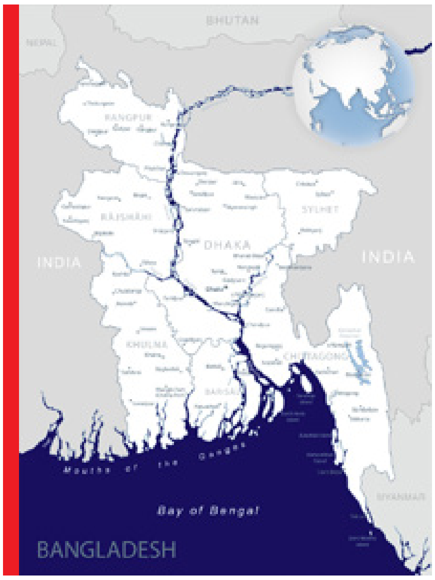
Average income (2020)
1,968 USD

Human Development Index:
With a current value of 0.661, it ranks 129 out of 191 countries and places among medium human-development countries.

Regional economic community
Asia-Pacific Trade Agreement, South Asian Free Trade Area

Economic overview

Although the agriculture sector employs 40.6 per cent of the population in Bangladesh, it accounted for only 13 per cent of the Gross Domestic Product (GDP) in 2020, according to the Bangladesh Bureau of Statistics (BBS) and World Bank data. The industrial sector accounts for 30 per cent of GDP and employs 20.4 per cent of the population, primarily in the ready-made garment (RMG) and light manufacturing sectors. The services sector accounts for 53 per cent of the GDP and employs 39 per cent of the population.



More than 80 per cent of Bangladesh's export economy is dominated by RMG manufacturing, yet **the country remains largely rural**, with an urbanisation rate of only 38.2 per cent. Millions of women are directly employed in the garments manufacturing industry and have made the country one of the leading garment exporters in the world. However, much remains to be done regarding gender equality in this sector. The International Labour Organization (ILO) research shows that women's representation in managerial and leadership positions in the RMG sector remains low[1].

Bangladesh has enjoyed consistent annual GDP growth of over 6 per cent, fuelled by an expanding industrial base led by the RMG industry. 2020 was exceptional as the economy slowed because of the Covid-19 outbreak. **Unfortunately, informality continues to be a major challenge in Bangladesh, with informal employment estimated at 85.1 per cent of the total number of jobs in the labour market.**

Mobile technology is the primary form of internet access in Bangladesh. The number of mobile phone subscribers in Bangladesh reached 171.85 million in January 2021. The Bangladesh Telecommunication Regulatory Commission (BTRC) estimates total internet subscribers at 117.3 million as of May 2021, of which only 9.8 million use broadband connections while the rest are mobile internet users. However, only 28.8 per cent of Bangladesh's total population subscribes to mobile internet services, revealing a usage gap of 67 per cent. Wide-ranging operators' investments in network infrastructure have taken 4G coverage in the country to 95 per cent as of December 2020[2], supporting an increase in **e-commerce.**

Dhaka, the capital, has emerged as a freelance information technology (IT) and IT-enabled

1 ILO2020, Understanding the Gender Composition and Experience of Ready-Made Garment (RMG) Workers in Bangladesh
2 Kenechi O. Achieving mobile-enabled digital inclusion in Bangladesh.GSMA (2021)

services outsourcing (ITES) centre. More than 1500 IT and software-related companies are registered in the country, which has created employment opportunities for more than one million people. Bangladesh's information and communications technology (ICT) exports exceed one billion US dollars. With increased adoption, there is immense potential for further employment in areas such as Fintech, enterprise software, mobile applications, and hardware manufacturing.

> Informality continues to be a major challenge in Bangladesh, with informal employment estimated at 85.1 per cent of the total number of jobs in the labour market.

Bangladesh also has large pharmaceutical, footwear, and agricultural-processing industries, providing various grand opportunities to continue to diversify its exports.

The country has made excellent strides as a South-Asian supply chain hub, and its continued success will allow Bangladesh to graduate from the LDC category by 2024.

Challenges faced by the private sector

- Most **agricultural production** in Bangladesh is generated by low-productivity smallholder farming, which lacks new agricultural technologies to help increase productivity. The sector faces several challenges, including a lack of arable land, land degradation, and a shortage of water sources. Floods, cyclones, and drought also affect agricultural productivity levels and incomes.

- There are many **hidden costs and undocumented expenses** associated with running a business, including corruption in government offices, uncoordinated and unfair levies from local authorities, and **procedural difficulty of formalisation contributing to growing informality.** Normal business activities such as banking, immigration procedures, and branch office licensing permissions may be slowed or stopped entirely, further affecting the cost and time of doing business.

- The 2016-2017 Labour Force Survey estimated that out of the 60.83 million employed people, 51.73 million (85.1 per cent) work in the **informal sector**. More women are estimated to be involved in informal activities (91.8 per cent) compared to 82.1 per cent for males. The availability of jobs in the formal sector has not kept pace with the growth of the labour force[3]. A labour force with low levels of education and skills has been one of the principal causes of low productivity in most sectors, including the urban informal sector.

- The **lack of coordination** and transparent governance at ports and seaports affects the efficiency of services, which impacts the cost and time of doing business.

- Currently rated 147th out of 180 countries in the Corruption Perceptions Index, corruption in Bangladesh is widely perceived to be endemic at all levels of society, discouraging investments and inhibiting economic growth.

- **The government has invested in wide-reaching major infrastructure efforts over the past decades,** increasing transport connectivity and access to energy to nearly 95 per cent of the population. Further steps are needed to improve the reliability and quality of electricity, and inadequate power transmission and distribution systems, while maintaining affordability to support the continued growth of industry and commerce in Bangladesh. **Rising traffic levels and a clogged transport system are among Bangladesh's largest business growth and development inhibitors,** particularly in export-oriented industries. According to the Dhaka Chamber of Commerce and Industry, Bangladesh must invest nearly $25 billion annually through 2030 to meet its infrastructure needs.

- The use of mobile money rapidly grew during

[3] lightcastlebd· Employment in Bangladesh: How to Tackle the Informal Sector Conundrum.(2020).

the pandemic, providing more opportunities for those without a bank account. The number of registered mobile banking clients sharply increased to 99.34 million in December 2020. However, in rural areas, many people, especially smallholder farmers and low earners in Bangladesh, do not have access to formal **financial sources** due to ignorance, collateral requirements, and complex and lengthy loan-sanctioning procedures[4]. The growth of e-commerce has been inhibited by the lack of a robust online transaction system, the prevalence of online fraud, low usage of credit and debit cards, the lack of a privacy policy, and the unavailability of or restrictions on major online transaction sites.

> Rising traffic levels and a clogged transport system are among Bangladesh's largest business growth and development inhibitors,

Private sector policy recommendations

- The government should enhance and develop efficiencies in airports and seaports. This could be achieved by bringing the management of these key infrastructures to private entities who invest towards the automation of ports and develop/ train locals in handling new modern technologies. This will also create more administrative, maintenance and engineering jobs.

- The government should engage and support private sector stakeholders, such as the Bangladesh Employers Federation, in developing and providing enterprise-based skills training for entrepreneurs in the informal sector, ensuring that the training model targeted at skill development is comprehensive, dynamic and in accordance with labour market trends.

- Skills development initiatives should be blended with entrepreneurship training and financing opportunities. There should be a preference for young people and women in the informal sector, which means focusing on small and medium enterprises (SMEs) needs and capacity building.

- Encourage private sector participation in education by funding research partnerships, technology and knowledge transfer between companies and universities. This will spark innovation and help graduates develop relevant and employable skills.

- **Develop fair recruitment and migration policies** to curb talent flight, as a growing number of young people are emigrating from the country.

- ICT sector: The government needs to partner with the private sector and enable the following fiscal and regulatory policies that support infrastructure deployment, skills development, and employment[5].

- Engage private IT education companies to equip individuals with digital knowledge and skills through a comprehensive, evidence-based framework focused on competency areas and proficiency levels.

- Education policies should integrate teaching computers in schools at primary and basic education levels.

- Reduce and simplify the discriminatory sector-specific taxation on mobile network operators.

- Existing economic zones should be expanded and provided the infrastructure to encourage ICT investments.

- **The government should pursue a deregulation policy by reducing taxes**

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[4] Most Nilufa Khatun, Sandip Mitra, Md Nazirul Islam Sarker. Mobile banking during COVID-19 pandemic in Bangladesh: A novel mechanism to change and accelerate people's financial access[J]. Green Finance, 2021, 3(3): 253-267. doi: 10.3934/GF.2021013

[5] Kenechi O. Achieving mobile-enabled digital inclusion in Bangladesh.GSMA (2021)

and State regulations that force up labour costs and prevent flexibility, which acts as a disincentive to formalisation[6].

- More initiatives that facilitate access to finance in the informal economy will provide the government with opportunities for taxation and give businesses and entrepreneurs access to finance banking, subsidies, and other benefits. This could be achieved by recognising informal elements of businesses as a transitionary phase, hence, putting Informal SMEs at the intersection of formality and informality.

- Engage the private sector in developing export expansion, domestic demand expansion and import substitution strategies.

- Special economic zones should be established in underdeveloped regions or less industrialised districts, offering some subsidies. This creates opportunities for employment in pharmaceuticals, footwear, construction, agro-processing etc., in these regions.

- The government should engage and provide financing to the private sector in developing strategies that strengthen existing labour-intensive manufacturing subsectors by promoting product diversification and stimulating an up-market move in the traditional sectors, given emerging opportunities in the global market. Industrial productions can be diversified into less technologically intensive products such as paper goods, mobile phone accessories, umbrellas, basic lighting, tiles[7], etc.

- Elimination of taxes and duties on imported raw materials for production purposes.

[6] Mujeri, M. Informal economy and economic inclusion Policy options for Bangladesh. The Daily Star.(2020)
[7] Khaled Chowdhury. Bangladesh needs to diversify its export basket. (2018)

Benin

Region
West Africa - West African Economic and Monetary Union (WAEMU)

Population
11,485,048

Demographic growth
3.24 %

GDP per capita (2020)
1,291 USD

Human Development Index:
0.545 (158/189)

Economic overview

A relatively politically stable country, it is important to note that Benin benefited somewhat from the political and economic crisis in Côte d'Ivoire during the first decade after 2000 to record a solid economic performance in terms of growth, notably due to the increase in activity at the port of Cotonou at the expense of Abidjan.

A recent working visit by IMF experts in November 2021 noted that the improvement of the business climate in Benin is on the right track, even if it remains slow. Indeed, the structural reforms undertaken by the government are beginning to bear fruit, despite the many efforts still to be made in the fight against informality, human-capital education/training, access to public infrastructure (water, electricity, telephone), the granting of loans to entrepreneurs, the enforcement of contracts and the payment of taxes. The IMF experts also noted a robust economic recovery under way in Benin, driven by, among other things, the normalisation of cargo traffic at the port of Cotonou, one of the country's main drivers of growth. With regard to the COVID-19 response plan, the government is strengthening its vaccination campaign to increase the rate of vaccination, including working closely with local communities and expanding vaccine deployment capacity.

Challenges faced by the private sector

According to the Integrated Regional Survey on Employment and the Informal Sector (ERI-ESI) conducted in 2018, there are 1,742,305 informal production units (IPUs). The main challenges to improving the business climate in Benin include:

- **Widespread informality -** The informal economy is widespread and estimated at 95.3 per cent of total employment. This indicates that, despite the increase in growth since the early 2000s, Benin's private sector remains underdeveloped.

- **Manufacturing still underdeveloped -** The manufacturing sector employs only 12.1 per cent of the workforce in Benin, despite the country's heavy reliance on exports.

- **Informality is more prevalent in the growth sectors of the economy -** 31.7 per cent of IPUs are in industry, 39.2 per cent in trade and 29.1 per cent in services.

- **An insufficient employment system in terms of job creation -** 34.5 per cent of young people aged 15-24 are not in any form of education and do not participate in the labour market. In addition, the average duration of unemployment is 4.8 years at national level. As expected, it is longer for young jobseekers (first-time jobseekers) than for older workers, i.e. 5.2 years and 3.6 years respectively.

- **An informal sector that reinforces poverty -** By way of reminder, 95.3 per cent of individuals operate in the informal economy compared to 4.7 per cent in the formal economy. The average number of years of education completed by the UPI workforce is estimated at 2.9 years. Young people aged 15-24 and 25-34 are more likely to be in precarious employment, at 39.7 per cent and 18.9 per cent respectively. There is also a strong correlation here between the level of education and average monthly income and how people join the labour market. Actors in the formal economy have a better income, above the minimum wage, than actors in the informal economy, for example. The average monthly income in Benin is FCFA 65,468. The average monthly income varies from FCFA 39,513 for workers in the informal sector with at least 1 year of study to FCFA 82,060 to FCFA 205,100 for workers in the formal sector with at least 9 and 15 years of study respectively.

- **Underdevelopment of human capital due to a weak education system -** Benin ranks 158th out of 189 countries on the Human Development Index at 0.545.

- **A weak private sector due to insufficient awareness among IPU heads of the importance of moving their businesses from the informal to the formal sector -** 57 per cent of IPU heads are unaware of the benefits of formalising their businesses, while 20.8 per cent are reluctant to formalise. As a result, only 4.3 per cent of IPUs pay taxes on their business activities. This rate is even lower than its counterparts in the WAEMU countries. This also explains the fact that only 18.7 per cent of IPUs say they are willing to pay taxes on their activities if there is an improvement in the business climate, particularly in the tax system and administrative and judicial procedures. This reluctance among entrepreneurs to formalise their activities is certainly due to the rigid tax system in the country. However, the country scores better on the poverty perception index.

- **Significantly high corruption -** 71.8 per cent of the 18-year-old population believes that corruption is significant in the country and thus damages the overall economy. According to Transparency International's 2020 report, Benin ranks 83rd out of 180 countries. This proves the political will of the government to improve the business climate, especially to develop the private sector and attract more national and international investment, like its counterpart in Burkina Faso.

Private sector policy recommendations

The recommendations apply to the following areas:

1. Supporting and strengthening public-private dialogue

Specific objectives include:

- Including public-private dialogue in sectoral development plans and strategies;
- Establishing and maintaining a genuine public-private partnership;
- Developing a roadmap and agenda for public-private dialogue at national level;
- Actually considering the needs of private sector partners in sectoral development strategies;
- Strengthening state institutions, including assessing the legal and regulatory framework for creating and formalising businesses in the formal sector;
- Constantly coming up with reforms to improve the business climate;
- Complying with agreements;
- Bolstering the role of the state as a guarantor of peace, security and good governance;

- Ensuring independent and accountable social partners;

- Capacity building for social partners;

- Establishing a communication plan to reduce communication gaps between the private and public sectors;

- Establishing a unit or commission to work on promoting and popularising the incentives to be given to the private sector in the short, medium and long term.

2. Supporting young investors and women, developing entrepreneurship and fighting against informality

Specific objectives include:

- Promoting an entrepreneurial culture in society as a whole, particularly in technical and vocational training institutions, on audiovisual platforms (TV and radio) and national online social networks, in adult education centres and in universities;

- Creating training and apprenticeship centres for self-employment for out-of-school youth;

- Creating a favourable climate for investment by providing incentives, e.g. access to credit at subsidised interest rates and on flexible repayment terms;

- Establishing a genuine partnership between the state and the banking sector to encourage domestic financing and investment, including the promotion of self-employment among youth and women;

- Focusing policy on formal job creation;

- Establishing a genuine institutional partnership between the state, the private sector and representatives of local authorities to support and promote the creation of income-generating jobs in rural areas and encourage the development of agri-food cooperatives;

- Promoting the decentralisation and efficiency of local government bodies to facilitate municipal authority access to national and regional financial flows to support entrepreneurship among women and young people in rural areas and to better channel the needs of women and young people for the development of their commercial, agro-pastoral and craft activities in rural areas in particular;

- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;

- Considering the needs of informal sector operators in strategies for combating informality by the central government in order to better encourage their transition from the informal to the formal sector;

- Organising ongoing training and education sessions on creating and formalising businesses in rural and urban areas;

- Promoting access to digital technology for young people and women in rural areas by creating free digital training centres within local authorities;

- Promoting women's access to land in particular and favouring a reorganisation of the land register;

- Eliminating minimum fees for business start-ups and shortening the waiting period for registering and authenticating documents;

- Creating national savings in the various countries to finance income and employment-generating projects, especially for young people and women.

3. Cross-border trade

Specific objectives include:

- Promoting the development of intra-African trade by removing customs barriers;

- Improving national and regional infrastructure, such as developing roads, pedestrian walkways, lighting and utility poles, access to the digital network, and building structures to house markets at borders;

- Modernising and deploying one-stop shops;

- Guaranteeing a secure and stable climate at national level, particularly in terms of customs services to facilitate the free movement of people and goods (rule of law); this would also improve entrepreneurship by women, particularly the creation of income-generating activities (trade) carried out most often by small traders (women) at the borders;

- Guaranteeing follow-up for the supply and distribution of petroleum products;

- Deploying national, regional and international sectoral strategies to ensure exchange rate predictability;

- Implementing sectoral strategies to develop the resilience of the economy, particularly of businesses, to cope with various shocks;

- Reducing export and import delays;

- Setting up and modernising an electronic payment system for port fees at national level;

- Going paperless in customs formalities and extending the opening hours of ports;

- Increasing the size of inter-African markets and diversifying production in order to expand markets and improve the competitiveness of the formal private sector globally;

- Promoting good governance and responsible business conduct and fair competition in markets in order to improve the global competitiveness of the formal private sector;

- Establishing simplified trade arrangements (exemption from customs duties) and simplifying customs clearance formalities for small-scale transactions, usually carried out by small traders, especially women;

- Enhancing regional integration, in particular economic cooperation between the different regional economic communities to remove persistent barriers to intra-regional trade;

- Strengthening the fight against smuggling at borders and ports;

- Establishing and developing regional power pools to reduce electricity connection costs and link markets to resources;

- Establishing mutually beneficial trade agreements to attract more investors; boosting intra-regional trade through digital technology;

- Diversifying the energy market with a focus on promoting solar panels to improve the competitiveness and productivity of businesses and also to reduce the costs of connecting to the power grid;

- Expanding the telecommunications market, especially the digital market, to improve access to the electronic network for businesses and enable them to increase their competitiveness in the global market;

- Establishing effective cyber security and cyber defence strategies at regional level;

- Strengthening the African Continental Free Trade Area (AfCFTA).

4. Fighting informality

Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;

- Establishing incentives and deterrents;

- Sharing and exchanging regional experiences;

- Developing a strong and effective institutional legislative framework;

- Annually implementing structural reforms and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;

- Developing guarantee instruments to promote access to credit for young people and women, especially those with economically viable income- and employment-generating projects;

- Reducing costs and delays in obtaining building permits;

- Reducing electricity connection fees;

- Eliminating mandatory minimum fees for business start-ups;

- Eliminating mandatory fees for authenticating documents and shortening the registration period for business start-ups;

- Improving access to credit information, e.g. by extending the coverage of public credit services and by starting to report data from public utilities;

- Developing a national directory of formal sector companies;

- Annually assessing the registration rate of new companies and considering the needs of unregistered companies in order to better channel and adapt sectoral strategies to facilitate their transition to the formal sector;

- Establishing and modernising an electronic system for creating and registering businesses at national level;

- Creating a level playing field for businesses to facilitate their formalisation.

5. Developing human capital

Specific objectives include:

- Improving the supply of public services (education, health and social protection);

- Ensuring a match between training/education received and the needs of the labour market in technical and vocational education, general secondary education and universities;

- Promoting development-oriented research in technical and vocational schools, general secondary schools and universities in order to unleash the innovation potential of young people and improve the competitiveness of the private sector globally;

- Priority training for public sector managers;

- Mandatory internships for students to immerse them in the world of business.

6. Improving the labour market

Specific objectives include:

- Increasing the number of jobs through access to new investments at national level;

- Promoting the application, via the Ministry of Social Affairs and Labour, of a legal framework for workers/employees on working conditions and a minimum wage;

- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal businesses to formalise;

- Promoting flexible working hours for workers;

- Improving employment frameworks, policies and conditions;

- Improving wages and paying compensation for work stoppages due to the occurrence of happy occasions (e.g. births) and unhappy events (illnesses, accidents, etc.) in workers' lives.

Burkina Faso

Region
West Africa - West African Economic and Monetary Union (WAEMU)

Population
19,751,535

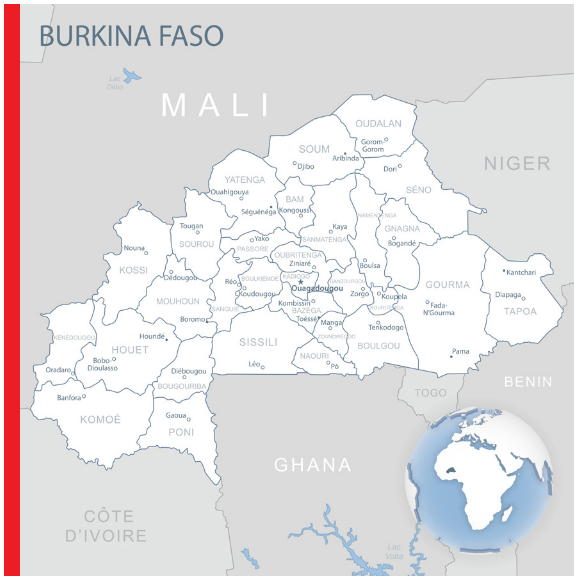
Demographic growth
3.07%

GDP per capita (2020)
830.9 USD

Human Development Index:
0.452 (182/189)

Economic overview

It should be noted that, despite the government's efforts to reform the legislative and regulatory framework for improving the business environment, including the simplification of numerous administrative procedures introduced by sectoral policies, life for entrepreneurs in Burkina Faso remains difficult. Indeed, there are still challenges relating to security in the country, business creation, access to infrastructure, obtaining credit, cross-border trade and excessive taxation, coupled with the negative effects of COVID-19.



Regarding the socio-economic impact of the COVID-19 health crisis in Burkina Faso, the United Nations Development Programme (UNDP) notes that the response plan with the lockdown and mitigation measures taken by the government has had negative consequences on the production of and demand for goods and services, commercial activities and the well-being of the population in general and informal sector workers in particular.

For example, with regard to the supply of goods and services, both the quantity and quality of labour input has been impacted. Lockdown has led to the loss of production and inactivity of a part of the previously employed population, particularly in the informal sector. The informal sector accounts for a large part of GDP in Burkina Faso, and 70 per cent of total non-agricultural employment (nearly 95 per cent of workers in the Ouagadougou conurbation). In addition, the tourism, culture, trade (restaurants and hotels) and transport sectors (23.8 per cent and 8.9 per cent of GDP in 2019, respectively) are as much impacted as the informal sector.

With regard to demand for goods and services, COVID-19 had the following negative impacts: (i) a drop in household consumption. Indeed, as household incomes have fallen due to the loss of production, consumption in the medium and long term has a cost; (ii) a fall in private and public investment and credit to the economy for the recovery of the private sector; (iii) a reorganisation of the central government budget. Indeed, the drop in economic activity has led to a drop in tax and non-tax revenues; (iv) a drop in public investment spending in favour of social spending and especially health spending directly linked to COVID-19, which further widens the budget deficit; (v) a slowdown in foreign trade, due to the drop in prices of the main export products, coupled with the closure of the borders of importing countries.

From a social point of view, the crisis has aggravated the poverty challenges facing households, especially informal sector workers and promoters. As a result, there has been an increase in inequality with a risk of increased insecurity and social protests. In fact, the country has been facing widespread insecurity since 2016, a situation which is particularly acute in the tri-border regions of Burkina Faso, Mali and Niger.

Challenges faced by the private sector

According to the findings of the Integrated Regional Survey on Employment and the Informal Sector (ERI-ESI) carried out in 2018, there are 2,290,418 informal production units (IPUs), mostly in rural areas (68 per cent). The main challenges to improving the business climate in Burkina Faso include:

- **The country's fragile situation linked to the political crisis led by the various political parties combined with conflicts, notably armed attacks by jihadist groups -** Since the beginning of the Sahel crisis, jihadist groups have regularly perpetrated numerous attacks in the capital, Ouagadougou. This may deter foreign investors from investing further in Burkina Faso.

- **Informality -** The informal economy is estimated to account for 91.8 per cent of total employment. This indicates that despite the political crises, the country is making economic progress, even though the annual growth rate of GDP per capita has declined relatively from 6.51 per cent in 2018 to 5.70 per cent in 2019. However, much remains to be done in terms of development, particularly with respect to improving the private sector.

- **A still weak manufacturing sector -** The manufacturing sector employs only 19.7 per cent of the workforce in Burkina Faso.

- **Informality is more prevalent in key sectors of the economy -** The three main non-agricultural sectors with a large informal labour force are trade (48 per cent), industry (37.6 per cent), and services (14.3 per cent).

- **Poverty affecting more households and women -** The state of poverty in Burkina Faso is becoming a serious concern, with 23.9 per cent of the workforce earning less than the minimum wage. However, there are gender disparities: 31.2 per cent of women earn less than the minimum wage, compared to 18.2 per cent of men.

- **An insufficient employment system in terms of job creation -** Overall, the average duration of unemployment is estimated at 4.5 years. The average duration of unemployment is longer among young jobseekers, especially first-time jobseekers, than among older workers, at 5.1 years and 2.4 years respectively, which reinforces the weight of the informal economy.

- **An informal sector that reinforces poverty -** By way of reminder, 70.1 per cent of individuals operate in the informal economy compared to 29.9 per cent in the formal economy. The average number of years of education completed by the IPU workforce is estimated at two years. Young people aged 15-24 and 25-34 are more likely to be in precarious employment (59.5 per cent and 35.5 per cent respectively). There is also a strong correlation here between the level of education and average monthly income and how people join the labour market. Actors in the formal economy have better incomes, above the minimum wage, than actors in the informal economy, for example.

- **Underdevelopment of human capital due to a weak education system -** Burkina Faso is ranked 182nd out of 189 countries on the Human Development Index at 0.452.

- **A weak national policy on training and absorption of young people into the labour market -** 40.9 per cent of young people aged 15-24 do not pursue any educational training and do not participate in the labour market. Given that the unemployment rate (as per the International Labour Office definition) is higher for young people aged 15-34 (6.6 per cent) and that it takes longer for them to find a job than for older workers, these social inequalities can create social tensions and reduce the government's efforts to achieve economic development.

- **A weak private sector due to insufficient awareness among IPU heads of the importance of moving their businesses from the informal to the formal sector -** 60.6 per cent of IPU heads are unaware of the benefits of formalising their businesses, while 23.6 per cent are reluctant to formalise. As a result, only 12 per cent of IPUs pay taxes on their business activities. However, 31.6 per cent of IPUs say they are willing to pay taxes on their activities if there is an improvement in the business climate, particularly in the tax system and administrative and judicial procedures.

- **Corruption is nevertheless high -** 70.6 per cent of the 18-year-old population believes that corruption is high in the country and thus damages the overall economy. According to Transparency International's 2020 report, Burkina Faso ranks 86th out of 180 countries. This proves the government's political will to improve the business climate, particularly to develop the private sector and attract more national and international investment.

Private sector policy recommendations

The recommendations apply to the following areas:

1. Supporting and strengthening public-private dialogue

Specific objectives include:

- Including public-private dialogue in sectoral development plans and strategies;
- Establishing and maintaining a genuine public-private partnership;
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- Creating training and apprenticeship centres for self-employment for out-of-school youth;
- Creating a favourable climate for investment by providing incentives, e.g. access to credit at subsidised interest rates and on flexible repayment terms;
- Establishing a genuine partnership between the state and the banking sector to encourage domestic financing and investment, including the promotion of self-employment among youth and women;
- Focusing policy on formal job creation;
- Establishing a genuine institutional partnership between the state, the private sector and representatives of local authorities to support and promote the creation of income-generating jobs in rural areas and encourage the

development of agri-food cooperatives;

- Promoting the decentralisation and efficiency of local government bodies to facilitate municipal authority access to national and regional financial flows to support entrepreneurship among women and young people in rural areas and to better channel the needs of women and young people for the development of their commercial, agro-pastoral and craft activities in rural areas in particular;

- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;

- Considering the needs of informal sector operators in strategies for combating informality by the central government in order to better encourage their transition from the informal to the formal sector;

- Organising ongoing training and education sessions on creating and formalising businesses in rural and urban areas;

- Promoting access to digital technology for young people and women in rural areas by creating free digital training centres within local authorities;

- Promoting women's access to land in particular and favouring a reorganisation of the land register;

- Eliminating minimum fees for business start-ups and shortening the waiting period for registering and authenticating documents;

- Creating national savings in the various countries to finance income and employment-generating projects, especially for young people and women.

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Specific objectives include:

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- Improving national and regional infrastructure, such as developing roads, pedestrian walkways, lighting and utility poles, access to the digital network, and building structures to house markets at borders;

- Modernising and deploying one-stop shops;

- Guaranteeing a secure and stable climate at national level, particularly in terms of customs services to facilitate the free movement of people and goods (rule of law); this would also improve entrepreneurship by women, particularly the creation of income-generating activities (trade) carried out most often by small traders (women) at the borders;

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- Establishing simplified trade arrangements (exemption from customs duties) and simplifying customs clearance formalities for small-scale transactions, usually carried out by small traders, especially women;

- Enhancing regional integration, in particular economic cooperation between the different regional economic communities to remove persistent barriers to intra-regional trade;

- Strengthening the fight against smuggling at borders and ports;

- Establishing and developing regional power pools to reduce electricity connection costs and link markets to resources;

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- Diversifying the energy market with a focus on promoting solar panels to improve the competitiveness and productivity of businesses and also to reduce the costs of connecting to the power grid;

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Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;

- Establishing incentives and deterrents;

- Sharing and exchanging regional experiences;

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- Annually implementing structural reforms and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;

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- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal businesses to formalise;

- Promoting flexible working hours for workers;

- Improving employment frameworks, policies and conditions;

- Improving wages and paying compensation for work stoppages due to the occurrence of happy occasions (e.g. births) and unhappy events (illnesses, accidents, etc.) in workers' lives.

Cambodia

Region
Southeast Asia

Population (2021)
16 589 023

Demographic growth
1.2%

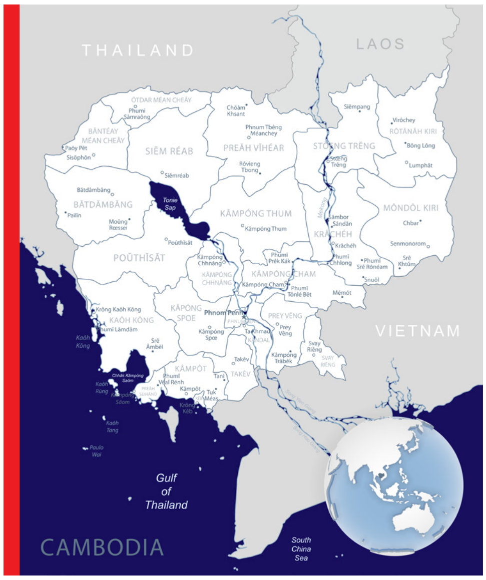
Average income (2020)
1,625 USD

Human Development Index:
With improvements in income, health and education, the country's HDI increased by 56.9% in 2022, reaching the medium human development category and putting Cambodia at 146 among 191 countries.

Regional economic community
Regional Comprehensive Economic Partnership, Cambodia-China Free Trade Agreement

Economic overview

Cambodia is an open market economy with excellent economic growth over the past decade. From 2014 to 2019 (excluding 2020 and the effects of Covid-19), Cambodia's GDP growth rate has been stable at 6.8 per cent to 7.5 per cent and is expected to continue at the same rate in 2022. The country, however, remains one of the poorest in Asia. Cambodia relies on foreign aid, with donor support totalling approximately 25 per cent of the government's budget. Despite the strong performance of the garment, tourism, construction, and real estate sectors, Cambodia remains an agrarian country.



Eighty per cent of Cambodia's population resides in rural areas, and around 37 per cent of the total workforce was directly engaged in the agriculture sector in 2017. As a matter of policy, the Cambodian government encourages investment in agriculture, diversification of agricultural products, and investment in improved irrigation and water control. The government's Industrial Development Policy 2015-2025, launched in 2015, included reducing logistics and electricity costs in food processing. The prospects for non-agricultural employment will depend upon greater investments in export upgrading and manufactured product diversification.

The rapid growth of the garment sector, which transformed the country's export basket in a relatively short period, has resulted in a high degree of product and market concentration. Rapid concentration in garments is explained by the nature of the first Free Trade Agreements signed by Cambodia and its comparative advantage in low-wage assembly, and its openness to capital flows. Most of Cambodia's garment export items are targeted at the low-quality/low-price segment of the U.S. market, with negligible diversification within garments.

Cambodia's large-scale agricultural workforce makes it important to foster linkages between small landholders and large-scale agricultural farms or corporations to ensure the development of agro-processing industries, increase the amount of high-value-added exports, and accelerate agroindustry growth. However, the most critical source of job creation and long-term economic growth will come from Cambodia's industrialisation, with new industries and manufacturing breaking into new markets with high-value-added products, including consumer products and production equipment. The industrial and services sectors are where most of Cambodia's jobs and better-quality jobs would likely be created. This, in turn, opens important public policy questions for Cambodia around cluster development within the national business environment.

The tourism industry in Cambodia has matured quickly over the past few years due to political and economic stability and a dramatic increase in the number of Chinese tourists to Cambodia. According to press reports, the number of foreign arrivals reached 6.2 million in 2018, bolstered by a significant increase in Chinese tourists. Most tourists are attracted to the historical/cultural complex of Angkor Wat, but an increasing number of tourists also visit the beaches in the southern town of Sihanoukville. In 2018, annual revenue generated from the sector was estimated to reach $4 billion.

Challenges faced by the private sector

- **Limited access and high-energy costs:** Electricity prices in Cambodia are among the most expensive in the region due to a shortage of integrated high-voltage transmission systems and the high cost of imported diesel fuel. Power in provincial cities is more expensive and less reliable than the supply in Phnom Penh. In very remote rural areas, the only source of electricity may be a small portable generator. However, the government of Cambodia has set a goal of electrifying all villages and connecting at least 70 per cent of all households to grid-quality electricity by 2030.

- **Poor road infrastructure:** Transportation in Cambodia takes place predominantly by road, with significant urban-rural gaps in terms of road accessibility. About 75 per cent of the road network comprises rural roads, of which only 5 per cent are paved. Limited access to all-weather roads negatively affects food value chains and access to health, education, and other public services, a problem exacerbated by frequent flooding. Greater and more resilient road connectivity is needed to support sustainable development.

- **Under-developed human capital:** Local companies experience the challenge of finding well-qualified employees, particularly for technical positions or those requiring vocational skills. The private sector report that the need for quality human resources far outstrips supply, and the lack of well-trained workers is one of the main barriers to business growth and competitiveness. According to the world bank, the fractions of the population with no schooling and primary education are projected to be 23 per cent and 49 per cent, respectively, by 2050. Technical and vocational education and training (TVET) enrolment as a percentage of secondary enrolment is just 2.3 per cent, and tertiary, gross enrolment rates are the lowest in ASEAN after Myanmar. A 2011 ILO survey indicated that 73 per cent of employers feel that Cambodia's university graduates do not have the right skills, and more than 62 per cent of employers also noted that vocational training graduates do not have the right skills[1].

- **Limited innovation and investment in research and development:** According to the Global Innovation Index (GII), Cambodia ranked 95th out of 128 countries in 2016. Limited ICT adoption and low tertiary education attainment are key constraints to innovating.

- **Large Informal sector:** Cambodia's private sector is dominated by small informal enterprises and only a few large, modern businesses. Burdensome formalisation processes may be one of the explanations for the 'missing middle' segment of businesses, which would be key to productivity improvements and job creation since many firms may opt to remain 'small'. **Some of the major difficulties in the business environment include the time, costs and procedures associated with starting a business which dissuades formalisation.**

- **Corruption impedes private sector development:** Informal gifts or informal fees are

1 https://documents1.worldbank.org/curated/en/620151496155751423/pdf/115189-replacement-PUBLIC-SCD-Cambodia-web.pdf

common in public transactions, meetings with tax officials, construction permits, and electrical and water connection. Corrupt practices occur through the acceleration of approvals, licenses, and other paperwork required for investment. Lack of transparency in handling dealings between the public and private sectors is a source of frustration that hindered making existing markets more efficient and creating new markets. The consequence is the formation of inefficient systems and the passing down of higher costs to consumers.

> Some of the major difficulties in the business environment include the time, costs and procedures associated with starting a business which dissuades formalisation.

- **Limited access to finance is a significant constraint to MSMEs' growth and development.** A large proportion of MSMEs cannot access finance due to collateral burden, high cost of finance (interest rates) and inability to meet the legal requirements by financial institutions for accessing loans. Due to gaps in information and a lack of access to long-term bank loans or equity, ensuring investment and growth has been challenging for MSMEs. This eventually increases the cost of production and the ability to scale.

- **Challenges to diversifying and increasing value in tourism:** They include Insufficient infrastructure beyond the main tourism enclaves, limited human capital availability, and declining price competitiveness. The inadequate transport infrastructure and poor environmental services hold back sustainable and more inclusive tourism growth, as many secondary destinations are unable to attract private investment. This discourages visitors from venturing off the beaten track, driving the imbalanced growth around Siem Reap and Phnom Penh.

- Despite recent efforts toward higher value addition, productivity in Cambodia's garment sector is still lower than in most structural peers. While labour productivity for the median manufacturing firm in Cambodia is better than in most comparator countries (except for the Philippines and Viet Nam), Cambodia's relatively low labour productivity is a result of low capital intensity and the fact that investors in the garment industry use Cambodia mainly as an export platform for low-cost, low-productivity production.

- With the limited application of the Sanitary and Phyto-Sanitary measure, a significant number of Cambodian products continue to be excluded from export markets due to poor hygiene in handling or other contaminations.

- Limited enforcement of intellectual property rights sale of counterfeit and pirated products remains a challenge to a vibrant private sector. IPR infringement has led to the loss of business, revenue, reputation and competitive advantage.

Private sector policy recommendations

- The government should engage the private sector in developing initiatives aimed at strengthening the modern services sector as a way for Cambodia to move on from its current labour-intensive, low value-added (assembly) mode of global value chain (GVC) participation. Modern services such as finance, insurance, telecommunications, transport and logistics are critical inputs for manufacturing exports, and an efficient services market is essential to enhance a country's competitiveness. Since services areas like design, marketing, and retailing segment, where the majority of value added are captured within value chains, enhancing the competitiveness of the services sector should be a main priority for upgrading in GVCs.

- **Private sector collaboration with the government is needed to develop a national human capital development framework.** This will help build an informed human development strategy involving targeted education policies, upskilling the current adult workforce and preparing youth to acquire 21st-century skills.

- Small business owners should be offered training programmes to accelerate skills acquisition by combining financing, formalisation, and training programmes for entrepreneurs.

- Incorporate digital literacy and 21st-century human skills into the school curriculum. Include information and communications technology (ICT) and computer education, including software development, web development and computer programming, as part of the school curriculum and government Technical and Vocational Education and Training (TVET) programmes.

- Companies with organisational capabilities should be directly involved in skill development through industrial placements, dual apprenticeships, and internships, with firms incentivised with rebate or grant models.

- Develop public-private partnerships (PPPs) in TVET to align skill training with labour market needs. Private education providers should be incentivised with targeted funds and partnerships involving levy rebates to restructure the education curriculum and training portfolio in TVET.

- Improve the quality and relevance of higher education and research, mainly in STEM and agriculture, at targeted higher education institutions, and improve sector governance. **Better education opportunities are needed to meet the requirements of employers as they move into higher value-added processes and products.**

> "Private sector collaboration with the government is needed to develop a national human capital development framework.

- **Support a jobs-intensive, private-sector-led economic growth strategy by:**

  - Evaluating and strengthening existing private-sector support programmes, such as the expedited arrears-clearance and VAT-refund efforts and targeted soft loans.

  - Enhancing the quality, frequency, and scope of the public-private dialogue.

  - Addressing administrative inefficiencies in private-sector regulation and streamlining licensing processes.

  - Prioritising public investment in ready-to-invest infrastructure for the manufacturing and tourism sector.

  - Boosting pro-poor and growth-enhancing public investment, including cash-for-work projects, while promoting labour-intensive sectors to generate jobs by taking advantage of the quick recovery of domestic demand for consumer goods.

  - Facilitating domestic and foreign investment expansion arising from recent bilateral and regional free trade agreements, including the Cambodia-China Free Trade Agreement and Regional Comprehensive Economic Partnership.

  - Monitor economic vulnerabilities arising from the prolonged construction and property boom.

  - Provide more public support to entrepreneurship and innovation ecosystems.

- **Boost household enterprise productivity by enhancing access to markets.** The government should engage the private sector in developing initiatives to connect small-scale farmers to lucrative food markets; this provides a powerful means to reduce rural poverty. It should ensure access to market information and provide training so that produce meets the quantity or quality of crops demanded by the market and that farmers can effectively process and market their produce.

- **Establish suitable risk-sharing and mitigation frameworks and long-term financing instruments:** Enhanced semi-formal external finance sources can achieve this by lowering entry costs for providers and users. Government should develop initiatives that support small business associations/incubators and strengthen existing associations to reduce fixed costs associated with training programmes, financing, and other services.

> Better education opportunities are needed to meet the requirements of employers as they move into higher value-added processes and products.

- **The government should adopt measures to reduce reliance on imported inputs and materials.** This should include additional investments in manufacturing enterprises and government subsidies for machinery to enhance a strong industrial base in Cambodia. Efforts should be made to transition to local raw materials where possible and focus on local value addition, particularly in manufacturing, to reduce dependence on imported goods. The government should consider protecting SMEs by emphasising the use of local content in projects.

- The government should develop a policy that focuses on improving and rehabilitating critical road infrastructure across the country with climate-resilient measures. This will reduce disruption to market access caused by floods and heavy rains, improve road connectivity to tourist sites, and generate jobs for local communities during road construction and maintenance works.

- The government should engage the private sector in implementing priority activities such as the Rural Roads Accessibility Financing Strategy, road safety awareness activities, study on transportation services in rural areas and providing technical assistance for roadside assets preservation and gender mainstreaming actions, capacity building and project management support.

- The government should develop policies to reduce informality in the agricultural sector by providing access to land tenure security, agricultural and social services, and selected infrastructure to small farmers and communities mainly operating in the informal economy.

Chad

Region
Central African Economic and Monetary Community (CEMAC)

Population
15,477,751

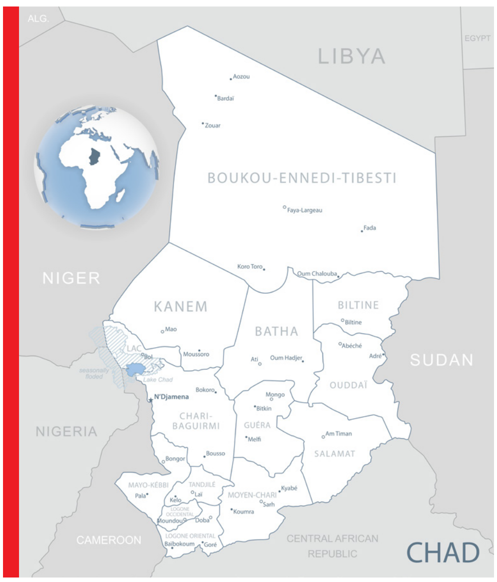
Demographic growth
3.53%

GDP per capita (2020)
614.5 USD

Human Development Index:
0.398 (187/189)

Economic overview

Chad is a Central African country classified as fragile and conflict-affected. It also faces enormous difficulties related to insecurity, political instability, informality, very low human development, inadequate infrastructure, abusive taxation, inefficient public authorities and the judicial and administrative system as a whole, all of which act as barriers to private sector development. Despite the country's oil wealth, Chad is still unable to develop its industrial sector, particularly its private sector. The country is still in the midst of a political transition. Chad is not making any significant progress in improving its business environment. This indicates that much work needs to be done on all indicators measuring the improvement of the business climate.



The measures taken by the government to contain the health crisis, or at least to limit the spread of COVID-19, have had a serious impact on Chad's economic and social sectors, as highlighted by the World Bank and UNDP. The sectors most affected are transport, hotels and restaurants, general trade, and industry due to the decline in domestic and international trade. Overall, these constraints in the goods and services market have had a knock-on effect on the labour market, with a decline in the volume and remuneration of work in both the formal and informal sectors in Chad.

Challenges faced by the private sector

The third Survey on Household Consumption and the Informal Sector in Chad (ECOSIT3) carried out in 2011 by the National Institute of Statistics and Economic and Demographic Studies (INSEED) identifies the following challenges to improving the business climate in Chad:

- **Insecurity combined with political instability -** The country faces repeated attacks by Boko Haram, especially in the north. In addition, the difficulties in forming a coalition between the different political parties, and those of the opposition in particular, with the rebels on the military junta, aggravate the situation of fragility and armed conflict in the country, particularly in the capital, N'Djamena. This does not encourage foreign investment and is not conducive to the business climate.

- **Widespread informality -** Here, 96.8 per cent of active workers are employed in the informal sector.

- **A weak private sector, an economy based more on agriculture than on industrialisation given the country's status as an oil producer**

- More than 70 per cent (74.3 per cent) of active workers are employed in agriculture, while there are less than 10 per cent in each of the remaining sectors of the economy: 9.1 per cent in industry and construction, 7.5 per cent in trade and 9.1 per cent in services. The proportion of jobs in the formal private sector is estimated at 4.6 per cent.

- **Low level of human-capital education/ training -** Chad ranks 187th out of 189 countries on the Human Development Index. In addition, the participation rate for those under 14 years of age is estimated at 26.1 per cent.

- **A weak employment system -** The rate of wage employment at national level remains low, estimated at 8.7 per cent, with disparities depending on place of residence. Indeed, the rate of wage employment in N'Djamena is estimated at 45.6 per cent, compared with 33.1 per cent in other urban areas and 3.7 per cent in rural areas. However, given that the informal agricultural sector is more widespread in rural than in urban areas, these wage inequalities indicate a situation of extreme poverty in rural areas and in urban areas due to informality.

- **Very high level of corruption -** According to Transparency International's 2021 report, Chad ranks 164th out of 180 countries. This is evidence of little political will on the part of the government to improve the business climate, and more specifically to develop the private sector and attract more national and international investment.

Private sector policy recommendations

The recommendations apply to the following areas:

1. Supporting and strengthening public-private dialogue

Specific objectives include:

- Including public-private dialogue in sectoral development plans and strategies;

- Establishing and maintaining a genuine public-private partnership;

- Developing a roadmap and agenda for public-private dialogue at national level;

- Actually considering the needs of private sector partners in sectoral development strategies;

- Strengthening state institutions, including assessing the legal and regulatory framework for creating and formalising businesses in the formal sector;

- Constantly coming up with reforms to improve the business climate;

- Complying with agreements;

- Bolstering the role of the state as a guarantor of peace, security and good governance;

- Ensuring independent and accountable social partners;

- Capacity building for social partners;

- Establishing a communication plan to reduce communication gaps between the private and public sectors;

- Establishing a unit or commission to work on promoting and popularising the incentives to be given to the private sector in the short, medium and long term.

2. Supporting young investors and women, developing entrepreneurship and fighting against informality

Specific objectives include:

- Promoting an entrepreneurial culture in society as a whole, particularly in technical and vocational training institutions, on audiovisual platforms (TV and radio) and national online social networks, in adult education centres and in universities;

- Creating training and apprenticeship centres for self-employment for out-of-school youth;

- Creating a favourable climate for investment by providing incentives, e.g. access to credit at subsidised interest rates and on flexible repayment terms;

- Establishing a genuine partnership between the state and the banking sector to encourage domestic financing and investment, including the promotion of self-employment among youth and women;

- Focusing policy on formal job creation;

- Establishing a genuine institutional partnership between the state, the private sector and representatives of local authorities to support and promote the creation of income-generating jobs in rural areas and encourage the development of agri-food cooperatives;

- Promoting the decentralisation and efficiency of local government bodies to facilitate municipal authority access to national and regional financial flows to support entrepreneurship among women and young people in rural areas and to better channel the needs of women and young people for the development of their commercial, agro-pastoral and craft activities in rural areas in particular;

- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;

- Considering the needs of informal sector operators in strategies for combating informality by the central government in order to better encourage their transition from the informal to the formal sector;

- Organising ongoing training and education sessions on creating and formalising businesses in rural and urban areas;

- Promoting access to digital technology for young people and women in rural areas by creating free digital training centres within local authorities;

- Promoting women's access to land in particular and favouring a reorganisation of the land register;

- Eliminating minimum fees for business start-ups and shortening the waiting period for registering and authenticating documents;

- Creating national savings in the various countries to finance income and employment-generating projects, especially for young people and women.

3. Cross-border trade

Specific objectives include:

- Promoting the development of intra-African trade by removing customs barriers;

- Improving national and regional infrastructure, such as developing roads, pedestrian walkways, lighting and utility poles, access to the digital network, and building structures to house markets at borders;

- Modernising and deploying one-stop shops;

- Guaranteeing a secure and stable climate at national level, particularly in terms of customs services to facilitate the free movement of people and goods (rule of law); this would also improve entrepreneurship by women, particularly the creation of income-generating activities (trade) carried out most often by small traders (women) at the borders;

- Guaranteeing follow-up for the supply and distribution of petroleum products;

- Deploying national, regional and international sectoral strategies to ensure exchange rate predictability;

- Implementing sectoral strategies to develop the resilience of the economy, particularly of businesses, to cope with various shocks;

- Reducing export and import delays;

- Setting up and modernising an electronic payment system for port fees at national level;

- Going paperless in customs formalities and extending the opening hours of ports;

- Increasing the size of inter-African markets and diversifying production in order to expand markets and improve the competitiveness of the formal private sector globally;

- Promoting good governance and responsible business conduct and fair competition in markets in order to improve the global competitiveness of the formal private sector;

- Establishing simplified trade arrangements (exemption from customs duties) and simplifying customs clearance formalities for small-scale transactions, usually carried out by small traders, especially women;

- Enhancing regional integration, in particular economic cooperation between the different regional economic communities to remove persistent barriers to intra-regional trade;

- Strengthening the fight against smuggling at borders and ports;

- Establishing and developing regional power pools to reduce electricity connection costs and link markets to resources;

- Establishing mutually beneficial trade agreements to attract more investors; boosting intra-regional trade through digital technology;

- Diversifying the energy market with a focus on promoting solar panels to improve the competitiveness and productivity of businesses and also to reduce the costs of connecting to the power grid;

- Expanding the telecommunications market, especially the digital market, to improve access to the electronic network for businesses and enable them to increase their competitiveness in the global market;

- Establishing effective cyber security and cyber defence strategies at regional level;

- Strengthening the African Continental Free Trade Area (AfCFTA).

4. Fighting informality

Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;

- Establishing incentives and deterrents;

- Sharing and exchanging regional experiences;

- Developing a strong and effective institutional legislative framework;

- Annually implementing structural reforms and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;

- Developing guarantee instruments to promote access to credit for young people and women, especially those with economically viable income- and employment-generating projects;

- Reducing costs and delays in obtaining building permits;

- Reducing electricity connection fees;

- Eliminating mandatory minimum fees for business start-ups;

- Eliminating mandatory fees for authenticating documents and shortening the registration period for business start-ups;

- Improving access to credit information, e.g. by extending the coverage of public credit services and by starting to report data from public utilities;

- Developing a national directory of formal sector companies;

- Annually assessing the registration rate of new companies and considering the needs of unregistered companies in order to better channel and adapt sectoral strategies to facilitate their transition to the formal sector;

- Establishing and modernising an electronic system for creating and registering businesses at national level;

- Creating a level playing field for businesses to facilitate their formalisation.

5. Developing human capital

Specific objectives include:

- Improving the supply of public services (education, health and social protection);

- Ensuring a match between training/ education received and the needs of the labour market in technical and vocational education, general secondary education and universities;

- Promoting development-oriented research in technical and vocational schools, general secondary schools and universities in order to unleash the innovation potential of young people and improve the competitiveness of the private sector globally;

- Priority training for public sector managers;

- Mandatory internships for students to immerse them in the world of business.

6. Improving the labour market

Specific objectives include:

- Increasing the number of jobs through access to new investments at national level;

- Promoting the application, via the Ministry of Social Affairs and Labour, of a legal framework for workers/employees on working conditions and a minimum wage;

- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal businesses to formalise;

- Promoting flexible working hours for workers;

- Improving employment frameworks, policies and conditions;

- Improving wages and paying compensation for work stoppages due to the occurrence of happy occasions (e.g. births) and unhappy events (illnesses, accidents, etc.) in workers' lives.

Democratic Republic of Congo (DRC)

Region
Central African Economic and Monetary Community (CEMAC)

Population
84,068,091

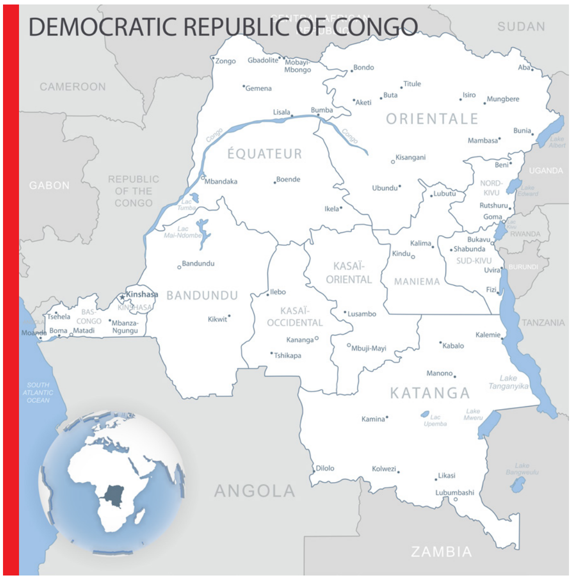
Demographic growth
3.30 %

GDP per capita (2020)
556.8 USD

Human Development Index:
0.480 (175/189)

Economic overview

Democratic Republic of Congo (DRC), a Central African country classified as fragile and conflict-affected, faces enormous challenges related to informality, human development, poor infrastructure, inefficient government and corruption, all of which act as barriers to private sector development. Despite its wealth of minerals and natural resources, DRC is still unable to improve its economic performance. The business climate is still not at its best.



As in all LDCs, the COVID-19 health crisis has had an impact on the DRC economy. Restrictions on commercial operations, disruptions at international borders and lower demand for exports have had a negative impact on growth, employment and debt levels. Today, as the Congo Federation of Enterprises (FEC) points out, the pandemic remains a drag on economic growth and private sector development in particular. Currently, 50 per cent of businesses in DRC are experiencing delays or disruptions in their supply chains. In addition, 60 per cent of businesses have experienced a sharp decline in revenues compared to previous years before the crisis. As a result, two-thirds of business owners report recruiting less and signing fixed-term contracts with new staff.

Challenges faced by the private sector

According to the Survey on Employment, the Informal Sector and Household Consumption conducted in 2012 by the National Institute of Statistics (INS), there are nearly 3.4 million informal production units (IPUs) in DRC. The main challenges to improving the business climate in DRC include:

- **Widespread informality -** Here, 88.6 per cent of active workers are employed in the informal sector.
- **Informality is more prevalent in key sectors of the economy -** The three main non-agricultural sectors that account for a large number of IPUs are trade (62.1 per cent), industry (16.4 per cent), services (19.6 per cent) and mining (1.9 per cent).
- **A weak private sector, an economy based more on agriculture than on industrialisation -** More than 70 per cent (71.2 per cent) of active workers are employed in agriculture, a quarter in trade or services (24.4 per cent) and less than 5 per cent (4.4 per cent) in industry.
- **Informality exacerbates the vulnerability and precariousness of the workforce -** More than 96 per cent of those employed in the informal sector do not benefit from social protection. Moreover, jobs in the informal sector are characterised by very precarious working

conditions. It is estimated that 56.4 per cent of IPUs have no business premises and 37.4 per cent of IPUs work from home. Moreover, those active in the informal sector work on average 52.1 hours per week. The average monthly remuneration of those employed in the informal sector is about CDF 62,740.9 (below the minimum wage).

- **An informal sector composed mainly of micro-units -** There is a preponderance of small IPUs. Approximately 82.3 per cent of IPUs are just one person. The average IPU size is estimated at 1.3 persons.

- **Lack of access to credit -** A large proportion of IPUs (22.7 per cent) do not have access to the capital they need to carry out their activities, capital being a determining factor in production. Moreover, individual savings represent the main source of capital for IPUs, accounting for more than 88.4 per cent of the total value of capital.

- **Wage inequalities -** Overall, women's incomes are significantly lower than men's. The median income of women is CDF 15,000, while that of men is CDF 38,000.

- **Low level of public infrastructure -** Of the IPUs with premises, 87.7 per cent have no access to electricity, 96 per cent to telephone and 91.5 per cent to water.

- **A weak private sector -** Only 2.7 per cent of IPUs pay taxes on their activities. On the other hand, 28.4 per cent of IPUs say they are ready to formalise their activities. 44.8 per cent of IPU heads say they are willing to pay taxes on their activities if the business climate improves, whereas 55.2 per cent are not. In fact, about 94 per cent of IPUs do not have a national identification number and do not keep formal accounts.

- **Low human-capital education/formation -** DRC ranks 175th out of 189 countries on the Human Development Index. Its net primary school enrolment rate is 68.6 per cent, dropping to 36.7 per cent for secondary school.

- **Very high level of corruption -** According to Transparency International's 2021 report, DRC ranks 169th out of 180 countries. This is evidence of little political will on the part of the government to improve the business climate, and more specifically to develop the private sector and attract more national and international investment.

Private sector policy recommendations

The recommendations apply to the following areas:

1. Supporting and strengthening public-private dialogue

Specific objectives include:

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- Establishing and maintaining a genuine public-private partnership;
- Developing a roadmap and agenda for public-private dialogue at national level;
- Actually considering the needs of private sector partners in sectoral development strategies;
- Strengthening state institutions, including assessing the legal and regulatory framework for creating and formalising businesses in the formal sector;
- Constantly coming up with reforms to improve the business climate;
- Complying with agreements;
- Bolstering the role of the state as a guarantor of peace, security and good governance;
- Ensuring independent and accountable social partners;
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- Establishing a communication plan to reduce communication gaps between the private and public sectors;

- Establishing a unit or commission to work on promoting and popularising the incentives to be given to the private sector in the short, medium and long term.

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Specific objectives include:

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- Focusing policy on formal job creation;

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- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;

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- Modernising and deploying one-stop shops;

- Guaranteeing a secure and stable climate at national level, particularly in terms of customs services to facilitate the free movement of people and goods (rule of law); this would also improve entrepreneurship by women, particularly the creation of income-generating activities (trade) carried out most often by small traders (women) at the borders;

- Guaranteeing follow-up for the supply and distribution of petroleum products;
- Deploying national, regional and international sectoral strategies to ensure exchange rate predictability;
- Implementing sectoral strategies to develop the resilience of the economy, particularly of businesses, to cope with various shocks;
- Reducing export and import delays;
- Setting up and modernising an electronic payment system for port fees at national level;
- Going paperless in customs formalities and extending the opening hours of ports;
- Increasing the size of inter-African markets and diversifying production in order to expand markets and improve the competitiveness of the formal private sector globally;
- Promoting good governance and responsible business conduct and fair competition in markets in order to improve the global competitiveness of the formal private sector;
- Establishing simplified trade arrangements (exemption from customs duties) and simplifying customs clearance formalities for small-scale transactions, usually carried out by small traders, especially women;
- Enhancing regional integration, in particular economic cooperation between the different regional economic communities to remove persistent barriers to intra-regional trade;
- Strengthening the fight against smuggling at borders and ports;
- Establishing and developing regional power pools to reduce electricity connection costs and link markets to resources;
- Establishing mutually beneficial trade agreements to attract more investors; boosting intra-regional trade through digital technology;
- Diversifying the energy market with a focus on promoting solar panels to improve the competitiveness and productivity of businesses and also to reduce the costs of connecting to the power grid;
- Expanding the telecommunications market, especially the digital market, to improve access to the electronic network for businesses and enable them to increase their competitiveness in the global market;
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- Strengthening the African Continental Free Trade Area (AfCFTA).

4. Fighting informality

Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;
- Establishing incentives and deterrents;
- Sharing and exchanging regional experiences;
- Developing a strong and effective institutional legislative framework;
- Annually implementing structural reforms and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;
- Developing guarantee instruments to promote access to credit for young people and women, especially those with economically

viable income- and employment-generating projects;

- Reducing costs and delays in obtaining building permits;

- Reducing electricity connection fees;

- Eliminating mandatory minimum fees for business start-ups;

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5. Developing human capital

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Specific objectives include:

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- Promoting the application, via the Ministry of Social Affairs and Labour, of a legal framework for workers/employees on working conditions and a minimum wage;

- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal businesses to formalise;

- Promoting flexible working hours for workers;

- Improving employment frameworks, policies and conditions;

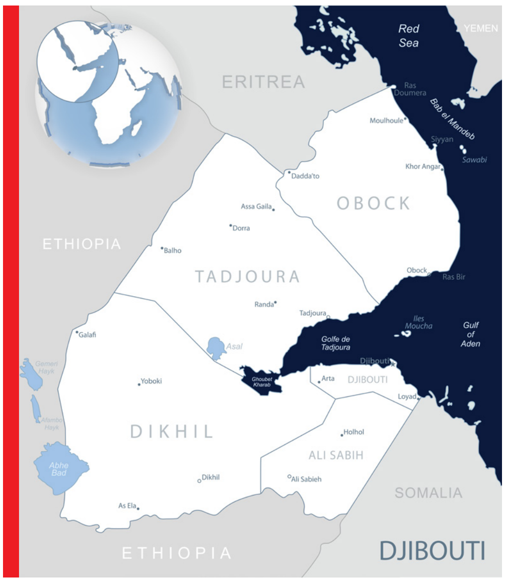
- Improving wages and paying compensation for work stoppages due to the occurrence of happy occasions (e.g. births) and unhappy events (illnesses, accidents, etc.) in workers' lives.

Djibouti

Region	Population	Demographic growth	GDP per capita (2020)	Human Development Index:
East Africa	958,920	2.80 %	3,425.5 USD	0.524 (166/189)

Economic overview

As an East African country considered the gateway to East Africa, Djibouti's economy is primarily dependent on the tertiary sector, particularly the maritime sector. However, Djibouti's economy is essentially dominated by the urban informal sector in terms of employment, income and the satisfaction of basic needs, and implicitly also in terms of maintaining social balance. Economic and institutional constraints linked to tax pressure, administrative procedures (regulations), inadequate access to financing and strong market competition due to the lack of markets are some of the obstacles to improving the business environment in Djibouti. However, the reforms undertaken by the government in recent years are beginning to bear fruit.



It is important to note that the government has taken unprecedented measures as part of the COVID-19 response plan in terms of social protection for the most vulnerable groups, strengthening social dialogue, protecting workers and stimulating the economy. Accordingly, government intervention is currently focused on meeting the basic needs of the most vulnerable groups through social protection mechanisms (cash transfers, food distribution, UNDP has helped the government target the most vulnerable and most affected), as Djibouti's social protection system was considered sufficiently inclusive and effective prior to the health crisis.[1]

In addition, the government has issued an initial decree to regulate the labour market and to protect workers in the workplace. The Djibouti Ministry of Labour, after consultation with the ILO, introduced a presidential decree (2020-63/PR/MTRA) setting out extraordinary measures and requiring companies with eleven or more workers to adopt alternative work measures (paid leave, teleworking, part-time work) in order to protect their employment contracts. Employers were also instructed to deploy workplace measures that would allow workers to adequately protect themselves and to limit meetings. The government also took measures to support companies that followed these instructions, as well as to sanction those that openly violated them. Accordingly, a special system for labour relations was implemented via the President of the Republic under Decree No. 2020-063/MTRA of 23 March 2020 governing the labour market during the pandemic period. Indeed, after the response to the public health crisis, it was necessary to respond to the economic and social impact of the COVID-19 crisis. It was in this context that the government issued Order 2020-049/PR/MTRA of 29 April 2020 on the conditions for granting compensation to employees and companies during the pandemic. The aim of this new order was to implement an extraordinary part-time work scheme initiated and decided by the Office of the President of the Republic. This public policy tool aimed at preventing economic redundancies and at

[1] Child-sensitive social protection. https://www.unicef.org/djibouti/protection-sociale (in French)

helping companies cope with economic difficulties. The adoption of this measure enabled those employees placed on the part-time work scheme to receive an indemnity from their employer to offset the loss of remuneration due to hours not worked. Accordingly, this proposal enabled employees to receive compensation of up to 70 per cent of their gross salary. This compensation was financed by the state to the tune of 30 per cent of the gross pay of the employee placed on the part-time scheme, with the remaining 40 per cent financed by the employer, in order to enable companies to avoid redundancies and retain their skills and to allow employees to keep their jobs.

Other proposals from the Ministry of Labour include plans to: (i) strengthen the undoubtedly effective Occupational Health and Safety programme that aimed to ensure occupational safety and health as a vital contribution to the fight against the pandemic; (ii) strengthen the labour market regulatory framework to keep the focus on decent work; (iii) strengthen the momentum of the culture of social dialogue and cooperation in the workplace that was essential for consolidating the response to the crisis; (iv) initiate a discussion on creating employment insurance to provide temporary income support to unemployed workers while they look for work or to upgrade their skills; (v) strengthen social protection; and (vi) strengthen job support mechanisms as well as micro-enterprises and SMEs.

Challenges faced by the private sector

African Development Bank data on the economic and social situation in Djibouti in 2021 reveal the following:

- **Impoverishment of the population due to runaway inflation, despite an attractive growth rate of around 3.9 per cent -** The unemployment rate in Djibouti is estimated at nearly 50 per cent, with 23-24 per cent of the population living on less than USD 1 a day. This situation is made more difficult by the high unemployment rate of 39 per cent, which mainly affects young people. Some 70 per cent of young people between 15-35 years of age are unemployed.

- **A weak private sector in terms of job creation -** The annual job growth rate is estimated at 1.8 per cent. Furthermore, the precariousness of the employment situation is largely due to the underdevelopment of the private sector. In addition, there is:

- **Gender inequality in the labour market -** Only 29 per cent of women aged 15-64 are active in the labour market and only 54 per cent of women with at least three years of university education are in the labour market, compared to 76 per cent of men.

- **A business climate that is still difficult -** Due to high start-up costs, poor contract enforcement, heavy taxation, red tape and lack of access to finance. Only 3.33 per cent of entrepreneurs have a bank account. As regards sources of finance for the initial capital for their business, 47 per cent came from the entrepreneur's personal savings and 15 per cent from loans obtained from friends or family.

- **Lack of access to infrastructure -** Lack of access to infrastructure, such as water and electricity, and business premises, coupled with the fact that over 70 per cent of IPUs do not have accounting records.

- **Low level of human-capital education/ training -**Djibouti is 166th out of 189 countries on the Human Development Index.

- **Very high level of corruption -** According to Transparency International's 2021 report, Djibouti ranks 128th out of 180 countries, which shows that much work remains to be done in the area of improving the business climate.

Private sector policy recommendations

The recommendations apply to the following areas:

1. Supporting and strengthening public-private dialogue

Specific objectives include:

- Including public-private dialogue in sectoral development plans and strategies;

- Establishing and maintaining a genuine public-private partnership;

- Developing a roadmap and agenda for public-private dialogue at national level;

- Actually considering the needs of private sector partners in sectoral development strategies;

- Strengthening state institutions, including assessing the legal and regulatory framework for creating and formalising businesses in the formal sector;

- Constantly coming up with reforms to improve the business climate;

- Complying with agreements;

- Bolstering the role of the state as a guarantor of peace, security and good governance;

- Ensuring independent and accountable social partners;

- Capacity building for social partners;

- Establishing a communication plan to reduce communication gaps between the private and public sectors;

- Establishing a unit or commission to work on promoting and popularising the incentives to be given to the private sector in the short, medium and long term.

2. Supporting young investors and women, developing entrepreneurship and fighting against informality

Specific objectives include:

- Promoting an entrepreneurial culture in society as a whole, particularly in technical and vocational training institutions, on audiovisual platforms (TV and radio) and national online social networks, in adult education centres and in universities;

- Creating training and apprenticeship centres for self-employment for out-of-school youth;

- Creating a favourable climate for investment by providing incentives, e.g. access to credit at subsidised interest rates and on flexible repayment terms;

- Establishing a genuine partnership between the state and the banking sector to encourage domestic financing and investment, including the promotion of self-employment among youth and women;

- Focusing policy on formal job creation;

- Establishing a genuine institutional partnership between the state, the private sector and representatives of local authorities to support and promote the creation of income-generating jobs in rural areas and encourage the development of agri-food cooperatives;

- Promoting the decentralisation and efficiency of local government bodies to facilitate municipal authority access to national and regional financial flows to support entrepreneurship among women and young people in rural areas and to better channel the needs of women and young people for the development of their commercial, agro-pastoral and craft activities in rural areas in particular;

- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;

- Considering the needs of informal sector operators in strategies for combating informality by the central government in order to better encourage their transition from the informal to the formal sector;

- Organising ongoing training and education sessions on creating and formalising businesses in rural and urban areas;

- Promoting access to digital technology for young people and women in rural areas by creating free digital training centres within local authorities;

- Promoting women's access to land in particular and favouring a reorganisation of the land register;

- Eliminating minimum fees for business start-ups and shortening the waiting period for registering and authenticating documents;

- Creating national savings in the various countries to finance income and employment-generating projects, especially for young people and women.

3. Cross-border trade

Specific objectives include:

- Promoting the development of intra-African trade by removing customs barriers;

- Improving national and regional infrastructure, such as developing roads, pedestrian walkways, lighting and utility poles, access to the digital network, and building structures to house markets at borders;

- Modernising and deploying one-stop shops;

- Guaranteeing a secure and stable climate at national level, particularly in terms of customs services to facilitate the free movement of people and goods (rule of law); this would also improve entrepreneurship by women, particularly the creation of income-generating activities (trade) carried out most often by small traders (women) at the borders;

- Guaranteeing follow-up for the supply and distribution of petroleum products;

- Deploying national, regional and international sectoral strategies to ensure exchange rate predictability;

- Implementing sectoral strategies to develop the resilience of the economy, particularly of businesses, to cope with various shocks;

- Reducing export and import delays;

- Setting up and modernising an electronic payment system for port fees at national level;

- Going paperless in customs formalities and extending the opening hours of ports;

- Increasing the size of inter-African markets and diversifying production in order to expand markets and improve the competitiveness of the formal private sector globally;

- Promoting good governance and responsible business conduct and fair competition in markets in order to improve the global competitiveness of the formal private sector;

- Establishing simplified trade arrangements (exemption from customs duties) and simplifying customs clearance formalities for small-scale transactions, usually carried out by small traders, especially women;

- Enhancing regional integration, in particular economic cooperation between the different regional economic communities to remove persistent barriers to intra-regional trade;

- Strengthening the fight against smuggling at borders and ports;

- Establishing and developing regional power pools to reduce electricity connection costs and link markets to resources;

- Establishing mutually beneficial trade agreements to attract more investors; boosting intra-regional trade through digital technology;

- Diversifying the energy market with a focus on promoting solar panels to improve the competitiveness and productivity of businesses and also to reduce the costs of connecting to the power grid;

- Expanding the telecommunications market, especially the digital market, to improve access to the electronic network for businesses and enable them to increase their competitiveness in the global market;

- Establishing effective cyber security and cyber defence strategies at regional level;

- Strengthening the African Continental Free Trade Area (AfCFTA).

4. Fighting informality

Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;

- Establishing incentives and deterrents;

- Sharing and exchanging regional experiences;

- Developing a strong and effective institutional legislative framework;

- Annually implementing structural reforms and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;

- Developing guarantee instruments to promote access to credit for young people and women, especially those with economically viable income- and employment-generating projects;

- Reducing costs and delays in obtaining building permits;

- Reducing electricity connection fees;
- Eliminating mandatory minimum fees for business start-ups;

- Eliminating mandatory fees for authenticating documents and shortening the registration period for business start-ups;

- Improving access to credit information, e.g. by extending the coverage of public credit services and by starting to report data from public utilities;

- Developing a national directory of formal sector companies;

- Annually assessing the registration rate of new companies and considering the needs of unregistered companies in order to better channel and adapt sectoral strategies to facilitate their transition to the formal sector;

- Establishing and modernising an electronic system for creating and registering businesses at national level;

- Creating a level playing field for businesses to facilitate their formalisation.

5. Developing human capital

Specific objectives include:

- Improving the supply of public services (education, health and social protection);

- Ensuring a match between training/education received and the needs of the labour market in technical and vocational education, general secondary education and universities;

- Promoting development-oriented research in technical and vocational schools, general secondary schools and universities in order to unleash the innovation potential of young people and improve the competitiveness of the private sector globally;

- Priority training for public sector managers;

- Mandatory internships for students to immerse them in the world of business.

The NDP actions in this sub-programme are: **1.** Promote the use of information technology through support for the University of Djibouti's electronic campus; improve the exchange point and the quality of the Djibouti Data Centre's local Internet networks. **2.** Prepare and implement a programme that holistically addresses the cross-cutting issue of capacity building in connectivity infrastructure and services. **3.** Implement a business intelligence programme to ensure a good understanding of the functionalities of the elements of the logistics platform, the global delivery chain and change management.

6. Improving the labour market

Specific objectives include:

- Increasing the number of jobs through access to new investments at national level;

- Promoting the application, via the Ministry of Social Affairs and Labour, of a legal framework for workers/employees on working conditions and a minimum wage;

- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal businesses to formalise;

- Promoting flexible working hours for workers;

- Improving employment frameworks, policies and conditions;

- Improving wages and paying compensation for work stoppages due to the occurrence of happy occasions (e.g. births) and unhappy events (illnesses, accidents, etc.) in workers' lives.

7. Promoting digitalisation/new technologies

This should consist of/and enable:

- Updating/strengthening the digital skills of economic actors;

- Facilitating access to a variety of services and opportunities through the Internet and IT by means of timely reforms and national projects/ programmes;

- Promoting online payment of taxes and other services;

- Providing large-scale digital literacy programmes;

- Promoting engineering training and professions in order to capitalise on innovation through strategic partnerships (schools-companies, state and development partners, etc.).

Ethiopia

Region
East Africa

Population
120 283 026

Demographic growth
2.6%

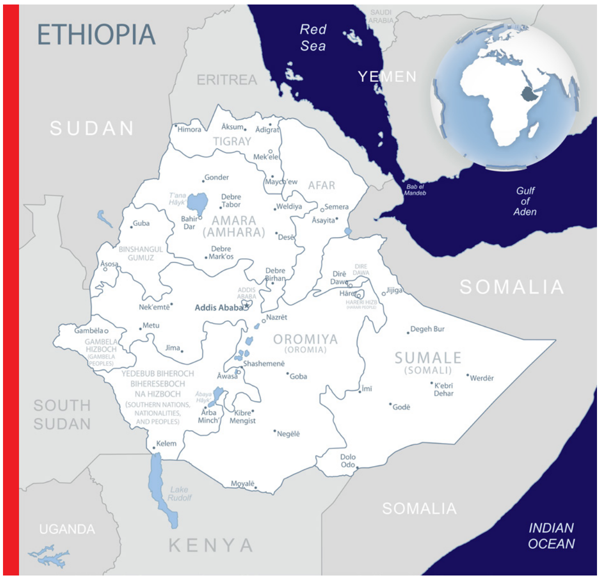
Average income (2021)
925 USD

Human Development Index:
175 out of 191 countries. Ethiopia was 0.498 points in 2021.

Regional economic community
Common Market for Eastern and Southern Africa

Economic overview

In 2020, agriculture accounted for 35.45 per cent of GDP and 65 per cent of employment, the industrial sector contributed 23.11 per cent to Gross Domestic Product (GDP) and 10.35 per cent of employment, and the services sector contributed about 36.81 per cent to GDP and 24.3 per cent of employment to the labour market [1].



The Ethiopian manufacturing sector is marginal in employment creation, exports, and output and is short of stimulating domestic linkages. The sector is dominated by small firms, resource-based industries, low-value and low-technology products, and weak inter-sectoral and intra-sectoral linkages[2].

Ethiopia has abundant renewable energy resources and has the potential to generate over 60,000 megawatts (MW) of electric power from hydroelectric, wind, solar and geothermal sources . Electricity demand has been steadily increasing, and the current access rate is 45 per cent (95 per cent in urban areas and 32 per cent in rural areas). Policies have been enacted to liberalise energy generation for foreign and domestic investors fully. Transmission and distribution of electric energy through the national grid are currently reserved for domestic investors only[3].

The government has undertaken significant reform towards liberalisation and expanding private investment in the economy by relaxing the government monopoly on key sectors of the economy, telecoms, energy, and logistics, through partial privatisation of state-owned enterprises.

The government is the main driver of Ethiopia's information and communications technology (ICT) growth. ICT is one of the springboards towards achieving the country's vision in 2025 of becoming a middle-income country[4]. The government has licensed two privately owned telecommunication operator companies in this regard. They are expected to make over 40 per cent of the sales in the country. Once well underway, the ongoing liberalisation of the telecommunications sector is expected to usher in a new era for the rapidly evolving and mature ICT market, with new opportunities via partnerships with

[1] https://data·worldbank·org/country/ethiopia
[2] Oqubay· Arkebe· The structure and performance of the Ethiopian manufacturing sector· African Development Bank Group, 2018.
[3] Ashebir Dingeto Hailu and Desta Kalbessa Kumsa· 'Ethiopia Renewable Energy Potentials And Current State' (2021) 9 AIMS Energy·
[4] Tafesse M· e al· Electricity regulation in Ethiopia: overview· Thomson reuter. 2020.

existing and new local players in both the consumer and enterprise spaces[5].

Challenges faced by the private sector

- **Inadequate electricity supply:** Interruption and cuts in electric supply raise the cost of businesses in several ways, including through the need to pay idle employees during power cuts, loss of customers and market shares due to delays in production or service provision. Electricity demand continues to outpace supply as new hydropower dams struggle to produce at full capacity. Power transmission lines and distribution facilities are inadequate to the demand. The government is investing significantly in large-scale hydroelectric generation projects to double the current near 4000 MW power supply. If completed, these projects could meet domestic electricity demand and produce a significant surplus of power for export.

- **Inadequate skilled manpower:** Skills mismatch and inadequacy of skills in sectors such as agro-processing, horticulture, and tourism remain common[6].

- Businesses experience a **lack of access to long-term industrial financing** for domestic firms due to the limited capacity of public banks and the lack of interest by private banks in such financing.

- The **lack of internationally competitive export logistics** and trade facilitation is especially important given that Ethiopia is landlocked is a key constraint on export-led industrialisation[7].

- Importers face difficulty obtaining foreign exchange, particularly small and medium enterprises (SMEs). Firms face burdensome delays in arranging trade-related payments because the National Bank of Ethiopia (NBE) administers a strict foreign currency regulatory regime.

- **Customs clearance** remains a hindrance to imports – the clearance process is slow, and imported goods are sometimes charged at attributed values instead of invoice values.

- **The mechanism for contractual enforcement remains weak:** Delays in civil and criminal proceedings and the inefficiencies of courts in ensuring the enforcement of contracts are major problems faced by the private sector. Another problem regarding contractual enforcement is that commercial arbitration is largely inaccessible and expensive.

> Electricity demand continues to outpace supply as new hydropower dams struggle to produce at full capacity.

- **Bureaucracy and corruption:** Businesses experience unnecessary bureaucratic procedures, excessive documentary requirements, procedural hurdles relating to poor institutional coordination among the different government offices, and inefficiency in government agencies and systems in the process of obtaining and renewing business licences, obtaining construction permits and all engagement with government institutions constitute a significant burden. The culmination of these challenges creates opportunities for corruption to fester. The government has introduced a new commercial code that is expected to be aligned with modern business structures and operations.

- **Low internet connectivity:** Mobile connections stood at 44.9 per cent of the total population, while internet penetration stood at 24 per cent in 2020[8]. This is low compared to other developing countries due to high mobile tariffs and the country's poor network coverage. While 2G networks are widely available, 4G coverage is restricted to Addis Ababa. Ethiopia

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[5] Hook, F. Ethiopia ICT Landscape and Future Market Opportunities. IDC. 2020
[6] Tekleselassie, T. "The potential of industries without smokestacks to address unemployment." (2021).
[7] Oqubay, Arkebe. The structure and performance of the Ethiopian manufacturing sector. African Development Bank Group, 2018.

also has a notably low level of international connectivity. E-commerce is in its infancy, rarely used, and mobile banking is growing[9].

- **Inconsistencies in tax assessments and excessive penalties:** Unclear tax administration rules lead to discretionary practices by government officers. In this regard, it frequently occurs that financial statements submitted by businesses are unduly rejected, and tax assessments prepared by government auditors often inflate taxes payable since unclear rules are interpreted to the disadvantage of businesses and access to tax dispute resolution mechanisms is limited. The severity of penalties, lack of guidance on compliance, and the inefficacy of the tax authority in service provision and client handling, are major business challenges.

- **Low quality and infrastructure coverage:** the absence of effective transport solutions, including rail systems and road networks, is a major constraint to the private sector growth. Businesses face the challenge of low levels of rural accessibility and inadequate road maintenance, which impacts the cost and time of doing business, including access to markets.

- **Political instability and rising insecurity** pose a daunting challenge for the investment environment[10].

> The severity of penalties, lack of guidance on compliance, and the inefficacy of the tax authority in service provision and client handling, are major business challenges.

Private sector policy recommendations

- Allow for sustainable agriculture in Ethiopia to produce food and cash crops at least twice a year, thereby expanding production from local consumption to export. The government can achieve this by collaborating with the private sector to build and enhance sustainable capacities of natural resources such as water and soil[11].

- Create a government initiative that supports financial institutions and local enterprises to develop a range of financial products that will enable young entrepreneurs to access the working and investment capital needed to expand operations and develop their businesses.

- The government should partner with the private sector in developing a continuum of on-farm, off-farm, and non-farm services, taking a spatial approach to connect rural towns and large cities and supporting entrepreneurs and micro-enterprises through incubation centres, industry clusters, and ecosystems[12].

- Ethiopia has a thriving leather shoe industry with more than 5,000 MSMEs that are generating over USD 65 million in exports and might have a competitive advantage in several other industries like tourism, textile and garments, cultural handicrafts, floral growers, and agro-processing. The government should increase access to low-cost financing, tax incentives and a favourable regulatory environment and support entrepreneurs by linking them to the global marketplace.

- **Government agencies should collaborate with firms and industry associations to develop joint initiatives to build and upgrade workers' skills.** Support schemes and incentives (such as government cost-sharing and loans) should be designed to promote skills and productivity in the private sector.

- The government should partner with the private sector in developing industrial policies

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[8] O'Dea.S. Telecommunication penetration rate/density for Ethio Telecom. Ethiopia. Statista. 2021
[9] ICT and Telecommunications in Ethiopia 2021. https://www.researchandmarkets.com/reports/5414964/ict-and-telecommunications-in-ethiopia-2021
[10] Tekleselassie. T. "The potential of industries without smokestacks to address unemployment." (2021).
[11] Yohannes Habteyesus Yitagesu. 'Land Evaluation. Sustainable Land Management And Impacts Of Climate Change In Agriculture; Ethiopia: Review' (2021) 04 International Journal of Multidisciplinary Research and Analysis.
[12] Kelly L. & Martinez J.C. Can Ethiopia Create 2 Million Jobs Every Year? Worldbank.(2018)

that go beyond the obvious manufacturing sector, with the key aim of promoting a faster shift of people and resources into high-productivity economic activity, which increasingly also involves some services and some agriculture[13].

> Government agencies should collaborate with firms and industry associations to develop joint initiatives to build and upgrade workers' skills.

- The government should engage the private sector in developing climate-smart agriculture (CSA) policies and training to help farmers manage their resources to protect ecosystems and reduce agriculture's contribution to climate change by promoting new methods and technologies.

- The government should engage the private sector in developing initiatives to connect small-scale farmers to lucrative food markets; this provides a powerful means to reduce rural poverty. It should ensure access to market information and provide training so that produce meets the quantity or quality of crops demanded by the market and that farmers can process and market their produce effectively.

- The government of Ethiopia needs to engage with the private sector in diversifying electricity production by licencing and providing tax incentives for the establishment of off-grid energy generation and distribution to solve energy problems in rural areas[14]. The government should seek private sector engagement in power development projects using Independent Power Purchase (IPP) agreements to sell power from renewable energy resources (geothermal, solar, wind and biomass).

- The department of information technology should encourage the development of the information and communications technology (ICT) sector by supporting private investments. This is possible through enacting policies such as tax holidays and eliminating strict regulatory measures for potential investors in software development, mobile telephony, internet and broadband, ICT hardware manufacturing, and assembly[15].

- **The absence of mobile banking and other innovative mobile applications that support social and economic development has been one of the major setbacks to Ethiopia's ICT progress.** The opportunity cost will be high if concerted efforts are not made to create the environment for developing mobile applications. This can be done by forging, financing, and promoting collaborative partnerships with other countries in Africa, Asia, and Latin America, and linking local developers with the private sector.

- The government should exploit the tourism potentials of the Bale Mountains, the rift valley, and the Awash national park. This can be achieved through conflict resolutions in these regions.

> The absence of mobile banking and other innovative mobile applications that support social and economic development has been one of the major setbacks to Ethiopia's ICT progress.

[13] Oqubay, Arkebe. The structure and performance of the Ethiopian manufacturing sector. African Development Bank Group, 2018.
[14] Ashebir Dingeto Hailu and Desta Kalbessa Kumsa, 'Ethiopia Renewable Energy Potentials And Current State' (2021) 9 AIMS Energy.
[15] Addisalem Genta Gemiya, 'Factors Affecting The Use Of ICT Services In Ethiopia' (2020) International Journal of Information and Communication Technology Education.

The Gambia

Region
West Africa

Population
2 705 992

Demographic growth
2.5%

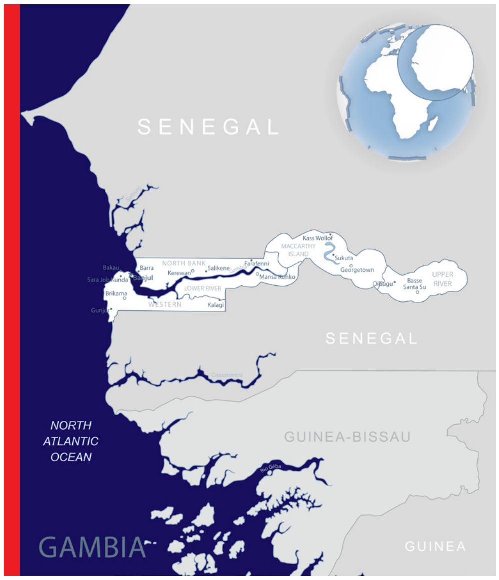
Average income (2020)
696 USD

Human Development Index:
174 out of 191 countries. Human development index of Gambia increased from 0.42 index in 2002 to 0.5 index in 2021, growing at an average annual rate of 0.99%.

Economic membership
Economic Community of West African States

Economic overview

The Gambia has a young population (In 2020, the median age was 17.8 years, and about 43.95 per cent of the total population was aged 0 to 14 years[1]) with a rapidly growing working-age (15 and 64) population but low labour force participation rates of 60.54 per cent[2], and high unemployment undermine this demographic dividend.



The Gambia's workforce is underutilised. The unemployment rate among those aged 15–35 is 41.5 per cent, and unemployment is especially high in rural areas, indicating a lack of job opportunities beyond the agricultural sector. Young workers who are neither employed nor in education or training (NEET) are around 57 per cent of this age group and are at risk of economic and social exclusion[3]. Forty-three per cent of the working-age population lives in rural areas, but only 35 per cent of employment is located there.

The services sector is the largest provider of regular employment in The Gambia at 54.44 per cent, with public administration, transportation and tourism, and trade. The industrial sector employs 16.04 per cent, and the agricultural sector employs 27.03 per cent. The impact of the pandemic has hindered or reversed poverty reduction in 2020, with most households reporting declining income from agriculture and fishing, non-farm businesses, and salaried employment. The tourism sector is the fastest-growing sector and a leading foreign exchange earner[4]. The Gambia already has a strong base in the tourism sector, which could play an important role in future job creation.

The manufacturing industry in the country is underdeveloped, limited to small and medium enterprises (SMEs), whose manufacturing base focuses mainly on the domestic market and utilising a limited range of skills and technology. The sector still has huge potential as the country imports ceramic tiles and sanitary fitting, among other products. The foundry industry, which utilised scrap metal in producing metal plates and finished iron used in construction and small repair workshops, offers considerable opportunities. The country's

[1] O'Neill. A. Age structure in the Gambia 2020. Statista. 2021
[2] https://www.statista.com/statistics/993827/labor-force-participation-rate-in-gambia/
[3] THE GAMBIA ECONOMIC UPDATE Preserving The Gains. Worldbank. 2020.
[4] Federico Inchausti-Sintes. 'Modelling The Economics Of Sustainable Tourism' [2021] Journal of Sustainable Tourism.

strategic location means that it has the potential to export to regional markets[5].

Challenges faced by the private sector

- **Businesses have a limited pool of skilled population and cannot retain skilled labour.** The Gambia is experiencing a high migration of its people to foreign nations, and the emigration of its skilled population, which reached 10 per cent of the population in 2019, represents a significant challenge[6]. Businesses face the human capital challenge of very limited capacity, technical and trade skills, and industry knowledge. The low literacy rate, which stands at less than 60 per cent, limits the amount of skilled labour accessible in the economy, despite the proliferation of skills training centres and academies in the market.

- **Poverty and its human capital implication:** Nearly 48 per cent of the Gambia's population lives in poverty. This is closely connected to deficits in human capital accumulation, low levels of education which reduce chances of employment and keep wages low, and limited access to basic transport and electricity infrastructure, and credit facility[7].

- **The large informal and low-productivity economy:** The prevalence of self-employment reflects the economy's large informal sector and the high proportion of low-productivity subsistence jobs. About 50 per cent of the employed population operates in the informal economy.

- Challenges to developing agriculture and agribusiness in The Gambia include a lack of an enabling environment for agribusiness development, low productivity, weak access to markets, and lack of quality, sanitary, and phytosanitary control systems.

- **High-interest rates and poor access to credit:** Commercial bank lending rates are very high, making access to credit impossible for entrepreneurs and potential investors. Hurdles to accessing credit, in addition to high-interest rates and excessive proof of liquidity deposit demands, have made it particularly difficult for small and medium enterprises (SMEs) to access capital within The Gambia.

- **Poor Infrastructure:** Opportunities for private sector growth are limited by the government's lack of investments in infrastructure.

- **Energy:** Frequent power outages pose risks for companies operating without backup power hindering businesses' operational efficiency. The Gambia lacks the energy infrastructure necessary to support advanced commercial activities, with nearly 50 per cent of the population lacking access to electricity. Electricity supply is characterised by frequent blackouts despite the high cost of energy. Energy costs in The Gambia are among the highest in the sub-region at approximately 25 cents per kilowatt hour (kWh). The blackouts are largely due to transmission losses because of dilapidated equipment. While the National Water and Electricity Company (NAWEC) has significantly improved its operational and financial performance, customers still face an erratic supply of water and electricity.

- **Telecommunication:** Operating costs are high, and the service provided is slow, poor, and subject to blackouts due to constant maintenance. High data tariffs and interruptions in internet services hinder businesses' operational efficiency.

- **Transports (Roads):** The road system is heavily trafficked, poorly maintained and can become impassable during the rainy season due to lack of drainage. Twenty new urban roads are set to be constructed across the Greater Banjul Area, and the main highway running north and south is set to be expanded into a modern

[5] https://www.worldatlas.com/articles/what-are-the-biggest-industries-in-the-gambia.html
[6] https://www.worldatlas.com/articles/what-are-the-biggest-industries-in-the-gambia.html
[7] The Gambia Economic Update : Preserving the Gains, 2020

four-lane road with sidewalks for pedestrians. Timelines for when these projects will be finished are not yet confirmed. The recently constructed Senegambia Bridge, connecting northern and southern Gambia across the river, has provided a vital step in developing the Trans-Gambia corridor within the Economic Community of West African States (ECOWAS).

- **Disputes over land ownership and use are a significant problem:** The Lands Office, responsible for recording and maintaining deeds, relies on an outdated manual record-keeping system, with no digitisation of land records, hindering efficiency and effectiveness and exacerbating land ownership conflicts. Land registration records are unreliable and difficult to enforce—disputes over real property ownership are difficult and time-consuming to resolve.

- The closure of schools and other learning institutions during Covid19 lockdown has resulted in learning losses, which could affect human development outcomes in the long term. The limited digital infrastructure available and the lack of ubiquitous and easy access to technology hampered the possibilities of online learning during this period.

- There are too many unregulated municipal and local taxes impacting small-business owners, especially those in the informal sector[8].

- Taxes levied on SMEs are exceptionally high and have thus stifled growth prospects, with companies paying about 51 per cent of their profit and duty taxes approaching 100 per cent-200 per cent on certain materials and products.

- The private sector experiences challenges navigating a complex and unpredictable banking system, with currency shortages and highly restrictive access and uses of foreign currencies.

Private sector policy recommendations

- Government should develop a comprehensive plan that promotes increased private participation in key sectors of the economy through privatisation, concession agreements etc., in key sectors, including energy, transportation, water, and telecommunications.

- Government should engage the private sector in investment, management and upgrade the port of Banjul, which could create a new trans-shipment hub for the region and one step in the development of the Trans-Gambia corridor within the Economic Community of West African States (ECOWAS)[9].

- The government should engage the private sector in developing and financing a manufacturing sector strategy that exploits the substantial regional market with established distribution channels formed through the existing re-export business.

- Government should encourage private sector investment in the agricultural sector by improving infrastructure, weather tracking, satellite imaging, and other sophisticated technological solutions (including artificial intelligence) that will modernise agriculture. This will help to create an agricultural sector that is more environmentally attuned and resilient to climatic shocks. Agriculture will then be better able to meet national goals of food self-sufficiency, creation of new export markets and employment.

- The national environmental agency should educate farmers on the means of mitigation of climate change, such as resilient ecosystems, water harvesting, usage and management of soil fertility[10], advanced irrigation techniques to produce high-value and high-yielding

[8] Republic of The Gambia Zero Hunger Strategic Review 2018: A National Guide to Achieving Sustainable Development Goal 2 by 2030.
[9] Raphael Kolade Ayeni, 'Determinants Of Private Sector Investment In A Less Developed Country: A Case Of The Gambia' (2020) 8 Cogent Economics & Finance.
[10] Fatou Bojang and others, 'Farmers Perceptions About Climate Change, Management Practice And Their On-Farm Adoption Strategies At Rice Fields In Sapu And Kuntaur Of The Gambia, West Africa' (2020) 09 American Journal of Climate Change.

crops, boost exports, and provide high-value employment for many skilled workers, especially women.

- Local, municipal, and government taxes should be harmonised to enhance the growth of small businesses in both formal and informal sectors.

- Government should develop policies to improve the labour market, including facilitating formalisation. Policies to support businesses, such as temporary grants or subsidised loans, can encourage formalisation and private-sector investments.

- The provisions in the ECOWAS Common External Tariffs should be fully exploited to give smallholder farmers an advantage in the market during certain periods of the year with specific produce/sectors such as poultry, onions, Irish potatoes, milk, etc.

- Government should increase investment in the electricity transmission which links the Eastern and Northern parts of the country; it will also open doors to West Africa's power networks by enabling cross-border energy trading, including under the Gambia River Development Organization (OMVG) project, uniting The Gambia, Guinea Conakry, Senegal, and Guinea Bissau to harness the water resources of The Gambia River Basin to produce low-cost renewable energy for the member countries[11].

- Public-private partnerships should be explored to construct new hotels, roads, and other amenities that will attract more tourists and help rebrand the country's tourism offerings. Diversification into eco-tourism, water sports and non-conventional activities in inland regions will help reduce employment seasonality and expand opportunities to lagging regions.

- There should be continued investments to promote access to education, especially for the most vulnerable and in digital infrastructure. Publicly supported programmes, such as EMPRETEC and the Youth Empowerment Programme (YEP), must be strengthened and expanded to enable young people to acquire entrepreneurial skills for self-employment.

- Government should partner with and encourage private sector participation in developing the country's digital infrastructure, E-commerce, and technology capabilities. This can be achieved through PPP, low-interest financing, and tax incentives. This will improve The Gambia's resilience, and young entrepreneurs could find job opportunities in the digital space that can be conducted remotely.

[11] The Gambia's Pathway to Prosperity Keynote Address by IMF Deputy Managing Director Tao Zhang, 2019.

Guinea

Region
West Africa - West African Economic and Monetary Union (WAEMU)

Population
12,414,318

Demographic growth
2.84%

GDP per capita (2020)
1,194 USD

Human Development Index:
0.477 (178/189)

Economic overview

The country is currently in political transition due to repeated attacks by the military junta and the latest coup d'état in 2021 which led to the fall of the former ruling regime. Guinea is therefore a fragile and conflict-hit country. This really holds back the development of the economy, particularly the private sector, by exacerbating the poverty of households, which are increasingly involved in the informal economy.

Even if there remain challenges to improving the business environment in Guinea because of the country's fragility, informality, cumbersome and very costly tax procedures, protection of minority investors, access to infrastructure (water, electricity, telephone, Internet), cross-border trade and economic and human-capital underdevelopment, the reforms undertaken by the government are beginning to bear fruit.

Furthermore, with regard to the response to COVID-19 and efforts to stimulate the private sector, particularly in the context of the health crisis, it is important to emphasise that Guinea is an example for other LDCs to copy. Indeed, Guinea has set up an aid fund for SMEs that is helping to promote business formalisation. To help businesses cope with the difficulties linked to the consequences of the pandemic, the Guinean government drew up an economic response plan to the health crisis in April 2020. It decided to create a Support Fund for Economic Interest Groups and Enterprises (FAGIEE), whose objective is to finance loans granted by the banking market to SMEs and economic interest groups (EIGs), in order to ensure the continuity of their activities. Specifically, this Fund provides repayable financial assistance to EIGs and enterprises particularly affected by the economic, financial and social consequences of the COVID-19 pandemic. The main objective is to maintain jobs threatened by company closures or reductions in business activity. In particular, the Fund decides on the applications and conditions for granting credit to EIGs and enterprises and develops a database of supported structures. In doing this, the Guinean government aims to give informal sector enterprises access to FAGIEE loans to encourage their entry into the formal sector and thus broaden the tax base, i.e. increase the number of fiscally active businesses. Indeed, broadening the tax base is a necessity for development and an essential step towards independence from external aid.

Challenges faced by the private sector

According to the National Survey on Employment and the Informal Sector in Guinea (ENESIG) carried out in 2018, there are 1,875,412 informal production units (IPUs). The main challenges to improving the business climate in Guinea include:

- **Political instability -** Political instability is linked to a weak judicial and legislative system. The current military regime led by a civilian government has set up transitional institutions, notably the National Transitional Council, whose main mission is to draft a new constitution. At the same time, it has launched a vast programme to rebuild the central government and the private sector is mainly supporting the strengthening of the judiciary. This shows that the country is still in a long-term political stalemate.

- **Widespread informality -** The informal economy is widespread and estimated at 96.5 per cent of total employment.

- **Manufacturing sector still underperforming -** The manufacturing sector employs only 5.3 per cent of the workforce.

- **Informality is more prevalent in key sectors of the economy -** The three main non-agricultural sectors that account for a large workforce in the informal economy are trade (44.4 per cent), industry (29.3 per cent) and services (26.5 per cent).

- **A poorly paid informal sector, exacerbating poverty and underemployment of the workforce -** The wage rate in IPUs is estimated at 0.4 per cent. The percentage of the workforce in IPUs working 40 hours or more per week is estimated at 81.5 per cent.

- **An insufficient employment system, in terms of job creation -** 37.1 per cent of young people aged 15-35 are not in any form of education and do not participate in the labour market. In addition, the average duration of unemployment is the highest here: 9.3 years at national level. The lowest rate in the region as a whole is in Togo (3.9 years). Unemployment is expected to be longer among young jobseekers (first-time jobseekers) than among older workers, at 9.9 years and 7.5 years respectively.

- **Underdevelopment of human capital due to a weak education system -** Guinea ranks 178th out of 189 countries on the Human Development Index at 0.477. The lowest net secondary school enrolment rate in the WAEMU region is in Guinea (3.1 per cent), compared to a regional average of 34.9 per cent.

- **A weak private sector due to the insufficient transition of informal enterprises to formalisation -** Only 3.3 per cent of IPUs pay taxes on their business activities. However, 19.7 per cent of IPUs say they are willing to pay taxes on their activities if there is an improvement in the business climate, particularly in the tax system and administrative and judicial procedures.

- **Very high corruption -** According to Transparency International's 2020 report, Guinea ranks 137th out of 180 countries, which also shows a lack of rule of law in the country, including an effective judicial system. Much remains to be done in Guinea to advance the legislative power, the judicial system and the rule of law for the stability of the country, and to improve the business climate in particular.

Private sector policy recommendations

The recommendations apply to the following areas:

1. Supporting and strengthening public-private dialogue

Specific objectives include:

- Including public-private dialogue in sectoral development plans and strategies;

- Establishing and maintaining a genuine public-private partnership;

- Developing a roadmap and agenda for public-private dialogue at national level;

- Actually considering the needs of private sector partners in sectoral development strategies;

- Strengthening state institutions, including assessing the legal and regulatory framework for creating and formalising businesses in the formal sector;
- Constantly coming up with reforms to improve the business climate;
- Complying with agreements;
- Bolstering the role of the state as a guarantor of peace, security and good governance;
- Ensuring independent and accountable social partners;
- Capacity building for social partners;
- Establishing a communication plan to reduce communication gaps between the private and public sectors;
- Establishing a unit or commission to work on promoting and popularising the incentives to be given to the private sector in the short, medium and long term.

2. Supporting young investors and women, developing entrepreneurship and fighting against informality

Specific objectives include:

- Promoting an entrepreneurial culture in society as a whole, particularly in technical and vocational training institutions, on audiovisual platforms (TV and radio) and national online social networks, in adult education centres and in universities;
- Creating training and apprenticeship centres for self-employment for out-of-school youth;
- Creating a favourable climate for investment by providing incentives, e.g. access to credit at subsidised interest rates and on flexible repayment terms;
- Establishing a genuine partnership between the state and the banking sector to encourage domestic financing and investment, including the promotion of self-employment among youth and women;
- Focusing policy on formal job creation;
- Establishing a genuine institutional partnership between the state, the private sector and representatives of local authorities to support and promote the creation of income-generating jobs in rural areas and encourage the development of agri-food cooperatives;
- Promoting the decentralisation and efficiency of local government bodies to facilitate municipal authority access to national and regional financial flows to support entrepreneurship among women and young people in rural areas and to better channel the needs of women and young people for the development of their commercial, agro-pastoral and craft activities in rural areas in particular;
- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;
- Considering the needs of informal sector operators in strategies for combating informality by the central government in order to better encourage their transition from the informal to the formal sector;
- Organising ongoing training and education sessions on creating and formalising businesses in rural and urban areas;
- Promoting access to digital technology for young people and women in rural areas by creating free digital training centres within local authorities;
- Promoting women's access to land in particular and favouring a reorganisation of the land register;
- Eliminating minimum fees for business start-ups and shortening the waiting period for

registering and authenticating documents;

- Creating national savings in the various countries to finance income and employment-generating projects, especially for young people and women.

3. Cross-border trade

Specific objectives include:

- Promoting the development of intra-African trade by removing customs barriers;

- Improving national and regional infrastructure, such as developing roads, pedestrian walkways, lighting and utility poles, access to the digital network, and building structures to house markets at borders;

- Modernising and deploying one-stop shops;

- Guaranteeing a secure and stable climate at national level, particularly in terms of customs services to facilitate the free movement of people and goods (rule of law); this would also improve entrepreneurship by women, particularly the creation of income-generating activities (trade) carried out most often by small traders (women) at the borders;

- Guaranteeing follow-up for the supply and distribution of petroleum products;

- Deploying national, regional and international sectoral strategies to ensure exchange rate predictability;

- Implementing sectoral strategies to develop the resilience of the economy, particularly of businesses, to cope with various shocks;

- Reducing export and import delays;

- Setting up and modernising an electronic payment system for port fees at national level;

- Going paperless in customs formalities and extending the opening hours of ports;

- Increasing the size of inter-African markets and diversifying production in order to expand markets and improve the competitiveness of the formal private sector globally;

- Promoting good governance and responsible business conduct and fair competition in markets in order to improve the global competitiveness of the formal private sector;

- Establishing simplified trade arrangements (exemption from customs duties) and simplifying customs clearance formalities for small-scale transactions, usually carried out by small traders, especially women;

- Enhancing regional integration, in particular economic cooperation between the different regional economic communities to remove persistent barriers to intra-regional trade;

- Strengthening the fight against smuggling at borders and ports;

- Establishing and developing regional power pools to reduce electricity connection costs and link markets to resources;

- Establishing mutually beneficial trade agreements to attract more investors; boosting intra-regional trade through digital technology;

- Diversifying the energy market with a focus on promoting solar panels to improve the competitiveness and productivity of businesses and also to reduce the costs of connecting to the power grid;

- Expanding the telecommunications market, especially the digital market, to improve access to the electronic network for businesses and enable them to increase their competitiveness in the global market;

- Establishing effective cyber security and cyber defence strategies at regional level;

- Strengthening the African Continental Free Trade Area (AfCFTA).

4. Fighting informality

Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;
- Establishing incentives and deterrents;
- Sharing and exchanging regional experiences;
- Developing a strong and effective institutional legislative framework;
- Annually implementing structural reforms and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;
- Developing guarantee instruments to promote access to credit for young people and women, especially those with economically viable income- and employment-generating projects;
- Reducing costs and delays in obtaining building permits;
- Reducing electricity connection fees;
- Eliminating mandatory minimum fees for business start-ups;
- Eliminating mandatory fees for authenticating documents and shortening the registration period for business start-ups;
- Improving access to credit information, e.g. by extending the coverage of public credit services and by starting to report data from public utilities;
- Developing a national directory of formal sector companies;
- Annually assessing the registration rate of new companies and considering the needs of unregistered companies in order to better channel and adapt sectoral strategies to facilitate their transition to the formal sector;
- Establishing and modernising an electronic system for creating and registering businesses at national level;
- Creating a level playing field for businesses to facilitate their formalisation.

5. Developing human capital

Specific objectives include:

- Improving the supply of public services (education, health and social protection);
- Ensuring a match between training/education received and the needs of the labour market in technical and vocational education, general secondary education and universities;
- Promoting development-oriented research in technical and vocational schools, general secondary schools and universities in order to unleash the innovation potential of young people and improve the competitiveness of the private sector globally;
- Priority training for public sector managers;
- Mandatory internships for students to immerse them in the world of business.

6. Improving the labour market

Specific objectives include:

- Increasing the number of jobs through access to new investments at national level;
- Promoting the application, via the Ministry of Social Affairs and Labour, of a legal framework for workers/employees on working conditions and a minimum wage;
- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal

businesses to formalise;

- Promoting flexible working hours for workers;

- Improving employment frameworks, policies and conditions;

- Improving wages and paying compensation for work stoppages due to the occurrence of happy occasions (e.g. births) and unhappy events (illnesses, accidents, etc.) in workers' lives.

Haiti

Region
Caribbean, on the island of Hispaniola

Population
11,123,176

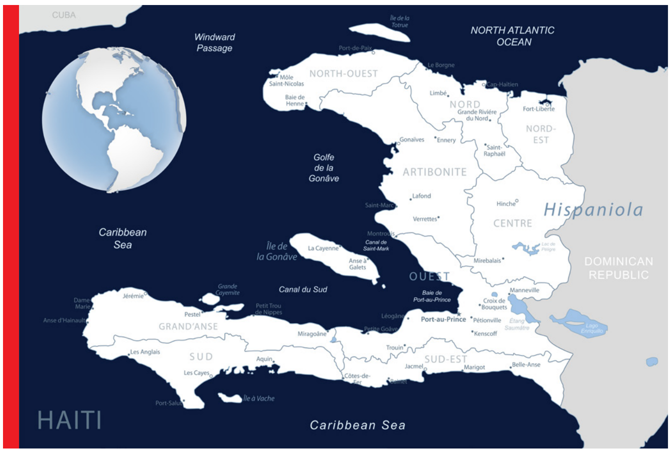
Demographic growth
1.52 %

GDP per capita (2020)
1,176.8 USD

Human Development Index:
0.510 (170/189)

Economic overview

Haiti is a fragile country, subject to recurring social and political tensions. In addition, the earthquakes in 2010 and August 2021 plunged the country into a humanitarian crisis and destroyed a lot of structures and infrastructure (homes, schools, hospitals, etc.). According to the World Bank (2022), 47 per cent of the Haitian population live below the extreme poverty line (less than USD 1 per person per day), and 68 per cent live in poverty (less than USD 2 per person per day). The health crisis has added to the impact of the various humanitarian crises and the socio-political crisis that the country was already facing.



Challenges faced by the private sector

In addition to extreme poverty and widespread poverty throughout the country, studies by the European Union and the World Bank highlight the following:

- **Haiti's vulnerability and instability in the face of climate change.** This situation makes actors less likely and less able to invest. The country, despite its potential, is particularly exposed to the most acute natural disasters such as hurricanes, floods, landslides and deforestation.[1]

- **Insecurity in the country -** Haiti regularly faces social and political tensions, which can discourage investment, especially foreign investment.

- **Widespread informality, which is more prevalent in urban areas -** Informal employment dominates and accounts for more than 80 per cent of the working population, i.e. 40 per cent in agriculture, 25 per cent in trade and 11 per cent in industry, while the public sector employs only 2 per cent of the total working population. In urban areas, the informal sector accounts for 81 per cent and in rural areas 42 per cent, mostly in wholesale and retail trade. Overall, informal employment, as in most LDCs, is a matter of survival for workers and employers.[2]

- **High unemployment -** 61.9 per cent of the Haitian population is unemployed, 50 per cent of whom are in the 20-24 age group.[3] In fact, in Haiti, particularly in urban areas, there is a large population of available inactive people. 80 per

[1] https://diplomatie.belgium.be/fr/pays/haiti/voyager-haiti-conseils-aux-voyageurs/climat-et-catastrophes-haiti (in French)
[2] HAITI Pathways to Responding to Recurrent Crises and Chronic Fragility. World Bank, 2022.
[3] Government of Haiti, Post-COVID Economic Recovery Plan (PREPOC 2020-2023)

cent of existing jobs are informal and as precarious as businesses and informal production units (IPUs) themselves.

- **Social inequalities linked to the lack of respect for the rule of law -** It is important to note that prior to the 2010 earthquake, essential human rights such as the right to work, the right to health, the right to education, gender equality and non-discrimination, and the right to security and protection from exploitation were not recognised in Haiti. As a result, the majority of young people under the age of 25 are engaged in domestic work or as unpaid family farm workers and are not educated, mainly girls and young women.

- **A weak policy of absorbing young people into apprenticeships or technical vocational training for their future development combined with the weakness of the formal private sector -** Formal private sector establishments are unable to create jobs in view of the large population of young people who are able to work but are inactive.

- **Lack of social protection -** As in most LDCs, social security coverage excludes informal sector operators and does not take into account unemployment or disability.

- **Low level of human-capital education/ training -** Haiti ranks 170th out of 189 countries on the Human Development Index. In addition, it appears that in terms of level of education - a determining factor for access to a good level of income - only 46 per cent of men and 39 per cent of women have successfully completed primary education. However, there are disparities between genders and between regions. Indeed, this rate is an estimated 64 per cent in urban areas and 30 per cent in rural areas.

- **Very high level of corruption -** According to Transparency International's 2020 report, Haiti ranks 164th out of 180 countries. This indicates that much work remains to be done to improve the business climate in Haiti.

Private sector policy recommendations

The recommendations apply to the following areas:

1. Supporting and strengthening public-private dialogue

Specific objectives include:

- Including public-private dialogue in sectoral development plans and strategies;
- Establishing and maintaining a genuine public-private partnership;
- Developing a roadmap and agenda for public-private dialogue at national level;
- More focused development of sectoral development strategies to better and more effectively take account of the needs and contributions of all private sector socio-economic partners ;
- Strengthening state institutions, including assessing the legal and regulatory framework for creating and formalising businesses in the formal sector;
- Constantly coming up with reforms to improve the business climate;
- Complying with agreements;
- Bolstering the role of the state as a guarantor of peace, security and good governance;
- Ensuring independent and accountable social partners;
- Capacity building for social partners;
- Establishing a communication plan to reduce communication gaps between the private and public sectors;
- Establishing a unit or commission to work on promoting and popularising the incentives to be given to the private sector in the short, medium and long term;

- Multilateral and bilateral bodies that should promote greater inclusion of social partners, including key private sector and civil society actors in their negotiations with the Government of Haiti.

2. Supporting young investors and women, developing entrepreneurship and fighting against informality

Specific objectives include:

- Promoting an entrepreneurial culture in society as a whole, particularly in technical and vocational training institutions, on audiovisual platforms (TV and radio) and national online social networks, in adult education centres and in universities;

- Creating training and apprenticeship centres for self-employment for out-of-school youth;

- Creating a favourable climate for investment by providing incentives, e.g. access to credit at subsidised interest rates and on flexible repayment terms;

- Establishing a genuine partnership between the state and the banking sector to encourage domestic financing and investment, including the promotion of self-employment among youth and women;

- Focusing policy on formal job creation;

- Establishing a genuine institutional partnership between the state, the private sector and representatives of local authorities to support and promote the creation of income-generating jobs in rural areas and encourage the development of agri-food cooperatives;

- Promoting the decentralisation and efficiency of local government bodies to facilitate municipal authority access to national and regional financial flows to support entrepreneurship among women and young people in rural areas and to better channel the needs of women and young people for the development of their commercial, agro-pastoral and craft activities in rural areas in particular;

- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;

- Considering the needs of informal sector operators in strategies for combating informality by the central government in order to better encourage their transition from the informal to the formal sector;

- Organising ongoing training and education sessions on creating and formalising businesses in rural and urban areas;

- Promoting access to digital technology for young people and women in rural areas by creating free digital training centres within local authorities;

- Promoting women's access to land in particular and favouring a reorganisation of the land register;

- Eliminating minimum fees for business start-ups and shortening the waiting period for registering and authenticating documents;

- Creating national savings in the various countries to finance income and employment-generating projects, especially for young people and women.

3. Fighting informality

Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;

- Establishing incentives and deterrents;

- Sharing and exchanging regional experiences;

- Developing a strong and effective institutional legislative framework;

- Annually implementing structural reforms and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;

- Developing guarantee instruments to promote access to credit for young people and women, especially those with economically viable income- and employment-generating projects;

- Reducing costs and delays in obtaining building permits;

- Reducing electricity connection fees;

- Eliminating mandatory minimum fees for business start-ups;

- Eliminating mandatory fees for authenticating documents and shortening the registration period for business start-ups;

- Improving access to credit information, e.g. by extending the coverage of public credit services and by starting to report data from public utilities;

- Developing a national directory of formal sector companies;

- Annually assessing the registration rate of new companies and considering the needs of unregistered companies in order to better channel and adapt sectoral strategies to facilitate their transition to the formal sector;

- Establishing and modernising an electronic system for creating and registering businesses at national level;

- Creating a level playing field for businesses to facilitate their formalisation.

4. Developing human capital

Specific objectives include:

- Improving the supply of public services (education, health and social protection);

- Ensuring a match between training/ education received and the needs of the labour market in technical and vocational education, general secondary education and universities;

- Promoting development-oriented research in technical and vocational schools, general secondary schools and universities in order to unleash the innovation potential of young people and improve the competitiveness of the private sector globally;

- Priority training for public sector managers;

- Mandatory internships for students to immerse them in the world of business.

5. Improving the labour market

Specific objectives include:

- Promoting the application, via the Ministry of Social Affairs and Labour, of a legal framework for workers/employees on working conditions and a minimum wage;

- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal businesses to formalise;

- Promoting flexible working hours for workers;

- Improving employment frameworks, policies and conditions;

- Improving wages and paying compensation for work stoppages due to the occurrence of happy occasions (e.g. births) and unhappy events (illnesses, accidents, etc.) in workers' lives.

6. Promoting digitalisation/new technologies

This should consist of/and enable:

- Updating/strengthening the digital skills of economic actors;

- Facilitating access to a variety of services and opportunities through the Internet and IT by means of timely reforms and national projects/ programmes;

- Promoting online payment of taxes and other services;

- Providing large-scale digital literacy programmes;

- Promoting engineering training and professions in order to capitalise on innovation through strategic partnerships (schools-companies, state and development partners, etc.).

Lesotho

Region
Southern Africa

Population(2021)
2 281 454

Demographic growth
1.2%

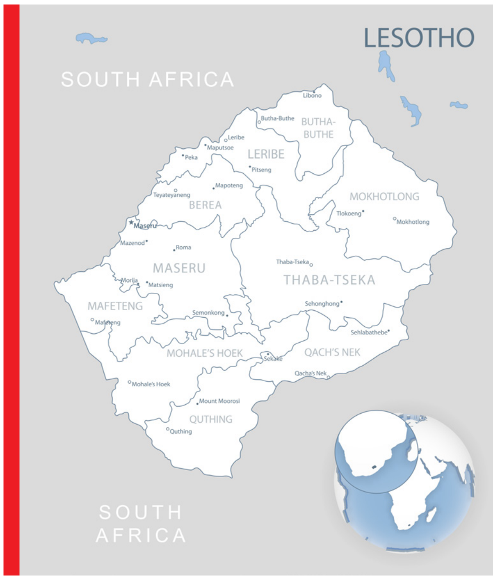
Average income (2021)
1,094 USD

Human Development Index:
With a value of 0.514, it ranks 168 out of 191 countries.

Regional economic community
Southern African Development Community, Southern African Customs Union

Economic overview

Lesotho is geographically surrounded by South Africa. 80 per cent of goods imported into Lesotho come from South Africa. Lesotho enjoys ready access to the South African market. Lesotho is a member of the Southern African Customs Union (SACU), and as such, does not pay tariffs to export goods to other SACU members (Botswana, Namibia, South Africa, and Swaziland).



The textiles and apparel industry accounts for most formal manufacturing jobs in Lesotho. It employs more than 40,000 people and accounts for 92 per cent of manufacturing jobs (Bcreatingtics 2018). The industry generates 43 per cent of exports. The industry mainly generates low-skill, low-wage jobs. Although the industry is credited with the creation of thousands of jobs, there are concerns over job quality and the low career advancement of employees. Textile and apparel producers benefit from government incentives, including a reduced corporate income tax of 10 per cent, subsidised cost of factory shells, and tax allowances for training. In 2020, 29.89 per cent of the Gross Domestic Product (GDP) came from the industry and 52.84 per cent from the services sector.

In 2020, agriculture contributed around 6.37 per cent to the GDP, and accounts for most of the employment in rural areas, where over 70 per cent of the population live. Crop farming is dominated by subsistence production of cereal crops. **Agricultural production accounts for less than 10 per cent of GDP but over 60 per cent of employment.** Most jobs are in subsistence-oriented small family farms characterised by low production. An even larger area is deemed opportunities to transform the rural economy and increase incomes. Lesotho's climate conditions are favourable to producing many vegetables and fruit. A crop suitability map identified 5,500 square kilometres (550,000 hectares) of micro-climate areas favourable for fruit cultivation and an even larger area is deemed to be suitable for vegetable production in Lesotho.

Tourism is one sector that has significant employment potential; however, it is not fully exploited. Lesotho has one of the region's most pristine and unspoiled natural environments, with spectacular scenery and vast potential for eco-tourism. The rugged countryside makes Lesotho ideal for off-road sports. Other outdoor sports include canoeing, ski runs, horseback rides, pony trekking, mountain climbing, hiking, fishing, and camping.

According to the Lesotho Bureau of Statistics Business Register, **MSMEs account for 76 per cent of the private sector economic activities, largely in the informal sector.** Self-employment is also a dominant form of employment in MSMEs and the informal economy. MSMEs provide jobs to 118,130 Basotho, of whom 59 per cent are women, and 83 per cent are self-employed owners.

> Agricultural production accounts for less than 10 per cent of GDP but over 60 per cent of employment.

Challenges faced by the private sector

- **Shortage of factory shells:** The lack of available factory shells is an important constraint to growth for industrial businesses. The wait times range from a few months to over a year. Shortage of ready–to–occupy industrial estates is also a constraint to establishing new domestic industrial enterprises.

- **Restrictive land regulations:** Private investment in industrial infrastructure is constrained by the complexity of the legal framework (Land Act, 2010) and the lack of promotion efforts by the government to attract investors in property development. The lack of a well-functioning land market and shortage of irrigable land have particularly negative impacts on modernising and commercial farmers.

- **Lack of locally available skills is an important constraint to competitiveness.** This increases production costs and contributes to low productivity. The skill levels of workers are a major constraint, as about 80 per cent of full-time employees receive training on the job. High employee turnover, migration of qualified workers to South Africa, and the need to contain costs are among the reasons for relatively low investment in employee skill building. New employees in the manufacturing industry often have relatively low initial qualifications (incomplete secondary education, no formal industry-specific training, and low command of English).

- **Absence of programmes to support local linkages:** Although entrepreneurship support programmes exist, they generally do not meet the needs of growth-oriented enterprises. Basotho Enterprise Development Corporation runs several entrepreneurship programmes. Still, these are targeted primarily to the unemployed and microenterprises rather than to more established entrepreneurs who could benefit from mentorship, linkages with larger enterprises, and access to finance to scale up their operations.

- **Water shortages in the Maputsoe and Ha Nyenye industrial areas are an important constraint to the sustainability and growth of the apparel industry.** Firms throughout the country experience insufficient water supply for production. Water shortages mainly affect the Maputsoe area, where industrial estates and population growth have expanded over the past decade. The expansion of water infrastructure did not accompany this growth. Supply from the Lesotho Water and Sewerage Company's (WASCO's) water system can only serve about half of the demand in the area. Industries, as well as the population, depend on informal water systems without adequate quality control and reliable supply.

> MSMEs account for 76 per cent of the private sector economic activities, largely in the informal sector.

- **Access to finance is an important impediment to development**, particularly for domestic firms that do not have access to multinational financial institutions. Firms complain that banks have little understanding of their industries and perceive it as too risky. The reported annual interest rates were 20 per cent.

- **Outdated, inefficient and non-business-friendly tax system.** The tax system is based on a 1993 statute and has provisions that are not conducive to business growth. The unfavourable provisions include provisional taxes, fringe benefits, payment of accrual-based Value Added Tax to tax authorities before cash is collected, and government departments that act as agents of the tax authorities and deduct withholding tax on payments. There are insufficient provisions in the tax law to enable adequate tax deferring in the initial years of business when businesses are at the start-up stage[1].

- **Electricity:** Unreliable power grid and electricity supply negatively affect the activities of businesses. Despite the availability of rivers in Lesotho, the country generates only 72 megawatts of hydropower and imports more than 75 MW of electricity from South Africa and Mozambique, with less than 10 per cent of the rural population connected to the national grid. Lesotho meets approximately 50 per cent of its maximum energy needs with domestically produced hydroelectricity. The government plans to expand hydropower capacity under the Lesotho Highlands Water Project (LHWP) Phase II and establish wind farms, offering the prospect of an entirely green energy economy within a decade.

- **Lack of adequate physical infrastructure, including connectivity to rural areas.** The absence of effective transport solutions, including rail systems and road networks, is a major constraint to the private sector's growth. Businesses face the challenge of low levels of rural accessibility and inadequate road maintenance, which impacts business productivity, reduces access to markets, and increases business costs and time.

- The labour code has provisions that make it difficult to dismiss employees that are not productive. There is an overprotection of employees at a cost to small businesses.

- Lack of specialised training institutions offering management degrees in fields relevant to the industry is also an obstacle to the upward mobility of Basotho employees. **There is a clear mismatch between the skills taught and those required by the industry.**

Private sector policy recommendations

- **Reform the provision of factory shells:** Key priority to attract new investments, enhancing the availability and quality of industrial estates will entail bringing current rental prices to the cost recovery level, improving rent collection, and involving the private sector in managing and developing factory shells. These measures will reduce the financial burden on the government, potentially encourage the development of domestic real estate companies, and facilitate improvements in the quality of infrastructure.

> "There is a clear mismatch between the skills taught and those required by the industry.

- There are several options for involving the private sector in developing industrial infrastructure. The government may also consider running this in a well-established location, for example, close to Maseru or Maputsoe, where investors may potentially show more significant interest. These include:

  -Private construction of industrial estates on government/LNDC-owned land (for example, through a concession or joint venture), and

  -Private development, ownership, and operation of factory shells. The Ha Belo industrial zone construction in the District of Botha Bothe provides an opportunity to experiment with the private provision of infrastructure.

[1] Robert Likhang"Facing Challenges"https://sundayexpress·co·ls/facing-challenges/

- The government should consider introducing a Supplier Development Programme (SDP) to facilitate the industries' localisation. The programme would aim to enhance the capacity of local small and medium enterprises (SMEs) to become subcontractors or suppliers to foreign firms. Many countries have successfully used SDP programmes to build linkages between foreign and local enterprises, promote knowledge transfer, and improve the competitiveness of domestic SMEs.

- The government should engage the private sector in developing initiatives to improve skills availability. **The curricula of universities and vocational schools need to be updated, with the involvement of the private sector, to make them more relevant.** This could include entrepreneurial and management skills training to build a cadre of workers to replace ex-pats in management positions.

- A SME policy that provides preferential treatment to SMEs owned by indigenous Basotho in public procurement, such as the sub-contracting of Basotho businesses in infrastructure and consulting work and protecting certain procurements of works, services and goods.

- Revising the tax system to address the promotion of priority areas in the National Strategic Development Plan, for example, capital allowances to be higher on priority areas such as tourism, agriculture matching those in the manufacturing sector, also staggering capital allowances such that they are higher in earlier years when businesses are at the start-up stage.

- The Labour law should show a balance and remove provisions requiring heavy and costly compliance and undue support for employees even when unproductive.

- The Ministry of Agriculture and Food Security, through its crop production and human resource department, should expand its farmers' education programme on highly mechanised farming methods and stress-tolerant crop varieties. The government should also implement strict regulatory measures on soil conservation to ensure sustainability in production. It is also necessary to create a farmers' hub through which farmers can sell their products easily.

> "The curricula of universities and vocational schools need to be updated, with the involvement of the private sector, to make them more relevant.

- The government should partner with and encourage the private sector through subsidies and grant to exploit agro-processing opportunities. Opportunities exist to establish additional farms at the Mohale Dam and the proposed Polihali Dam.

- The government should adopt a long-term national policy on the information and communications technology (ICT) sector, prioritising ICT literacy in primary, secondary and vocational schools.

- There is a critical need for the government to engage the private sector in developing policies and initiatives focusing on increasing digital infrastructure, access to the internet and digital technologies by making use of appropriate development strategies and evidenced-based policy and regulations to encourage private sector investment of this sector2.

- The government should also engage and support through financing the private sector to develop mini and off-grid electricity generation, especially in rural areas.

- Lesotho should develop policies aimed at deeper regional economic integration via SACU and the Southern African Development Community (SADC).

- The government should also develop and improve transport, electricity, and security infrastructures.

[2] Mukurunge, T., Mcina, T., & Bhila, T. (2019). Technology and assessment at tertiary level: Case of Limkokwing University of Creative Technology. TECHNOLOGY, 2(5).

Madagascar

Region
East African country located in the Indian Ocean

Population
26,262,368

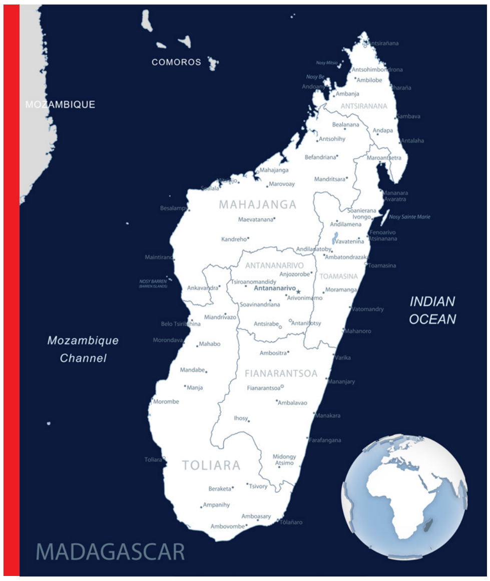
Demographic growth
3.01 %

GDP per capita (2020)
495.5 USD

Human Development Index:
0.528 (164/189)

Economic overview

Madagascar is an island country in the Indian Ocean off the coast of southern Africa whose economy is essentially dependent on the primary sector, particularly agriculture. Traditional production methods still largely predominate in the country's agriculture. It is estimated that agriculture accounts for more than 25 per cent of total GDP. Rice cultivation occupies the majority of the workforce in the informal agricultural sector and is the largest sector in the Malagasy economy. Accordingly, the informal agricultural sector is the main provider of employment and income for the population and it implicitly contributes to maintaining social balance. According to the World Bank in 2021,[1] unemployment is more pronounced in urban areas in Madagascar, at 4.8 per cent. Economic and institutional constraints linked to tax pressure, administrative procedures (regulations), difficulties in accessing finance and strong market competition due to the lack of markets are some of the obstacles standing in the way of formalising businesses and workers in the informal sector. The increase in the number of informal production units (IPUs) in recent years reflects the growing importance of the informal sector, particularly in agriculture, as the preferred method of joining the workforce in times of crisis, as the country faces recurrent political instability.



In order to mitigate the negative impact of COVID-19 on taxation, and particularly to boost private sector investment, the government, in a rather non-inclusive approach, has developed credit lines for banks without consulting the private sector. Within this framework, banks and micro-finance institutions were granted lines of credit at concessional rates in order to be able to award loans at subsidised rates, a conventional mechanism for social impact lending.

In addition, in order to boost production, the government set up a guarantee fund to encourage banks to take more risks in their financing, which, in the opinion of the actors approached, does not work. These mechanisms were a state aid for reviving economic activity with a view to compensating for the losses in productivity caused by the health crisis and preventing businesses from failing.

To save jobs, the Malagasy Vocational Training Fund (FMFP) was created at the instigation of the private sector to enable the acquisition of new skills and develop workers' know-how.

[1] https://data·worldbank·org/indicator/SL·UEM·1524·ZS?locations=MG

Challenges faced by the private sector

The main challenges to improving the business climate in Madagascar include:

- **Impoverishment of the population -** It is estimated that 8 out of 10 people live below the poverty line (World Bank, 2021).

- **Social inequality -** An unemployment rate among young people aged 20-24 (3.1 per cent) and those with higher education (4.9 per cent) contributes to the development of the informal private sector and underemployment and precariousness. Eight out of ten workers are affected by inadequate employment (paid less than the minimum wage).

- **Widespread informality -** More than nine out of ten workers work in the informal sector. The proportion of jobs by institutional sector is distributed as follows: 17 per cent in the public administration, 46.3 per cent in formal enterprises, 70.4 per cent in non-agricultural informal enterprises and 87.9 per cent in agricultural informal enterprises. Nine out of ten IPUs are completely unknown to the administrative services. These IPUs are not registered in the trade register and do not pay a licence fee.

- **A private system that is weak in terms of income -** Households whose head of household works in the public sector have the highest average monthly income (428,000 ariary) compared to 55,300 ariary for households whose head of household works in the private sector (formal and informal); the average monthly income of heads of IPUs is 164,000 ariary per month.

- **Lack of access to infrastructure and structural complications -** Eight out of ten IPUs are housed in makeshift facilities, without access to the main utilities (water, electricity, telephone). In addition, the average size of an IPU is 1.4 people.

- **Structural complications -** Recurrent problems with lack of water, electricity and fuel supply make economic activities and actors cautious, according to a survey by the Economic Development Board of Madagascar (EDBM) in 2020.

- **Low level of human-capital education/ training -** Madagascar ranks 164th out of 189 countries on the Human Development Index.

- **Very high level of corruption -** According to Transparency International's 2021 report, Madagascar ranks 147th out of 180 countries. This indicates that much work remains to be done to improve the business climate in Madagascar.

Private sector policy recommendations

The recommendations apply to the following areas:

1. Supporting and strengthening public-private dialogue

Specific objectives include:

- Including public-private dialogue in sectoral development plans and strategies;

- Establishing and maintaining a genuine public-private partnership;

- Developing a roadmap and agenda for public-private dialogue at national level;

- Actually considering the needs of private sector partners in sectoral development strategies;

- Strengthening state institutions, including assessing the legal and regulatory framework for creating and formalising businesses in the formal sector;

- Constantly coming up with reforms to improve the business climate;

- Complying with agreements;

- Bolstering the role of the state as a guarantor of peace, security and good governance;

- Ensuring independent and accountable social partners;

- Capacity building for social partners;

- Establishing a communication plan to reduce communication gaps between the private and public sectors;

- Establishing a unit or commission to work on promoting and popularising the incentives to be given to the private sector in the short, medium and long term.

2. Supporting young investors and women, developing entrepreneurship and fighting against informality

Specific objectives include:

- Promoting an entrepreneurial culture in society as a whole, particularly in technical and vocational training institutions, on audiovisual platforms (TV and radio) and national online social networks, in adult education centres and in universities;

- Creating training and apprenticeship centres for self-employment for out-of-school youth;

- Creating a favourable climate for investment by providing incentives, e.g. access to credit at subsidised interest rates and on flexible repayment terms;

- Establishing a genuine partnership between the state and the banking sector to encourage domestic financing and investment, including the promotion of self-employment among youth and women;

- Focusing policy on formal job creation;

- Establishing a genuine institutional partnership between the state, the private sector and representatives of local authorities to support and promote the creation of income-generating jobs in rural areas and encourage the development of agri-food cooperatives;

- Promoting the decentralisation and efficiency of local government bodies to facilitate municipal authority access to national and regional financial flows to support entrepreneurship among women and young people in rural areas and to better channel the needs of women and young people for the development of their commercial, agro-pastoral and craft activities in rural areas in particular;

- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;

- Considering the needs of informal sector operators in strategies for combating informality by the central government in order to better encourage their transition from the informal to the formal sector;

- Organising ongoing training and education sessions on creating and formalising businesses in rural and urban areas;

- Promoting access to digital technology for young people and women in rural areas by creating free digital training centres within local authorities;

- Promoting women's access to land in particular and favouring a reorganisation of the land register;

- Eliminating minimum fees for business start-ups and shortening the waiting period for registering and authenticating documents.

3. Fighting informality

Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;

- Establishing incentives and deterrents;

- Sharing and exchanging regional experiences;

- Developing a strong and effective institutional legislative framework;

- Annually implementing structural reforms and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;

- Developing guarantee instruments to promote access to credit for young people and women, especially those with economically viable income- and employment-generating projects;

- Reducing costs and delays in obtaining building permits;

- Reducing electricity connection fees;

- Eliminating mandatory minimum fees for business start-ups;

- Eliminating mandatory fees for authenticating documents and shortening the registration period for business start-ups;

- Improving access to credit information, e.g. by extending the coverage of public credit services and by starting to report data from public utilities;

- Annually assessing the registration rate of new companies and considering the needs of unregistered companies in order to better channel and adapt sectoral strategies to facilitate their transition to the formal sector;

- Establishing and modernising an electronic system for creating and registering businesses at national level.

4. Developing human capital

Specific objectives include:

- Improving the supply of public services (education, health and social protection);

- Ensuring a match between training/education received and the needs of the labour market in technical and vocational education, general secondary education and universities;

- Promoting development-oriented research in technical and vocational schools, general secondary schools and universities in order to unleash the innovation potential of young people and improve the competitiveness of the private sector globally;

- Priority training for public sector managers;

- Mandatory internships for students to immerse them in the world of business.

5. Improving the labour market

Specific objectives include:

- Increasing the number of jobs through access to new investments at national level;

- Promoting the application, via the Ministry of Social Affairs and Labour, of a legal framework for workers/employees on working conditions and a minimum wage;

- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal businesses to formalise;

- Promoting flexible working hours for workers;

- Improving employment frameworks, policies and conditions.

6. Promoting digitalisation/new technologies

This should consist of/and enable:

- Updating/strengthening the digital skills of economic actors;

- Facilitating access to a variety of services and opportunities through the Internet and IT by means of timely reforms and national projects/programmes;

- Promoting online payment of taxes and other services;

- Providing large-scale digital literacy programmes;

- Promoting engineering training and professions in order to capitalise on innovation through strategic partnerships (schools-companies, state and development partners, etc.).

Mali

Region
West Africa - West African Economic and Monetary Union (WAEMU)

Population
19,077,690

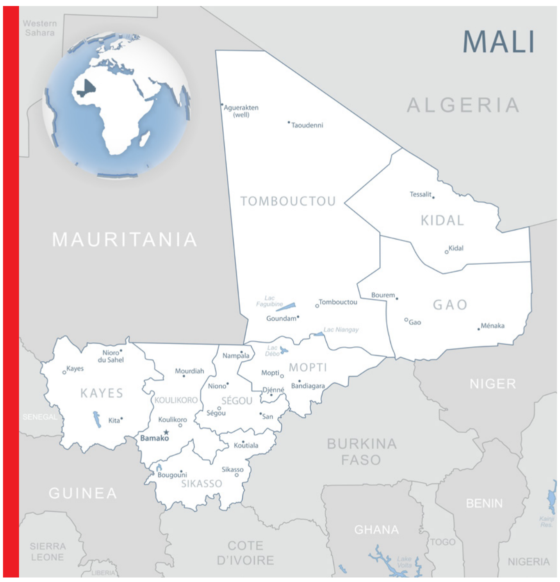
Demographic growth
3.36 %

GDP per capita (2020)
858.9 USD

Human Development Index:
0.434 (184/189)

Economic overview

The country's fragility[1] and violence, combined with the extreme poverty affecting most households and the slowness of tax and customs administration procedures, pose a major obstacle to Mali's economic growth in general, and private sector development in particular. However, Mali, like Niger, is experiencing a demographic boom, which is an opportunity to be harnessed. That said, insecurity and the extreme poverty of households are adding to the weight of the country's informal economy. This is weakening the development of Mali's private sector.



A study by the United Nations Economic Commission for Africa (ECA) highlights delays in administrative and customs clearance procedures. Administrative and tax procedures in Mali were found to be very complicated, with weak property rights, inadequate social protection, excessively high taxes and unsuitable infrastructure. Moreover, an average of eight documents are required to clear goods through customs in Mali. When it comes to setting up a business, it is important to stress that the procedure remains costly and cumbersome in Mali despite the progress made in recent years. It now takes five procedures instead of 13 to set up a business and the time needed to set up a business is 11 days instead of the 42 days it used to take.

It takes 120 days to get an electricity connection and the cost of connection is still too high for SMEs and the self-employed. On average, 14 procedures need to be completed to obtain a building permit, taking 124 days. Finally, by way of illustration, the settlement of taxes requires 35 payments throughout the year.

The results of an analysis of Mali's economic situation since the COVID-19 health crisis show that the economy entered recession in 2020, with an estimated real GDP of -1.6 per cent, reflecting the negative effects of both the pandemic and the socio-political crisis that the country has been experiencing since 2012, as well as its poor agricultural performance, according to the World Bank and the International Monetary Fund. However, a recovery started in early 2021 in some key sectors of the economy linked to services and agriculture, thanks to the effectiveness of certain mitigation measures.

It is important to note that Mali's economic situation as an oil-importing and gold-exporting country enabled it to improve its terms of trade in 2020 due to

[1] Mali has been going through a period of instability and conflict since the 2012 military coup and the occupation of the North by armed groups. The United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA) has been operating since July 2014.

the decline in crude oil prices and the appreciation in the price of gold. This, combined with lower demand for imports, reduced its current account deficit. However, the government's lockdown measures to contain the COVID-19 health crisis led to an increase in budgetary expenditure in 2020, raising the public deficit to 5.4 per cent of GDP. The recovery in early 2021 is expected to result in higher tax revenues, although pressures on payroll expenses will help stabilise the public deficit in 2021 according to World Bank estimates. In the short term, the authorities will need to accelerate reforms within the tax administration, to improve collection performance and optimise public spending.

Challenges faced by the private sector

According to the Integrated Regional Survey on Employment and the Informal Sector (ERI-ESI) carried out in 2017, there are 1,552,285 informal production units (IPUs) in Mali. In addition to the main challenges related to the slowness of administrative and tax procedures, other obstacles to improving the business climate in Mali are as follows:

- **Political instability, including the ominous threat of political crisis from the military junta-** The armed conflict that has been under way in Mali since 2012, exacerbated by the military junta-led coup on 18 August 2020 that prompted the resignation of former President Ibrahim Boubacar Keïta, continues to set back the country's economic development efforts. This is leading to further impoverishment of households forced to engage in informal activities.

- **Widespread informality -** In Mali, over 90 per cent of the economy is dominated by the informal sector. Some 91.5 per cent of individuals operate in the informal economy, compared to 8.5 per cent in the formal economy. This increases job vulnerability and precarity, which predominantly affects young people (67.6 per cent of 15-24-year-olds and 47.4 per cent of 25-34-year-olds) and individuals with no education (49.5 percent), unlike in Niger where precarious jobs are more common among individuals with a primary education (36.3 per cent) than those with no qualifications (25.33 per cent). In terms of gender, there is no difference between men and women in the incidence of precarious employment (46.0 per cent and 46.2 per cent respectively).

- **Informality is prevalent in key sectors of the economy other than agriculture -** The three main non-agricultural sectors with a large informal labour force are trade (53.1 per cent), industry (31.3 per cent) and services (15.9 per cent).

- **A low level of human-capital education/ training -** Mali ranks 184th on the HDI. There is a strong correlation between the level of education and the quality of integration into the workforce. Indeed, the average number of years of education completed by the workforce in the informal economy is estimated at 2.0 years. This very low level of educational attainment combined with the high percentage of primary school age children not attending school (42.2 per cent) explains the high participation of individuals in informal employment (85.4 per cent). As a result, 60.7 per cent of the workforce in the informal economy earns less than the estimated average wage of FCFA 79,400, namely 76.4 per cent of women compared to 51.2 per cent of men.

- **Growing underdevelopment due to a virtually non-existent education system -** The ERI-ESI results from 2017 show that 62.2 per cent of the Malian population has never been educated, in other words has no formal education or training; 24.7 per cent have reached primary level, 11.4 per cent secondary level and just 1.7 per cent have completed higher education.

- **A weak national policy on vocational training and absorption of young people into the labour market -** 51 per cent of young people aged 15-24 do not pursue any educational training and do not participate in the labour market. It should also be borne in mind that the unemployment rate (as per the International Labour Office definition) is higher for young people aged 15-34 (7.4 per cent) and that it takes longer for them to find a job than for older workers. The average duration of unemployment is estimated at 5.2 years overall. These social inequalities may exacerbate attacks on civilians in Mali and so continue to hold the country back on all indicators of economic development, especially sustainable development.

- **Child labour -** 3.4 per cent of young people under the age of 15 work in informal jobs. However, there may be a significant risk of these young people being recruited either into the military junta or into jihadist groups as child soldiers due to social tensions within the population. This is a loss for the economy, especially for the development of entrepreneurship.

- **An inadequate judicial system and rule of law -** Nationally, the index of individuals' perception of the effectiveness of the judicial system is estimated at 0.432. This falls to 0.294 in the capital Bamako. The rule of law index is estimated at 0.407 nationally, and 0.280 in Bamako.

- **A still weak manufacturing sector -** The manufacturing sector employs only 9.7 per cent of the workforce in Mali.

- **Insufficient awareness among IPU heads of the importance of moving their businesses from the informal to the formal sector -** 46.1 per cent of IPU heads are unaware of the benefits of formalising their businesses, while 27.6 per cent are reluctant to formalise. As a result, only 15.6 per cent of IPUs pay taxes on their activities. However, 36.7 per cent of IPUs say they are willing to pay taxes on their activities if there is an improvement in the business climate, particularly in the tax system and administrative and judicial procedures.

- **A weak employment system, especially social protection -** Only 7.0 per cent of active workers are affiliated to a health insurance organisation and 25.3 per cent of employees contribute to a pension scheme.

- **High level of corruption -** 89.2 per cent of 18-year-olds believe that corruption is high in the country and thus harms the entire economy. This justifies Mali's ranking of 129th out of 180 countries in the 2020 Corruption Perceptions Index.

Private sector policy recommendations

The recommendations apply to the following areas:

1. Supporting and strengthening public-private dialogue

Specific objectives include:

- Including public-private dialogue in sectoral development plans and strategies;
- Establishing and maintaining a genuine public-private partnership;
- Developing a roadmap and agenda for public-private dialogue at national level;
- Actually considering the needs of private sector partners in sectoral development strategies;
- Strengthening state institutions, including assessing the legal and regulatory framework for creating and formalising businesses in the formal sector;
- Constantly coming up with reforms to improve the business climate;
- Complying with agreements;
- Bolstering the role of the state as a guarantor of peace, security and good governance;
- Ensuring independent and accountable social partners;
- Capacity building for social partners;
- Establishing a communication plan to reduce communication gaps between the private and public sectors;
- Establishing a unit or commission to work on promoting and popularising the incentives to be given to the private sector in the short, medium and long term.

2. Supporting young investors and women, developing entrepreneurship and fighting against informality

Specific objectives include:

- Promoting an entrepreneurial culture in society as a whole, particularly in technical and vocational training institutions, on audiovisual platforms (TV and radio) and national online social networks, in adult education centres and in universities;

- Creating training and apprenticeship centres for self-employment for out-of-school youth;

- Creating a favourable climate for investment by providing incentives, e.g. access to credit at subsidised interest rates and on flexible repayment terms;

- Establishing a genuine partnership between the state and the banking sector to encourage domestic financing and investment, including the promotion of self-employment among youth and women;

- Focusing policy on formal job creation;

- Establishing a genuine institutional partnership between the state, the private sector and representatives of local authorities to support and promote the creation of income-generating jobs in rural areas and encourage the development of agri-food cooperatives;

- Promoting the decentralisation and efficiency of local government bodies to facilitate municipal authority access to national and regional financial flows to support entrepreneurship among women and young people in rural areas and to better channel the needs of women and young people for the development of their commercial, agro-pastoral and craft activities in rural areas in particular;

- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;

- Considering the needs of informal sector operators in strategies for combating informality by the central government in order to better encourage their transition from the informal to the formal sector;

- Organising ongoing training and education sessions on creating and formalising businesses in rural and urban areas;

- Promoting access to digital technology for young people and women in rural areas by creating free digital training centres within local authorities;

- Promoting women's access to land in particular and favouring a reorganisation of the land register;

- Eliminating minimum fees for business start-ups and shortening the waiting period for registering and authenticating documents;

- Creating national savings in the various countries to finance income and employment-generating projects, especially for young people and women.

3. Cross-border trade

Specific objectives include:

- Promoting the development of intra-African trade by removing customs barriers;

- Improving national and regional infrastructure, such as developing roads, pedestrian walkways, lighting and utility poles, access to the digital network, and building structures to house markets at borders;

- Modernising and deploying one-stop shops;

- Guaranteeing a secure and stable climate at national level, particularly in terms of customs services to facilitate the free movement of people and goods (rule of law); this would also improve entrepreneurship by women, particularly the creation of income-generating activities (trade) carried out most often by small traders (women) at the borders;

- Guaranteeing follow-up for the supply and distribution of petroleum products;

- Deploying national, regional and international sectoral strategies to ensure exchange rate predictability;

- Implementing sectoral strategies to develop the resilience of the economy, particularly of businesses, to cope with various shocks;

- Reducing export and import delays;

- Setting up and modernising an electronic payment system for port fees at national level;

- Going paperless in customs formalities and extending the opening hours of ports;

- Increasing the size of inter-African markets and diversifying production in order to expand markets and improve the competitiveness of the formal private sector globally;

- Promoting good governance and responsible business conduct and fair competition in markets in order to improve the global competitiveness of the formal private sector;

- Establishing simplified trade arrangements (exemption from customs duties) and simplifying customs clearance formalities for small-scale transactions, usually carried out by small traders, especially women;

- Enhancing regional integration, in particular economic cooperation between the different regional economic communities to remove persistent barriers to intra-regional trade;

- Strengthening the fight against smuggling at borders and ports;

- Establishing and developing regional power pools to reduce electricity connection costs and link markets to resources;

- Establishing mutually beneficial trade agreements to attract more investors; boosting intra-regional trade through digital technology;

- Diversifying the energy market with a focus on promoting solar panels to improve the competitiveness and productivity of businesses and also to reduce the costs of connecting to the power grid;

- Expanding the telecommunications market, especially the digital market, to improve access to the electronic network for businesses and enable them to increase their competitiveness in the global market;

- Establishing effective cyber security and cyber defence strategies at regional level;

- Strengthening the African Continental Free Trade Area (AfCFTA).

4. Fighting informality

Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;

- Establishing incentives and deterrents;

- Sharing and exchanging regional experiences;

- Developing a strong and effective institutional legislative framework;

- Annually implementing structural reforms and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;

- Developing guarantee instruments to promote access to credit for young people and women, especially those with economically viable income- and employment-generating projects;

- Reducing costs and delays in obtaining building permits;

- Reducing electricity connection fees;

- Eliminating mandatory minimum fees for business start-ups;
- Eliminating mandatory fees for authenticating documents and shortening the registration period for business start-ups;
- Improving access to credit information, e.g. by extending the coverage of public credit services and by starting to report data from public utilities;
- Developing a national directory of formal sector companies;
- Annually assessing the registration rate of new companies and considering the needs of unregistered companies in order to better channel and adapt sectoral strategies to facilitate their transition to the formal sector;
- Establishing and modernising an electronic system for creating and registering businesses at national level;
- Creating a level playing field for businesses to facilitate their formalisation.

5. Developing human capital

Specific objectives include:

- Improving the supply of public services (education, health and social protection);
- Ensuring a match between training/education received and the needs of the labour market in technical and vocational education, general secondary education and universities;
- Promoting development-oriented research in technical and vocational schools, general secondary schools and universities in order to unleash the innovation potential of young people and improve the competitiveness of the private sector globally;
- Priority training for public sector managers;
- Mandatory internships for students to immerse them in the world of business.

6. Improving the labour market

Specific objectives include:

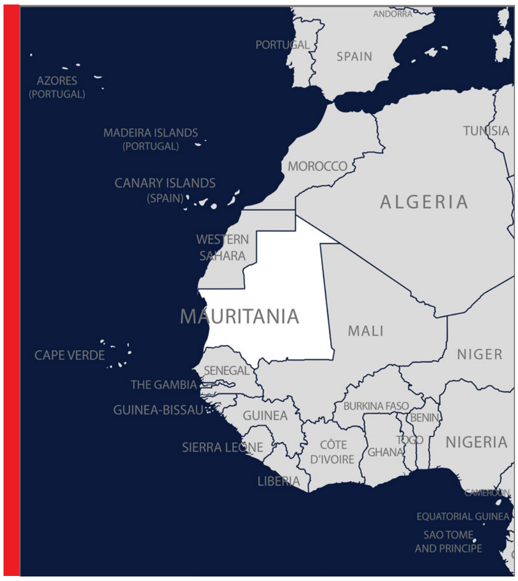
- Increasing the number of jobs through access to new investments at national level;
- Promoting the application, via the Ministry of Social Affairs and Labour, of a legal framework for workers/employees on working conditions and a minimum wage;
- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal businesses to formalise;
- Promoting flexible working hours for workers;
- Improving employment frameworks, policies and conditions;
- Improving wages and paying compensation for work stoppages due to the occurrence of happy occasions (e.g. births) and unhappy events (illnesses, accidents, etc.) in workers' lives.

Mauritania

Region	Population	Demographic growth	GDP per capita (2019)	Human Development Index:
North-western Africa	4,403,319	2.32 %	1,672.9 USD	0.527 (157/189)

Economic overview

Mauritania is a country in north-western Africa with an economy based primarily on agriculture. It is estimated that more than 62 per cent of the active workforce is employed in this sector, accounting for 17 per cent of GDP.



To revive economic activity against the backdrop of the COVID-19 crisis, the government set up an Expanded Priority Programme (PPE) which focused on the social sectors, infrastructure and food self-sufficiency. According to the government, this programme aimed to create jobs and enable the poorest people to meet their basic needs.

With regard to the business climate, much work remain to be done, particularly in terms of taxation, debt collection and cross-border trade.

Challenges faced by the private sector

In addition to the situation of extreme poverty in the country, the Survey on the Situation of Employment and the Informal Sector, carried out in 2017, reveals:

- **Widespread informality, with the non-agricultural informal sector accounting for around** 91.1 per cent of existing jobs.

- **High unemployment -** The proportion of the population in employment is estimated at 37 per cent of the total working age population. This unemployment situation is more of an urban phenomenon and affects mostly young people under 25 years of age (73.2 per cent).

- **Social inequalities in the labour market -** The unemployment rate increases with the level of education, especially in urban areas: for people with a general education, unemployment affects 20.2 per cent of women and 15.4 per cent of men.

- **A weak policy of absorbing young people into apprenticeships or technical vocational training for their future development -** 44.2 per cent of young people aged 14-35 are neither in the education system nor in employment.

- **An informal sector that occupies a central place in the Mauritanian economy -** The informal sector in Mauritania is the main provider of employment, accounting for more than 63 per cent of the employed population, of which more than 35.7 per cent is generated by the non-agricultural informal sector. The predominant branches of activity in the informal sector (excluding agriculture) are trade (44 per cent), services (21.9 per cent) and manufacturing (26.3 per cent).

- **A weak private informal sector -** 63.3 per cent of IPU heads have no education or have received a Koranic education. Those with general education represent 33.3 per cent; those with technical and vocational education represent only 0.1 per cent.

- **An informal private sector that exacerbates underemployment -** Overall, more than 67.4 per cent of employed persons work more than 40 hours per week. In addition, workers in casual, seasonal and temporary jobs are highly exposed to the risks of job loss and low income. The rate of precarious employment is estimated at 20.1 per cent.

- **Lack of access to infrastructure and finance -** Most IPUs operate without premises. Informal activities are still mainly carried out in entrepreneurs' homes (40 per cent). These are followed by activities carried out in markets (22.4 per cent), by itinerants (14.8 per cent) and those carried out at a fixed place on the public highway (13.5 per cent). Furthermore, with regard to access to basic public services, only 9 per cent of IPUs have access to running water, 51 per cent to electricity and 36 per cent to a mobile phone. IPU access to computer facilities and the Internet remains limited, at 2.8 per cent and 1.1 per cent respectively. In terms of communication equipment, only 24.4 per cent of rural IPUs have access to a mobile phone. IPU heads face difficulties in selling their production because of competition or lack of customers, with 60.3 per cent and 62.5 per cent of IPU heads mentioning these difficulties respectively. This is followed by difficulties in obtaining raw materials and difficulties in accessing credit, with 37.9 per cent and 30.7 per cent respectively.

- **A lack of social protection -** Only 16.2 per cent of IPU heads are covered by social security.

- **Child labour remains a concern -** An estimated 4.3 per cent of the workforce comprises children under the age of 15 in Mauritania.
- **Low level of human-capital education/ training -** Mauritania ranks 157th out of 189 countries on the Human Development Index.

- **Very high level of corruption -** According to Transparency International's 2021 report, Mauritania is 140th out of 180 countries. This indicates that much work remains to be done in terms of improving the business climate.

Private sector policy recommendations

The recommendations apply to the following areas:

1. Supporting and strengthening public-private dialogue

Specific objectives include:

- Including public-private dialogue in sectoral development plans and strategies;

- Establishing and maintaining a genuine public-private partnership;

- Developing a roadmap and agenda for public-private dialogue at national level;

- Actually considering the needs of private sector partners in sectoral development strategies;

- Strengthening state institutions, including assessing the legal and regulatory framework for creating and formalising businesses in the formal sector;

- Constantly coming up with reforms to improve the business climate;

- Complying with agreements;

- Bolstering the role of the state as a guarantor of peace, security and good governance;

- Ensuring independent and accountable social partners;

- Capacity building for social partners;

- Establishing a communication plan to reduce communication gaps between the private and public sectors;

- Establishing a unit or commission to work on promoting and popularising the incentives to be given to the private sector in the short, medium and long term.

2. Supporting young investors and women, developing entrepreneurship and fighting against informality

Specific objectives include:

- Promoting an entrepreneurial culture in society as a whole, particularly in technical and vocational training institutions, on audiovisual platforms (TV and radio) and national online social networks, in adult education centres and in universities;

- Creating training and apprenticeship centres for self-employment for out-of-school youth;

- Creating a favourable climate for investment by providing incentives, e.g. access to credit at subsidised interest rates and on flexible repayment terms;

- Establishing a genuine partnership between the state and the banking sector to encourage domestic financing and investment, including the promotion of self-employment among youth and women;

- Focusing policy on formal job creation;

- Establishing a genuine institutional partnership between the state, the private sector and representatives of local authorities to support and promote the creation of income-generating jobs in rural areas and encourage the development of agri-food cooperatives;

- Promoting the decentralisation and efficiency of local government bodies to facilitate municipal authority access to national and regional financial flows to support entrepreneurship among women and young people in rural areas and to better channel the needs of women and young people for the development of their commercial, agro-pastoral and craft activities in rural areas in particular;

- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;

- Considering the needs of informal sector operators in strategies for combating informality by the central government in order to better encourage their transition from the informal to the formal sector;

- Organising ongoing training and education sessions on creating and formalising businesses in rural and urban areas;

- Promoting access to digital technology for young people and women in rural areas by creating free digital training centres within local authorities;

- Promoting women's access to land in particular and favouring a reorganisation of the land register;

- Eliminating minimum fees for business start-ups and shortening the waiting period for registering and authenticating documents;

- Creating national savings in the various countries to finance income and employment-generating projects, especially for young people and women.

3. Cross-border trade

Specific objectives include:

- Promoting the development of intra-African trade by removing customs barriers;

- Improving national and regional infrastructure, such as developing roads, pedestrian walkways, lighting and utility poles, access to the digital network, and building structures to house markets at borders;
- Modernising and deploying one-stop shops;

- Guaranteeing a secure and stable climate at national level, particularly in terms of customs services to facilitate the free movement of people and goods (rule of law); this would also improve entrepreneurship by women, particularly the creation of income-generating activities (trade) carried out most often by small traders (women) at the borders;

- Guaranteeing follow-up for the supply and distribution of petroleum products;

- Deploying national, regional and international sectoral strategies to ensure exchange rate predictability;

- Implementing sectoral strategies to develop the resilience of the economy, particularly of businesses, to cope with various shocks;

- Reducing export and import delays;

- Setting up and modernising an electronic payment system for port fees at national level;

- Going paperless in customs formalities and extending the opening hours of ports;

- Increasing the size of inter-African markets and diversifying production in order to expand markets and improve the competitiveness of the formal private sector globally;

- Promoting good governance and responsible business conduct and fair competition in markets in order to improve the global competitiveness of the formal private sector;

- Establishing simplified trade arrangements (exemption from customs duties) and simplifying customs clearance formalities for small-scale transactions, usually carried out by small traders, especially women;

- Enhancing regional integration, in particular economic cooperation between the different regional economic communities to remove persistent barriers to intra-regional trade;
- Strengthening the fight against smuggling at borders and ports;

- Establishing and developing regional power pools to reduce electricity connection costs and link markets to resources;

- Establishing mutually beneficial trade agreements to attract more investors; boosting intra-regional trade through digital technology;

- Diversifying the energy market with a focus on promoting solar panels to improve the competitiveness and productivity of businesses and also to reduce the costs of connecting to the power grid;

- Expanding the telecommunications market, especially the digital market, to improve access to the electronic network for businesses and enable them to increase their competitiveness in the global market;

- Establishing effective cyber security and cyber defence strategies at regional level;

- Strengthening the African Continental Free Trade Area (AFCFTA).

4. Fighting informality

Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;

- Establishing incentives and deterrents;

- Sharing and exchanging regional experiences;

- Developing a strong and effective institutional legislative framework;

- Annually implementing structural reforms and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;

- Developing guarantee instruments to promote access to credit for young people and women, especially those with economically viable income- and employment-generating projects;

- Reducing costs and delays in obtaining building permits;

- Reducing electricity connection fees;

- Eliminating mandatory minimum fees for business start-ups;

- Eliminating mandatory fees for authenticating documents and shortening the registration period for business start-ups;

- Improving access to credit information, e.g. by extending the coverage of public credit services and by starting to report data from public utilities;

- Developing a national directory of formal sector companies;

- Annually assessing the registration rate of new companies and considering the needs of unregistered companies in order to better channel and adapt sectoral strategies to facilitate their transition to the formal sector;

- Establishing and modernising an electronic system for creating and registering businesses at national level;

- Creating a level playing field for businesses to facilitate their formalisation.

5. Developing human capital

Specific objectives include:

- Improving the supply of public services (education, health and social protection);

- Ensuring a match between training/education received and the needs of the labour market in technical and vocational education, general secondary education and universities;
- Promoting development-oriented research in technical and vocational schools, general secondary schools and universities in order to unleash the innovation potential of young people and improve the competitiveness of the private sector globally;

- Priority training for public sector managers;

- Mandatory internships for students to immerse them in the world of business.

6. Improving the labour market

Specific objectives include:

- Increasing the number of jobs through access to new investments at national level;

- Promoting the application, via the Ministry of Social Affairs and Labour, of a legal framework for workers/employees on working conditions and a minimum wage;

- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal businesses to formalise;

- Promoting flexible working hours for workers;

- Improving employment frameworks, policies and conditions;

- Improving wages and paying compensation for work stoppages due to the occurrence of happy occasions (e.g. births) and unhappy events (illnesses, accidents, etc.) in workers' lives.

7. Promoting digitalisation/new technologies

This should consist of/and enable:

- Updating/strengthening the digital skills of economic actors;

- Facilitating access to a variety of services and opportunities through the Internet and IT by means of timely reforms and national projects/programmes;

- Promoting online payment of taxes and other services;

- Providing large-scale digital literacy programmes;

- Promoting engineering training and professions in order to capitalise on innovation through strategic partnerships (schools-companies, state and development partners, etc.).

Myanmar

Region
Southeast Asia

Population(2023)
55 347 823

Demographic growth(2020)
0.7%

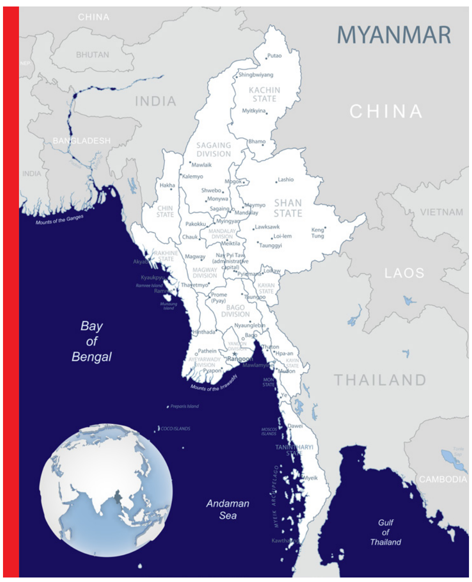
Average income
8,742.53 USD

Human Development Index
145 out of 191 countries: Myanmar's Human Development Index (HDI) value is 0.6.

Regional economic membership
Association of Southeast Asian Nations (ASEAN)

Economic overview

Myanmar is in South-Eastern Asia, bordering the Andaman Sea and the Bay of Bengal between Bangladesh and Thailand. Its abundant natural resources, labour force, and strategic proximity to Asia's dynamic economies present many growth opportunities. Myanmar is a member of the World Trade Organization (WTO) and the Association of Southeast Asian Nations (ASEAN). Due to decades of domestic military rule and international economic sanctions, Myanmar has limited trade integration with the global market. Since 2010, Myanmar has taken steps to reform its business environment and integrate regionally and globally. The major export is primary goods, including agricultural and forest products, gems, live animals, and emerging gas exports, while petroleum products, iron and steel dominate imports.



The agriculture sector is one of the most important sectors for the country's economy; agricultural goods are the second-largest export commodity. The sector contributes nearly one-third of the country's GDP, accounts for 20 to 30 per cent of total export earnings and employs more than 70 per cent of the workforce. A total of 12.8 million hectares out of 67.6 million hectares of land in the country are cultivated. Rice is the country's primary agricultural product, which accounts for nearly 43 per cent of the total agricultural production value. **Seventy per cent of the country's population lives in rural areas, making the agriculture sector an important engine of rural development.**

Among ASEAN countries, Myanmar has a poor electrification rate, and approximately half its population lacks electricity access. About 70 per cent of the rural population relies on kerosene, candles, batteries, and power generators in their daily lives. The lack of electricity threatens the country's economic growth and prevents the expansion of infrastructure and industrial development.

Challenges faced by the private sector

- **Covid-19 pandemic:** Businesses have been weighed down by restrictive measures to control the pandemic. This slowdown has led to uncertainty around future economic growth and negatively impacted recent progress in poverty reduction.

- **Infrastructure (physical, technology):** Myanmar has gaps in its infrastructure development which affect its economic growth and remains a barrier to business expansion. Only 40 per cent of the road network is paved, and 20 million people, half of the rural population, do not have access to all-weather roads and electricity. According to the Asian Development

Bank, as of 2020, $120 billion will be needed by 2030 to improve infrastructure and add needed roads, rail, bridges, and airports.

- **Weak financial infrastructure and recent banking sector instability:** The public trust in the national banking system has disappeared as businesses desperately try to hedge their finances in a fast-deteriorating economy. Myanmar's depositors continue to remove funds from commercial banks, despite caps on withdrawals and other efforts by the military government to contain outflows. International trade has also been severely affected because banks cannot clear import/export documents. Payments of social welfare schemes and salary payrolls of companies through banks are likewise paralysed. The government's decision to shut down mobile data, public WiFi and fixed wireless internet services to subdue the protests has left people heavily reliant on cash transactions with very limited cash in circulation.

- **Limited access to finance:** Financial institutions find it too high risk to lend to small and medium enterprises (SMEs) given the cost/benefit ratio in terms of time and resources required to process SME loans, as well as the difficulties most SMEs face in consolidating capital and creating business plans to become viable lending candidates. This creates a blockage to growth, where SMEs with the skills to scale up or move into manufacturing and processing are constrained due to their limited access to finance, even if they are willing to assume the risk.

- **Poor transparency of government procedures:** Excessive bureaucracy, redundant and opaque government procedures, cumbersome post-registration compliances, and corruption are hindrances to private sector growth. Access to public services is hampered by cumbersome and time-consuming procedures, often necessitating daylong trips to the capital for administrative procedures. Inefficient bureaucracy is a significant constraint to business in Myanmar, particularly for small and medium-sized enterprises. This creates a fertile environment for the extraction of rents and corruption. Entrepreneurs willing to establish a new business face many hurdles, one being that the cost and time for business registration are relatively high.

- **Weak rule of law and the mechanism for contractual enforcement remains weak:** The judiciary is not independent and lacks experience with commercial litigation and arbitration. The unreliability of Myanmar's court system due to delays in proceedings and the lack of alternative options, such as commercial arbitration for ensuring contracts and property rights are respected, is a major concern for the private sector.

> Seventy per cent of the country's population lives in rural areas, making the agriculture sector an important engine of rural development.

- **Climate change is another major challenge for the development of Myanmar.** It is one of the world's most disaster-prone countries, exposed to multiple hazards, including floods, cyclones, earthquakes, landslides, and droughts. Along with Puerto Rico and Honduras, Myanmar is one of the three countries most affected by climate change from 1999-2018, according to the 2020 Global Climate Risk Index and 19th out of 191 countries on the INFORM Index for Risk Management.

- **Outdated laws and regulations are hindering the private sector (such as land law and labour-related laws):** In Myanmar, existing Land Acts and Labour Laws, enacted in the 19th century and enforced in the 20th century, are still in use in the 21st century. These laws are inconsistent with globalisation and the current labour market; they are further complicated as different ministries and departments govern them.

- **Large informal and low-productivity economy:** The informal economy is believed to be bigger than the formal economy in Myanmar, composed mainly of micro, small and medium enterprises (MSMEs). **The prevalence of self-employment reflects the economy's large informal sector and the high proportion of low-productivity subsistence jobs.** The median labour productivity of informal firms is about 65 per cent of the level for micro firms in the country. Similarly, total monthly sales (turnover) for informal firms are about 75 per cent of the level for micro firms and less than 5 per cent of the level for medium and large firms[1]. Less than 5 per cent of the informal firms in Myanmar have a bank account for business purposes. Few firms benefit from registration, particularly in smaller cities outside Yangon. Workers in the informal sector are often marginalised from government plans due to inadequate data to plan programmes effectively. They lack social protection and are exploited as the government cannot regulate the sector. One of the biggest challenges for the country remains integrating informal workers into the formal economy.

- **Political instability:** The economy is estimated to have contracted 18.7 per cent in the fiscal year that ended on Sept. 2021, according to the ASEAN+3 Macroeconomic Research Office. Since the military seized power in February 2021, it triggered a freeze on parts of Myanmar's foreign reserves held in the U.S. and suspension of multilateral aid, both key sources of foreign currency supplies. The garment sector has been significantly affected, a major contributor to the country's economy and a key source of export earnings. Several foreign brands have halted their orders, and most operations are at a standstill.

- **Exchange rate instability:** Myanmar is battling a plunging local currency amid an unprecedented dollar shortage, driving up the cost of imports and worsening the economy's struggle with the dual challenges of the pandemic and post-coup financial isolation. The plunging currency is already taking its toll on Myanmar's economy, with some businesses shutting down as they cannot cope with the rising costs of imports and raw materials. The kyat has tumbled about 60 per cent.

- **Capricious changes in regulatory and fiscal regimes directly constrain and introduce uncertainty into firms' operations** and, as such, looms large in rankings of major business environment constraints. There is a lack of a conducive legal framework for new policies as sometimes technical, and implementation requirements have been given no due consideration. Regulators do not adopt a standard process in enforcing regulations to enable consistency and business experience.

- Limitations on using digital and internet technologies hinder private sector companies' access to local and global markets.

> The prevalence of self-employment reflects the economy's large informal sector and the high proportion of low-productivity subsistence jobs.

Private sector policy recommendations

- **Address cross-cutting constraints:** The first imperative is providing affordable access to finance through banking institutions and capital markets over time. At the same time, nonbank financial institutions need to be developed. Efforts to reduce logistics costs are also important, as is improved access to and reduced cost of broadband connectivity.

- To generate employment and revive the economy after the Covid-19 disruption, there should be increased support to the existing business community at the local level through Savings and Credit Cooperatives (SACCOs), such as long-term soft loans should be made available to SACCOs.

[1] Amin, M. Enterprise Surveys Enterprise Note Series Informal Firms in Myanmar. World Bank Group. 2016

- **Establish suitable risk-sharing and mitigation frameworks and long-term financing instruments.** The government should develop initiatives that support small business associations/ incubators and strengthen existing associations to reduce fixed costs associated with training programmes, financing, and other services.

- **Improve dialogue with the private sector:** The government need to increase and strengthen private sector engagement in various avenues such as strategic planning, policy, investment, and execution. The government must also dialogue with the private sector before implementing regulations or entering economic agreements. This is critical in providing access to larger resource and knowledge pools, ensuring efficient allocation of limited resources, and leveraging innovation to ensure quality and successful delivery of government initiatives.

- **Private sector collaboration with the government is needed to develop a robust policy and national human capital development framework.** The government should partner with the private sector to establish an employment roadmap toward a national employment policy. This will help build an informed human development strategy involving targeted education, industrial and social policies, and the establishment of efficient institutions and the necessary legal framework to support it. This will focus on upskilling the current adult workforce, addressing the mismatches between the skill supply and demand of the job market, and preparing the young population to acquire skills that will satisfy future labour market needs. Companies can be involved in this process by instituting training programmes to build up nationally needed skill sets in agribusiness, high-value supply chains, textile, information and communications technology (ICT) and agricultural technology.

- **Improve digital literacy among young people.** This will create opportunities for digital entrepreneurship among young people. The Ministry of Education should also invest in ICT resources and facilities that enable easy learning for students in primary, secondary and tertiary institutions[2].

- The government should engage the private sector in developing initiatives to connect small-scale farmers to lucrative food markets. It should ensure access to market information and provide training to ensure products meet the quantity or quality of crops demanded by the market and that farmers can process and market their products effectively.

- **There is a need for the government to enforce regulations more fairly and equally across all businesses without any exceptions.** This involves improving businesses' tax and regulatory treatment regarding equity, transparency, and predictability, with a particular focus on tax administration. Also necessary is strengthening public-private dialogue on policy and institutional reform.

- Policies that promote private sector activity by reducing business costs through digitally optimised government systems should be launched. This can be achieved by developing a government-wide implementation approach to advancing and scaling up the digitisation of major government processes (such as school fees, taxes, customs, and licenses). Along with optimising and scaling up the e-border management, e-licenses, and public e-procurement systems.

- To address the challenges in the power sector, the government should seek and implement policies to encourage private-sector investment and participation in the following:

    - Construction of medium to large-scale hydro and gas-fired power plants through public-private-partnerships (PPPs)

    - Realisation of small-scale hydropower projects (e.g., to supply a village tract)

[2] Dhital, H. (2018). Opportunities and challenges to use ICT in government school education of Nepal. International Journal of Innovative Research in Computer and Communication Engineering, 6(4), 3215-3220.

- Establishment of solar energy farms and wind power farms

- Provision of efficient and practical solar-power kits to communities currently off-grid as well as solar-power-based solutions (e.g., solar-powered pumps, solar lighting)

• The government should also engage and support, through financing, the private sector in developing mini and off-grid electricity generation, especially in rural areas. The government should also introduce favourable regulatory policies on energy feed-in tariffs to ensure that it is affordable to citizens.

• Given the size and cross-cutting nature of the informal economy, a gradual and phased approach should be taken based on medium and long-term plans. This will entail reducing the cost of formalisation, such as entry costs; reducing bureaucracy in the business start-up and authorisation process; reducing the cost of remaining in the formal market, such as taxes; developing a special tax scheme for MSMEs; and making it easier to access credit.

• The government should develop initiatives backed up with a policy of selecting and supporting the champions in prioritised sectors as examples.

• The government should embark on an aggressive economic drive to secure and increase ‘government to government’ negotiations for economic partnerships and bilateral agreements to access new markets and improve economic cooperation.

• Develop policies that create a favourable environment for cooperation and partnership in ICT among public and private sectors, civil society, and between all stakeholders at local, national, regional, and international levels. This can be achieved by promoting joint venture initiatives for local entrepreneurs with international private investors to provide public ICT goods and services to catalyse the sector’s growth. The government should develop ICT business incubators and promote start-up projects in close coordination with the private sector by creating a supportive ecosystem and accessible financing.

Nepal

Region
South Asia

Population
30 500 000

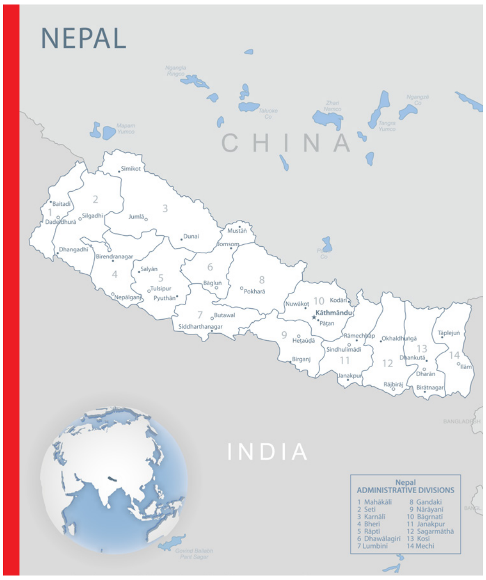
Demographic growth
1,71%

Average income (2022)
664 USD

Human Development Index:
While Nepal improved its ranking from 144th to 143rd position, the Human Development Index (HDI) value has marginally declined from 0.604 to 0.602 due to continued turbulence caused by the Covid-19 pandemic.

Economic overview

Nepal is landlocked, with a total area of 147,516 sq. kilometres and an estimated population of around 30 million. Nepal shares borders with India towards the East, West and South, while its mountains border with China in the North. Nepal's economy is predominantly based on agriculture, contributing to 24.3per cent of GDP and almost 64.4 per cent of employment. The industrial sector, comprising manufacturing, construction, mining and quarrying, electricity generation, gas and water, accounts for 13.79 per cent of GDP[1] and 15.10 per cent of total employment. The services sector accounts for 60.2 per cent of the GDP and 20.50 per cent of total employment.



Nepal is currently experiencing a large youth population, accounting for more than 40 per cent of the total population. It has yet to leverage this group to drive forward its economic development fully. **The country has failed to absorb its young talent pool of about 500,000 workers entering the labour force every year, with approximately 1,700 young people leaving the country daily according to official figures.**

A major human development challenge is the gap in equal access to digital infrastructure and technical know-how since most of Nepal's population (79.42 per cent) reside in rural parts with limited or no access. Nepal has made some progress in upgrading its infrastructure networks to facilitate the growth of its digital economy. The access to electricity rate stood at 90 per cent of the total population as of mid-March in 2019/20. Similarly, Nepal has made significant progress in its high broadband density rate, which increased to 84.09 per cent in mid-March (2019/20). **This rapid increase in broadband density rate can be attributed to the role of the government in applying the Public-Private Partnership (PPP) model for project implementation.**

Challenges faced by the private sector

- **Skill mismatch:** The absence of a system to assess labour market demands and skill requirements for Nepali workers causes a mismatch between skills available and business skill requirements. Businesses bear the cost of constantly recruiting and retraining new staff, especially with young people choosing to seek jobs overseas.

- **Low human capital and lack of skilled workforce:** Nepal's adult literacy rate was 57 per

[1] Gov·UK· Overseas Business Risk: Nepal. 2021

cent as of 2018. Despite having a high primary net enrolment rate (93.4 per cent), the rate for secondary education (grade 9-12) remains low, with an enrolment rate of only 47.6 per cent. This could be attributed to the fact that students from poorer households tend to look for work to escape multidimensional poverty. Another reason is the lack of proper school facilities in rural areas. Those who drop out have low access to decent job opportunities and lack skills and capacities in technical work.

- The agricultural sector faces challenges such as low availability of resources and materials to increase agricultural productivity and inadequate infrastructure systems such as warehouses, cold storage, agricultural markets, irrigation facilities, and road access networks. The agricultural sector in Nepal needs formalisation and digitisation, as 97 per cent of those working in the agricultural sector are doing so informally.

> The country has failed to absorb its young talent pool of about 500,000 workers entering the labour force every year, with approximately 1,500 young people leaving the country searching for foreign employment.

- A hindrance to manufacturing sector growth is the limited number of operating Special Economic Zones. Among the 14 areas identified as Special Economic Zones, only Bhairahwa Special Economic Zone is in operation.

- The agricultural sector lacks adequate distribution of technological capacity, impeding its modernisation and industrialisation transition. As a result, agricultural goods are being imported to Nepal. Rice made up 2.8 per cent, and vegetables amounted to 1.1 per cent of the total share of imports in 2019/20.

- The yields in agricultural outputs are low, caused by challenges of supply and generation of improved seeds, fertilisers, utilisation of new techniques and climate change[2].

- The main barriers faced by the industrial sector are the government's relaxed policies towards importers and an open border policy with India, lack of incentives and programmes aimed at attracting national and international investors to create goods and services with a comparative and competitive advantage, high tariff rates on raw materials, semi-processed goods and spare parts, and poor coordination among government agencies and investors have impacted the quality of Nepal's industrial policies.

- **Access to credit and financing:** Micro, small and medium enterprises (MSMEs) are fundamental aspects of Nepal's economy but lack access to finance. Almost 60 per cent of SMEs do not have access to capital, and only 16 per cent of SMEs' investment is done through bank financing. Due to gaps in information and a lack of access to long-term bank loans or equity, ensuring investment and growth has been challenging. These challenges eventually increase the cost of production, making local products less competitive in the market.

- **Large informal economy: More than 70 per cent of the economically active population in Nepal is engaged in the informal economy, and more than 49 per cent of total businesses are unregistered.** Micro and small enterprises operate their businesses informally because of excessive bureaucracy, redundant and opaque government procedures, cumbersome post-registration compliances and corruption. Entrepreneurs face many hurdles, one being that the cost and time for business registration are relatively high. Workers in the informal sector are often marginalised from government actions or policies due to inadequate data to plan programmes effectively. They lack social protection and are exploited as the government cannot regulate the sector. One of the biggest challenges for the country remains integrating informal workers into the formal economy.

[2] Paudel· R· C·, & Acharya, C. P. (2020). Financial Development and Economic Growth: Evidence from Nepal· NRB Economic Review, 32(1), 15-36

- **Climate change:** Nepal's increasing urbanisation at an annual rate of 3.09 per cent, deforestation and poor waste disposal practices have adverse impacts on the local weather patterns, potentially aggravating the local effects of climate change. For example, melting glaciers can damage livelihoods and affect the tourism industry.

> This rapid increase in broadband density rate can be attributed to the role of the government in applying the Public-Private Partnership (PPP) model for project implementation.

- Current policy frameworks fall short of providing an environment conducive to the growth of technology-based start-up ecosystems and innovative enterprises, as there are no concrete policy positions on financing and incubation in shaping the digital and knowledge economy sectors. Proper institutional arrangements are yet to be in place to spearhead the Digital Nepal initiative. Concrete investment proposals supporting each of the 80 activities listed in DNI are yet to be formulated for the framework to be wholly implementable[3].

- The Labour Act enacted in August 2017 has added to the costs of doing business as many SMEs are struggling to meet the requirements of the new Social Security Fund introduced in 2018[4].

- **Covid global pandemic:** The temporal closure of business for about five to six months led to entrepreneurs struggling to pay bills, rent and the welfare of employees.

Private sector policy recommendations

- In partnership with the private sector, the government should develop a system to assess the labour market demands and skill requirements for the Nepali youth population. This will help develop an informed human development strategy involving targeted education policies.

- Initiative should be embarked upon to improve digital literacy among young people. This will create opportunities for digital entrepreneurship among young people. The Ministry of Education should also invest in ICT resources and facilities that enable easy learning for students in primary, secondary and tertiary institutions[5].

- Develop policies that create a favourable environment for cooperation and partnership in ICT among public and private sectors, civil society, and between all stakeholders at local, national, regional, and international levels.

  - Promote joint venture initiatives for local entrepreneurs with international private investors to provide public ICT goods and services to catalyse the sector's growth.

  - To help develop ICT business incubators and promote start-up projects in close coordination with the private sector by creating a supportive eco-system and accessible financing.

  - Government should adopt policies that encourage private sector investment, moving the country away from over-reliance on mobile networks towards promoting investments in robust, high-capacity, fibre-optic-based fixed broadband networks. Such investment is needed to build 'future-proof' connectivity infrastructure that can cope with an ever-increasing demand for quality connection and bandwidth.

  - The implementation of the key objectives of the Digital Nepal Framework

- Government should offer private agricultural investors the chance to contribute through

[3] Bhattarai, M. K. (2021). Information and Communication Technology Scenario of Nepal: Assessing Policy Environment and Challenges. Nepal Public Policy Review, 1, 201-211
[4] International Trade Administration (ITA)Nepal - Country Commercial Guide. Published 2021
[5] Dhital, H. (2018). Opportunities and challenges to use ICT in government school education of Nepal. International Journal of Innovative Research in Computer and Communication Engineering, 6(4), 3215-3220.

projects like Nepal Seed and Fertilizer Project (NSAF). The private sector contribution would ensure enough seeds and fertilisers are frequently supplied to small-scale farmers in the country. The government should encourage farmers through incentives to leverage the biological diversity of Nepal to farm high-value crops and diversify crop production.

- Nepal is a landlocked country with limited road networks; airplanes are a convenient way of transporting cargo, agricultural produce, and high-value products. Government should consider public-private partnerships in the management and operation of existing airports, which also presents opportunities for the expansion of non-aeronautical services (such as airport taxis, duty-free shops, parking management, eateries, and recreational and hospitality facilities).

> More than 70 per cent of the economically active population in Nepal is engaged in the informal economy, and more than 49 per cent of total businesses are unregistered.

- Boosting import substitution and quality of exports through strengthening the competitiveness of export-oriented industries and industries that can meet local demands will also build the country's self-reliance.

- Nepal must increase and strengthen private sector engagement in various avenues such as strategic planning, policy, investment, and execution. This will be critical in providing access to more significant resource and knowledge pools, ensuring efficient allocation of limited resources, and leveraging innovation to ensure quality and successful delivery of government initiatives.

- The government should pursue the digitalisation of customs procedures and initiation of one door tax payment system. This will involve the implementation of hassle-free and easy documentation procedures through the integration of various agencies into an electronic system, improved coordination of joint physical inspections at borders, initiation of electronic submission of documents, the establishment of testing labs in border areas with proper facilities, upgradation of dry port infrastructures, construction of parking infrastructure at each ICDs[7].

- Government should engage the private sector in developing policies aimed at encouraging entrepreneurship among young people, making access to easy finance, insurance and technology a component of its decent work framework

- It is recommendable that the Ministry of tourism work towards integrating tourism drives towards attracting international sporting events (e.g. Hiking and biking) and festivals.

[7] FNCC, 2021. National Economic Transformation 2030, Private Sector for Prosperity and Growth.

Niger

Region
West Africa - West African Economic and Monetary Union (WAEMU)

Population
22,442,948

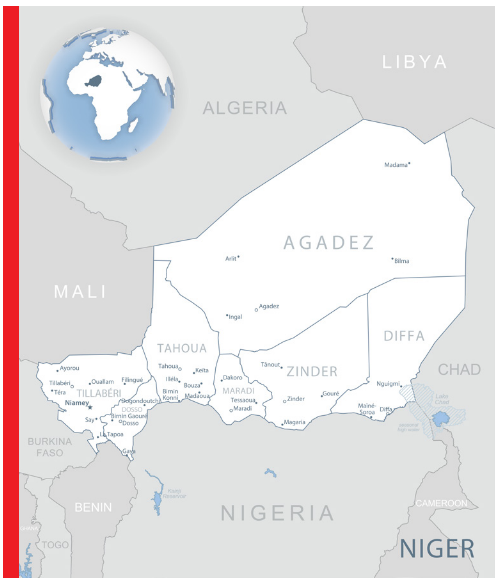
Demographic growth
3.83 %

GDP per capita (2020)
565.1 USD

Human Development Index:
0.394 (226/228)

Economic overview

It should be pointed out that in terms of progress, Niger has improved through the reforms undertaken by the government to stimulate investment: disaggregating credit information at public information offices to facilitate the granting of loans to entrepreneurs of small and medium-sized enterprises (SMEs), as well as contract enforcement and resolving trade disputes. In other words, the business climate in Niger has improved since 2019. However, there are still institutional constraints related to security issues, given the country's fragile situation, impacted as it is by conflicts and insufficient access to infrastructure, such as education, health, water, electricity or Internet.



Since the start of the 2010s, Niger's government has been committed to a development approach aimed at improving its business climate and stimulating domestic and foreign investment. Thus, to improve the country's performance, an institutional mechanism for improving and monitoring the business climate was created in 2014. This mechanism, which was placed under the Ministry of Trade and Private Sector Promotion, was ultimately attached to the Office of the Prime Minister in 2018 to give it a higher profile. To this end, Niger has carried out reforms in the areas of contract enforcement, insolvency resolution and credit granting in particular. With regard to contract enforcement, the advent of the Commercial Court of Niamey now makes it possible to accelerate the handing down of legal decisions. For its part, the establishment of the Centre de Mediation et d'Arbitrage de Niamey (Niamey Centre for Mediation and Arbitration) facilitates the process of settling trade disputes, in addition to improving the functioning of credit information offices to facilitate the granting of loans to entrepreneurs. A procedure for the refund of VAT credit has also been established to facilitate procedures after the submission of tax returns.

With regard to business start-ups, it is important to note that the initial minimum capital requirement of FCFA 100,000 has been eliminated. All procedures and formalities relating to the registration of articles of association have been reduced to a one-stop shop at the Centre de Formalités des Entreprises (Business Formalities Centre, CFE). The waiting time for obtaining a building permit has also been reduced from 30 days to 8 days. These reforms have improved the business climate in Niger since 2019.

However, as in the rest of the world, measures to prevent and mitigate the COVID-19 pandemic have had a negative impact on Niger's economy, bringing to an abrupt end three years of sustained growth efforts despite the security challenges of recent years. The World Bank's 2020 report on the economic situation in Niger points out that the country has not been spared from the COVID-19 pandemic and is expected to see economic growth fall in 2020. Indeed, according to the report, the pandemic will have a further negative impact on the poverty rate by 2022 if the country fails to mitigate the effects of COVID-19 on the private sector and revive the entire economy. It is estimated that nearly one million more Nigeriens will be living below the poverty line by 2022.

The decline in business turnover is mainly due to the downturn in production in 2020 as a result of the global recession. In addition, according to the Chamber of Commerce, lockdown measures combined with the closure of shops and some businesses have led to job losses and a drop in consumption. All of this has further deteriorated the economic situation and living conditions of informal sector workers, for whom there are no measures to protect them and secure their activities in order to mitigate their loss of income. This phenomenon is made all the more significant by the fact that 91.9 per cent of Nigerien workers are employed in the informal sector. In addition, the poor economic situation in China and the European Union (EU), the main providers of foreign direct investment (FDI), has delayed the completion of important projects, such as the construction of the oil export pipeline. However, for the first time in years, the world oil price was expected to rise 4.5 per cent in 2020, exceeding the 3 per cent threshold set by the WAEMU, and allowing oil-exporting countries in the region to reap the economic benefits in order to accelerate economic growth.

Challenges faced by the private sector

According to the Integrated Regional Survey on Employment and the Informal Sector (ERI-ESI) carried out in 2017, there are 1,066,683 informal production units (IPUs) in Niger. However, there are still challenges to address in terms of improving the business climate in Niger. These include:

- **Ongoing insecurity that threatens efforts to improve the business climate -** Niger is classified as a fragile and conflict-affected country. This situation constitutes a hazard for national and private investment.

- **Informality -** 91.9 per cent of workers were active in the informal economy compared to 8.1 per cent in formal employment in 2017 in Niger.

- **Informality affects key sectors of the economy -** The three main non-agricultural sectors that attract the largest number of workers in the informal economy are: industry (40.5 per cent), trade (33.6 per cent), and services and tourism (25.9 per cent).

- **Low level of human-capital education/ training -** Niger is a low-HDI country (0.394), ranked 189th out of 189 countries. While there is a strong correlation between the level of education and the quality of integration into the workforce, at the national level the average number of years of education successfully completed is 2.58. The number of years of successful study varies from 0.76 to 16.09, in the informal and formal sectors respectively. Accordingly, the low level of human-capital education/training is a drag on the development of the economy in general and the private sector in particular.

Moreover, when we consider the variation in the level of education with the salary received, it becomes clear that the level of education significantly influences the average monthly income depending on the sector (formal and informal). Indeed, in Niger, the average monthly income is FCFA 56,169 for an average level of education of 2.58 years in the formal economy. However, the average monthly income varies from FCFA 18,103.33 for workers in the informal sector with 0.76 years of education to FCFA 305,479.53 for workers in the formal sector with 16.09 years of education.

- **Social inequality linked to an inefficient education and employment system -** The rate of precarious employment is higher among workers with a primary education (36.33 per cent) than among workers with no education (25.33 per cent); it is rather low among workers with a higher education (8.59 per cent). On the other hand, the rate of precarious employment is also higher among young people, particularly in the 15-24 and 25-34 age groups, at 48.13 per cent and 26.01 per cent respectively. This exposes the country to high risks of social tensions, thus classifying Niger as a fragile country.

- **The gender dimension of informality -** Women account for 39.1 per cent of the total workforce in the informal economy, followed by young people under 25 (29.4 per cent).

- **An inefficient employment system with gender disparities -** Overall, only 12.1 per cent of individuals (men and women) are in formal non-agricultural jobs. Only 4.4 per cent of women are in formal non-agricultural employment compared to 21.7 per cent of men.

- **A weak labour market regulation system -** Overall, more than 25 per cent of people (men and women) work more than 48 hours per week, exceeding the 35 hours recommended by the ILO.

- **Extreme poverty is more prevalent among self-employed women -** 63.5 per cent of self-employed men and women earn less than the minimum wage, 77.5 per cent of women and 57.4 per cent of men. Furthermore, the tourism sector employs only 19 per cent of workers in Niger. Meanwhile, 82.1 per cent of individuals (men and women combined) are unemployed, as defined by the International Labour Office. This represents a shortfall for the development of the private sector in Niger. Potentially, these 82.1 per cent of individuals also represent a labour force willing to work even as self-employed, but due to the extreme poverty affecting more women and young people, they do not have access to financing to create their income-generating activities. Only 7.4 per cent of informal production units pay taxes. Only 12.7 per cent of IPU heads say they are willing to pay taxes and formalise their activities.

- **Low effectiveness of the rule of law, exacerbating child labour -** 11.2 per cent of young people under 15 are in the informal economy.

- **Lack of infrastructure to absorb out-of-school youth into vocational training -** This represents a significant shortfall when over 69 per cent of those aged 15-24 are neither in school nor in work. This can further exacerbate the country's state of fragility and violence.

- **Lack of access to finance -** The two main sources of capital for starting a business or activity are own savings from tontines (67.2 per cent) and informal loans from friends or family (12 per cent).

- **High level of corruption -** 67.6 per cent of 18-year-olds believe that corruption is high in the country and thus taints the entire economy. This justifies Niger's ranking of 123rd out of 180 countries in the 2020 Corruption Perceptions Index.

In conclusion, Niger's increased problems related to the country's extreme poverty, fragility, weak rule of law and human underdevelopment are significant obstacles to private sector development. Most of the indicators for measuring progress in improving the business climate remain subpar. The only improvement is in obtaining credit, enforcing contracts and resolving insolvency. Much remains to be done to make life easier for entrepreneurs in Niger and to stimulate the development of a competitive and sustainable private sector in terms of paying taxes, obtaining building permits, connecting to utilities (electricity in particular) and trading across borders.

Private sector policy recommendations

The recommendations apply to the following areas:

1. Supporting and strengthening public-private dialogue

Specific objectives include:

- Including public-private dialogue in sectoral development plans and strategies;

- Establishing and maintaining a genuine public-private partnership;

- Developing a roadmap and agenda for public-private dialogue at national level;

- Actually considering the needs of private sector partners in sectoral development strategies;
- Strengthening state institutions, including assessing the legal and regulatory framework for creating and formalising businesses in the formal sector;
- Constantly coming up with reforms to improve the business climate;
- Complying with agreements;
- Bolstering the role of the state as a guarantor of peace, security and good governance;
- Ensuring independent and accountable social partners;
- Capacity building for social partners;
- Establishing a communication plan to reduce communication gaps between the private and public sectors;
- Establishing a unit or commission to work on promoting and popularising the incentives to be given to the private sector in the short, medium and long term.

2. Supporting young investors and women, developing entrepreneurship and fighting against informality

Specific objectives include:

- Promoting an entrepreneurial culture in society as a whole, particularly in technical and vocational training institutions, on audiovisual platforms (TV and radio) and national online social networks, in adult education centres and in universities;
- Creating training and apprenticeship centres for self-employment for out-of-school youth;
- Creating a favourable climate for investment by providing incentives, e.g. access to credit at subsidised interest rates and on flexible repayment terms;
- Establishing a genuine partnership between the state and the banking sector to encourage domestic financing and investment, including the promotion of self-employment among youth and women;
- Focusing policy on formal job creation;
- Establishing a genuine institutional partnership between the state, the private sector and representatives of local authorities to support and promote the creation of income-generating jobs in rural areas and encourage the development of agri-food cooperatives;
- Promoting the decentralisation and efficiency of local government bodies to facilitate municipal authority access to national and regional financial flows to support entrepreneurship among women and young people in rural areas and to better channel the needs of women and young people for the development of their commercial, agro-pastoral and craft activities in rural areas in particular;
- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;
- Considering the needs of informal sector operators in strategies for combating informality by the central government in order to better encourage their transition from the informal to the formal sector;
- Organising ongoing training and education sessions on creating and formalising businesses in rural and urban areas;
- Promoting access to digital technology for young people and women in rural areas by creating free digital training centres within local authorities;
- Promoting women's access to land in particular and favouring a reorganisation of the land register;
- Eliminating minimum fees for business

start-ups and shortening the waiting period for registering and authenticating documents;

- Creating national savings in the various countries to finance income and employment-generating projects, especially for young people and women.

3. Cross-border trade

Specific objectives include:

- Promoting the development of intra-African trade by removing customs barriers;
- Improving national and regional infrastructure, such as developing roads, pedestrian walkways, lighting and utility poles, access to the digital network, and building structures to house markets at borders;
- Modernising and deploying one-stop shops;
- Guaranteeing a secure and stable climate at national level, particularly in terms of customs services to facilitate the free movement of people and goods (rule of law); this would also improve entrepreneurship by women, particularly the creation of income-generating activities (trade) carried out most often by small traders (women) at the borders;
- Guaranteeing follow-up for the supply and distribution of petroleum products;
- Deploying national, regional and international sectoral strategies to ensure exchange rate predictability;
- Implementing sectoral strategies to develop the resilience of the economy, particularly of businesses, to cope with various shocks;
- Reducing export and import delays;
- Setting up and modernising an electronic payment system for port fees at national level;
- Going paperless in customs formalities and extending the opening hours of ports;
- Increasing the size of inter-African markets and diversifying production in order to expand markets and improve the competitiveness of the formal private sector globally;
- Promoting good governance and responsible business conduct and fair competition in markets in order to improve the global competitiveness of the formal private sector;
- Establishing simplified trade arrangements (exemption from customs duties) and simplifying customs clearance formalities for small-scale transactions, usually carried out by small traders, especially women;
- Enhancing regional integration, in particular economic cooperation between the different regional economic communities to remove persistent barriers to intra-regional trade;
- Strengthening the fight against smuggling at borders and ports;
- Establishing and developing regional power pools to reduce electricity connection costs and link markets to resources;
- Establishing mutually beneficial trade agreements to attract more investors; boosting intra-regional trade through digital technology;
- Diversifying the energy market with a focus on promoting solar panels to improve the competitiveness and productivity of businesses and also to reduce the costs of connecting to the power grid;
- Expanding the telecommunications market, especially the digital market, to improve access to the electronic network for businesses and enable them to increase their competitiveness in the global market;
- Establishing effective cyber security and cyber defence strategies at regional level;
- Strengthening the African Continental Free Trade Area (AfCFTA).

4. Fighting informality

Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;
- Establishing incentives and deterrents;
- Sharing and exchanging regional experiences;
- Developing a strong and effective institutional legislative framework;
- Annually implementing structural reforms and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;
- Developing guarantee instruments to promote access to credit for young people and women, especially those with economically viable income- and employment-generating projects;
- Reducing costs and delays in obtaining building permits;
- Reducing electricity connection fees;
- Eliminating mandatory minimum fees for business start-ups;
- Eliminating mandatory fees for authenticating documents and shortening the registration period for business start-ups;
- Improving access to credit information, e.g. by extending the coverage of public credit services and by starting to report data from public utilities;
- Developing a national directory of formal sector companies;
- Annually assessing the registration rate of new companies and considering the needs of unregistered companies in order to better channel and adapt sectoral strategies to facilitate their transition to the formal sector;
- Establishing and modernising an electronic system for creating and registering businesses at national level;
- Creating a level playing field for businesses to facilitate their formalisation.

5. Developing human capital

Specific objectives include:

- Improving the supply of public services (education, health and social protection);
- Ensuring a match between training/education received and the needs of the labour market in technical and vocational education, general secondary education and universities;
- Promoting development-oriented research in technical and vocational schools, general secondary schools and universities in order to unleash the innovation potential of young people and improve the competitiveness of the private sector globally;
- Priority training for public sector managers;
- Mandatory internships for students to immerse them in the world of business.

6. Improving the labour market

Specific objectives include:

- Increasing the number of jobs through access to new investments at national level;
- Promoting the application, via the Ministry of Social Affairs and Labour, of a legal framework for workers/employees on working conditions and a minimum wage;
- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal

businesses to formalise;

- Promoting flexible working hours for workers;

- Improving employment frameworks, policies and conditions;

- Improving wages and paying compensation for work stoppages due to the occurrence of happy occasions (e.g. births) and unhappy events (illnesses, accidents, etc.) in workers' lives.

Senegal

Region
West Africa - West African Economic and Monetary Union (WAEMU)

Population
15,854,360

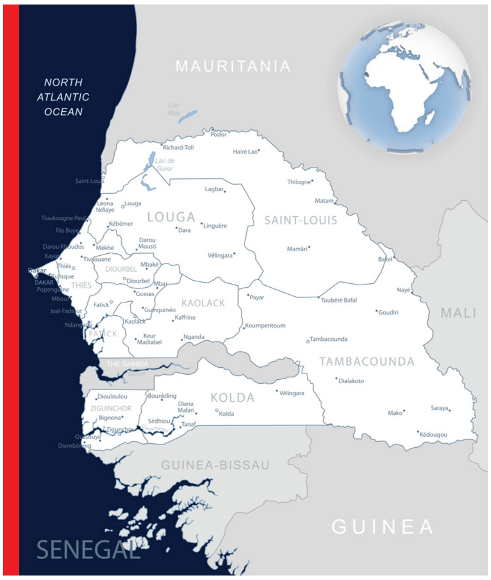
Demographic growth
3.06%

GDP per capita (2020)
1,487.8 USD

Human Development Index:
0.512 (168/189)

Economic overview

A relatively politically stable country, Senegal's government has embarked on infrastructure development in many areas, specifically in the digitalisation of the economy with the development of start-ups in the private sector and the production of solar energy throughout the country, mainly in the Thies region, whose consumption is primarily destined for the capital, Dakar.



However, the low level of human-capital education/training is still an obstacle to innovation, particularly to the development of a sustainable and competitive private sector in Senegal. Senegal is classified as a country with low human development. Despite the political will of the country's leaders, much remains to be done to develop a sustainable, dynamic and competitive private sector in Senegal. Challenges related to debt collection, taxation, difficult access to land and building permits, cross-border trade and contract enforcement are the most cited constraints[1] to improving the business climate in Senegal.

The findings of an International Labour Office study in Senegal in the context of the COVID-19 health crisis show a 16 per cent drop in exports and an 18 per cent drop in imports, which has impacted on economic growth. The most affected sectors are services, particularly accommodation and catering, with a loss of 96 billion in turnover, trade, with a loss of 50 billion, and transport, with losses of 34.3 billion for air transport and 24.3 billion for land transport. The study highlights that the adverse effects of COVID-19 are more virulent among workers and businesses in the informal sector due to the lack of social protection.

In response to this COVID-19 pandemic, and in order to save as many jobs as possible and revitalise the Senegalese labour market, the government, via the 'Macroeconomic and financial stability to support the private sector and maintain jobs' component of its Resilience Plan, has adopted a number of measures, namely (i) partial remission of tax debt; (ii) suspension of VAT collection deadlines, remission/suspension of tax, for businesses that agree to maintain employment or pay at least 70 per cent of salaries; (iii) clearance of domestic debt; (iv) deferral of tax payments.

Challenges faced by the private sector

According to the Integrated Regional Survey on Employment and the Informal Sector (ERI-ESI) carried out in 2018, there are 1,689,613 informal

[1] Survey of business leaders on the economic situation, carried out by the Department of Forecasting and Economic Studies (DPEE), based in Dakar

production units (IPUs) in Senegal. In addition to the issues mentioned above, the main challenges to improving the business climate in Senegal include:

- **Low level of human-capital education/training -** Senegal ranks 168th out of 189 countries on the Human Development Index. In addition, the proportion of primary school age children not in the education system is high (45.4 per cent) in Senegal compared to the WAEMU regional average (38.9 per cent). The adjusted net enrolment rate at primary level is 54.5 per cent. This rate is even lower at secondary level (26.8 per cent).

- **Widespread informality -** Here, as in the majority of West African countries, the informal economy is widespread and estimated at 96.4 per cent of total employment, compared to only 3.6 per cent in the formal sector. This indicates that, despite the increase in growth since the 2000s, which has led to an improvement in household living standards, there are still social inequalities fuelling the continuation of the informal economy.

- **A still weak manufacturing sector -** The manufacturing sector employs only 11.9 per cent of the workforce in Senegal, despite the fact that the country is heavily dependent on exports.

- **Informality is more prevalent in key sectors of the economy -** The three main non-agricultural sectors with a high concentration of IPUs are trade (56.1 per cent), industry (26.4 per cent), and services (17.5 per cent). However, the average number of years of education completed by the IPU workforce is estimated at 2.7 years. This is low, as in the majority of countries in the WAEMU region.

- **A low level of absorption of out-of-school youth in technical and vocational training -** Indeed, 40.6 per cent of young people aged 15-24 are neither in the education system nor in employment.

- **A private sector that still falls short of expectations in achieving full employment -** The average duration of unemployment is estimated at 5.5 years. It remains higher for first-time jobseekers (6.5 years) than for older workers (3.6 years). However, there is a good wage policy in Senegal despite the presence of wage inequalities between men and women. At the national level, the rate of wages below the minimum wage is estimated at 3.8 per cent, compared to the average for the WAEMU region of 31.2 per cent. The rate of wages below the minimum wage is 0.4 per cent for men but 8 per cent for women.

- **A weak private sector due to insufficient awareness among IPU heads of the importance of transitioning their businesses from informal to formal status -** 47.8 per cent of IPU heads are not aware of the benefits of formalising their businesses, compared to 31.7 per cent who are reluctant to formalise. As a result, only 13.9 per cent of IPUs pay taxes on their activities. On the other hand, 20.9 per cent of IPUs say they are ready to pay taxes on their activities if the business climate improves, particularly in terms of barriers related to taxation and corruption.

- **Corruption is nevertheless high despite the government's efforts -** According to Transparency International's 2020 report, Senegal ranks 67th out of 180 countries. This is evidence of the government's political will to improve the business climate, in particular to develop the private sector and attract more national and international investment.

Private sector policy recommendations

The recommendations apply to the following areas:

1. Developing human capital

Specific objectives include:

- Improving the supply of public services (education, health and social protection);

- Ensuring a match between training/education received and the needs of the labour market in technical and vocational education, general secondary education and universities;

- Promoting development-oriented research in technical and vocational schools, general secondary schools and universities in order to unleash the innovation potential of young people and improve the competitiveness of the private sector globally;

- Priority training for public sector managers;

- Mandatory internships for students to immerse them in the world of business.

2. Improving the labour market

Specific objectives include:

- Increasing the number of jobs through access to new investments at national level;

- Promoting the application, via the Ministry of Social Affairs and Labour, of a legal framework for workers/employees on working conditions and a minimum wage;

- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal businesses to formalise;

- Promoting flexible working hours for workers;

- Improving employment frameworks, policies and conditions;

- Improving wages and paying compensation for work stoppages due to the occurrence of happy occasions (e.g. births) and unhappy events (illnesses, accidents, etc.) in workers' lives.

3. Fighting informality

Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;

- Establishing incentives and deterrents;

- Sharing and exchanging regional experiences;

- Developing a strong and effective institutional legislative framework;

- Annually implementing structural reforms and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;

- Developing guarantee instruments to promote access to credit for young people and women, especially those with economically viable income- and employment-generating projects;

- Reducing costs and delays in obtaining building permits;

- Reducing electricity connection fees;

- Eliminating mandatory minimum fees for business start-ups;

- Eliminating mandatory fees for authenticating documents and shortening the registration period for business start-ups;

- Improving access to credit information, e.g. by extending the coverage of public credit services and by starting to report data from public utilities;

- Developing a national directory of formal sector companies;

- Annually assessing the registration rate of new companies and considering the needs of unregistered companies in order to better channel and adapt sectoral strategies to facilitate their transition to the formal sector;

- Establishing and modernising an electronic system for creating and registering businesses at national level;

- Creating a level playing field for businesses to facilitate their formalisation.

4. Supporting and strengthening public-private dialogue

Specific objectives include:

- Including public-private dialogue in sectoral development plans and strategies;
- Promoting forums for dialogue between the key actors of the economy (companies, investors and public authorities;
- Revitalising the Presidential Investment Council by holding an annual session at least once every two years;
- Actually considering the needs of private sector partners in sectoral development strategies;
- Strengthening state support for business governance in terms of technical and financial support to enable them to move from the informal to the formal sector or to move towards other markets;
- Constantly coming up with reforms to improve the business climate;
- Ensuring independent and accountable social partners;
- Capacity building for social partners;
- Establishing a communication plan to reduce communication gaps between the private and public sectors.

5. Supporting young investors and women, developing entrepreneurship and fighting against informality

Specific objectives include:

- Promoting an entrepreneurial culture in society as a whole, particularly in technical and vocational training institutions, on audiovisual platforms (TV and radio) and national online social networks, in adult education centres and in universities;
- Creating training and apprenticeship centres for self-employment for out-of-school youth;
- Initiating a state-level dialogue with banking institutions to improve the possibilities of improving/strengthening access to credit or investment for young/new entrepreneurs (project sponsors) ;
- Focusing policy on formal job creation;
- Establishing a genuine institutional partnership between the state, the private sector and representatives of local authorities to support and promote the creation of income-generating jobs in rural areas and encourage the development of agri-food cooperatives;
- Promoting the decentralisation and efficiency of local government bodies to facilitate municipal authority access to national and regional financial flows to support entrepreneurship among women and young people in rural areas and to better channel the needs of women and young people for the development of their commercial, agro-pastoral and craft activities in rural areas in particular;
- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;
- Considering the needs of informal sector operators in strategies for combating informality by the central government in order to better encourage their transition from the informal to the formal sector;
- Organising ongoing training and education sessions on creating and formalising businesses in rural and urban areas;
- Promoting access to digital technology for young people and women in rural areas by creating free digital training centres within local authorities;
- Promoting women's access to land in particular and favouring a reorganisation of the land register;

- Promoting the establishment of national savings in the various countries to finance income- and employment-generating projects, especially for young people and women.

6. Cross-border trade

Specific objectives include:

- Promoting the development of intra-African trade by removing customs barriers;
- Improving national and regional infrastructure, such as developing roads, pedestrian walkways, lighting and utility poles, access to the digital network, and building structures to house markets at borders;
- Modernising and deploying one-stop shops;
- Guaranteeing a secure and stable climate at national level, particularly in terms of customs services to facilitate the free movement of people and goods (rule of law); this would also improve entrepreneurship by women, particularly the creation of income-generating activities (trade) carried out most often by small traders (women) at the borders;
- Guaranteeing follow-up for the supply and distribution of petroleum products;
- Deploying national, regional and international sectoral strategies to ensure exchange rate predictability;
- Implementing sectoral strategies to develop the resilience of the economy, particularly of businesses, to cope with various shocks;
- Reducing export and import delays;
- Setting up and modernising an electronic payment system for port fees at national level;
- Going paperless in customs formalities and extending the opening hours of ports;
- Increasing the size of inter-African markets and diversifying production in order to expand markets and improve the competitiveness of the formal private sector globally;
- Promoting good governance and responsible business conduct and fair competition in markets in order to improve the global competitiveness of the formal private sector;
- Establishing simplified trade arrangements (exemption from customs duties) and simplifying customs clearance formalities for small-scale transactions, usually carried out by small traders, especially women;
- Enhancing regional integration, in particular economic cooperation between the different regional economic communities to remove persistent barriers to intra-regional trade;
- Strengthening the fight against smuggling at borders and ports;
- Establishing and developing regional power pools to reduce electricity connection costs and link markets to resources;
- Establishing mutually beneficial trade agreements to attract more investors; boosting intra-regional trade through digital technology;
- Diversifying the energy market with a focus on promoting solar panels to improve the competitiveness and productivity of businesses and also to reduce the costs of connecting to the power grid;
- Expanding the telecommunications market, especially the digital market, to improve access to the electronic network for businesses and enable them to increase their competitiveness in the global market;
- Establishing effective cyber security and cyber defence strategies at regional level;
- Strengthening the African Continental Free Trade Area (AfCFTA).

Sudan

Region
North-eastern Africa

Population(2022)
46 874 204

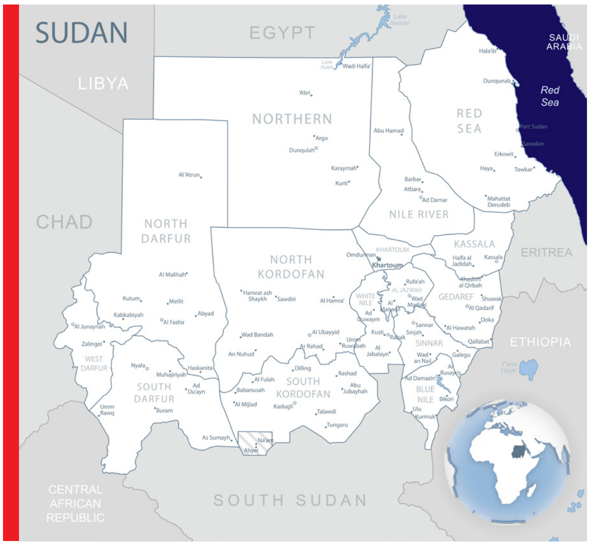
Demographic growth
2.67%

Average income (2021)
758 USD

Human Development Index:
172 out of 191 countries: Human Development Index (HDI) of Sudan increased from 0.42 index in 2002 to 0.51 index in 2021, growing at an average annual rate of 1.08 per cent.

Economic overview

In 2020, the share of agriculture in Sudan's Gross Domestic Product (GDP) was 20.92 percent, industry contributed approximately 22.88 percent, and the service sector contributed about 36.09 percent. Agriculture remains the mainstay of a large majority of employed Sudanese, particularly among women, the poor and rural areas. It constituted about 80 per cent of the country's non-oil exports[1]. According to the HDI, an estimated 47 per cent of Sudan's population live below the national poverty line.



About 20 million hectares are cultivated in Sudan; however, 84 million are suitable for agriculture. Rain-fed traditional farming practices continue to dominate, but large-scale mechanised farming is growing, especially along the Nile River and its tributaries. Approximately 93 per cent of the irrigated land is in government projects; the remaining seven per cent belongs to private owners. The traditional rain-fed farming sector includes nomadic, transhumant (moving with animals and growing short-maturity subsistence crops), and sedentary farming systems that also have a significant number of livestock (cattle, sheep, goats, and camels). The UN Food and Agriculture Organization estimates animal resources were around 166 million heads in 2019 and contributed some 45 per cent to the total GDP of the agriculture sector.

Sudan's manufacturing sector remains relatively small; manufacturing and mining combined contribute less than one-third of the GDP and employ only a small percentage of the country's labour force. In 2019, according to World Bank data, manufacturing was responsible for 11.75 per cent of Sudan's GDP. The processing of food and beverage products dominates the country's industrial base. Sugar refining is a major activity, as are the production of vegetable oil and soap, cotton ginning, and cotton textiles. Other industries include oil refining and the production of shoes, chemical fertilisers, and cement. Many factories, however, operate at a mere fraction of their capacity.

Sudan's energy grid is ageing, with power generation and distribution sectors requiring significant upgrades and expansion. The government seeks to improve immediate power generation capabilities while upgrading existing plants and building new capacity. The government is also seeking to expand electrical services to rural sections of the country, where the population depends on biofuels and waste as its primary energy sources. The centralised planning legacy of Sudan's previous government has left the central government as the primary customer

[1] Abubaker Haroun and Mohamed Adam, 'The Future Perspectives Of Agricultural Graduates And Sustainable Agriculture In Sudan' (2019) 1 Journal of Agronomy Research.

for large power generation and distribution projects. A 2019 Sudan Electrical Holding Company (SEHC) report established Sudan's annual consumption at 3.4 gigawatts (GW) hours. SEHC is anticipating an eight per cent yearly growth in electrical demand.

The tourism sector in Sudan makes up a small portion of the country's economy, with only 2.4 per cent of the total GDP[2]. The tourism sector in the country has been affected by war and conflicts making the area unsafe for visitors. Sudan's main tourist attractions are wildlife, archaeology, scenic mountainous region, and rich cultural heritage.

Sudan's government continues to signal its determination to adopt market-based economic reforms, dismantle various government-controlled monopolies, curb popular fuel and food subsidies, and curtail the influence of powerful trading combines. These structural changes to Sudan's economy could cause popular unrest but should facilitate the emergence of a more open economy.

Challenges faced by the private sector

- Agricultural productivity is low and variable because of unpredictable climate conditions, degraded soils, low and poor technologies, lack of knowledge, and ongoing armed conflict impairing farming in some areas[2]. **The country's skills base remains too limited to sustain agriculture-based economic innovation and transformation strategies unless additional capacities are injected.**

- **Low and poor access to electricity:** Frequent blackouts often last all day, affecting productivity and the cost of doing business. The country imports power from neighbouring Ethiopia with an electricity access rate of 32 per cent.

- The Industry Act 2021 has certification requirements only attainable to medium-to-large industries, which makes it conducive to a business environment that caters for larger industries at the expense of smaller ones. This has substantial implications considering that micro, small and medium-sized enterprises (MSMEs) represent up to 98 per cent of employment[3].

- **The sizeable informal sector:** 65 per cent of prime-age workers (those aged between 25 and 54 years old) are engaged in the informal sector, according to the International Organization of Labour. **The lack of a suitable conducive environment to facilitate micro and small enterprises is a major factor propelling the expansion of a large informal sector in Sudan.**

> The country's skills base remains too limited to sustain agriculture-based economic innovation and transformation strategies unless additional capacities are injected.

- **Education levels are substantially lower in rural areas than in urban areas and lower for women than for men.** Education level by gender and location show heterogeneity across gender and location. People living in rural areas are less educated than the urban population, and education levels are lower for women than men.

- **Low literacy rate - A large portion of the country's existing workforce lacks basic reading and writing skills.** The average literacy rate is only 24 per cent; in urban areas, it is about 52 per cent. Over 37 per cent of Sudan's adult population has never attended a formal school, 41 per cent have at most primary school education, 15 per cent have at most secondary school education, and only seven per cent have some post-secondary education. With current low enrolment rates for children of school age, the problem of illiteracy will likely continue for an extended period. Currently, the literacy rate for 15–24-year-old people is only 35 per cent in rural areas and 65 per cent in urban areas. The implication is that businesses have very limited

[2] C. Michael Hall, 'Constructing Sustainable Tourism Development: The 2030 Agenda And The Managerial Ecology Of Sustainable Tourism' (2019) 27 Journal of Sustainable Tourism.
[3] Pei Sun Loh and others, 'Impact Of Climate Change On Vegetation Cover At South Port Sudan Area' (2020) 8 Climate.
[4] ILO. Project "SUDAN: Support to the development of a National Employment Framework" A Roadmap Toward A National Employment Policy For Sudan. 2014

access to an educated and skilled workforce.

- Large infrastructure deficit is a significant obstacle to business growth in Sudan as it limits opportunities, creates inconveniences, and sustains high costs for basic services. Years of conflict have wiped out much of the country's infrastructure. The government has one of Africa's most selectively developed and underdeveloped infrastructures. Infrastructure in Sudan largely subsists around Khartoum, the country's main hub, which acts as a direct connection between five major areas—Port Sudan, Egypt and North Africa, the Eritrean border, Kordofan and Ethiopia. The rest of Sudan consists of disjointed highways, five international airports severely limited in their operational capacity due to financial constraints, and a power infrastructure focusing primarily on major urban areas.

A sizable share of the country lacks good roads. There are a few well-developed internal corridors, while rural connectivity is almost non-existent. Road density is exceedingly low, and traffic along most roads is sparse. Poor-quality roads drastically undermine the efficiency of transport services. Further, the large volumes of unpaved roads make movement impossible during the rainy season. The government has expressed interest in rebuilding the main highway between Khartoum and Port Sudan and the southern Khartoum-Kosti roadway.

- The low rate of female participation in the labour force is partly explained by legal obstacles to women's economic activities in Sudan. There are significant legal obstacles to women's labour market opportunities in Sudan. Sudanese women often cannot work in the same way as men, work the same night hours, perform jobs deemed hazardous, arduous, or morally inappropriate, perform the same tasks, or work in the same industries, according to the World Bank.

- Freight logistics and high costs: These high costs stem from geography and a burdensome administrative process, multiple checkpoints, and transport infrastructure constraints. Inland transportation between Mombasa and Juba takes 17 days and costs $8,075 for importing and 14 days, and $4,000 for exporting. During the rainy season from April/May to October/November each year, many roads in South Sudan are impenetrable. Multimodal road-river transport is the only alternative for travel for half the year. The multimodal transport costs are typically lower than for road, but river transport adds about six days to the travel time.

> A large portion of the country's existing workforce lacks basic reading and writing skills.

- The closure of schools and other learning institutions during the Covid-19 lockdown has resulted in learning losses, which could affect human development outcomes in the long term. The limited digital infrastructure and lack of ubiquitous and easy access to technology hampered the possibilities of online learning during this period.

- The lack of a vibrant private sector is a key factor contributing to the scarcity of jobs in the Sudanese economy. Poor business conditions, such as lack of marketing services, access to credit, and significant constraints to trading across borders, are important challenges to private sector growth and investment.

- The existence of unclear land tenure and ownership policies, rules and practices is a critical challenge for the private sector, considering land's territorial and symbolic role in disputes among communities within South Sudan.

- Capital inflow to the economy is low due to the insecurity issues created by ongoing community conflicts. Armed conflicts in Sudan's westernmost region of Darfur have subsided, but many parts of the region remain precarious because of the proliferation of arms and banditry.

Private sector policy recommendations

- The government should strengthen its decentralisation policies by empowering local communities to foster dialogue around sensitive topics, including natural resource management and harmonising resources for nomads and farmers.

- The government should pursue policies that strengthen farmers' associations, reform land ownership policies and improve smallholders' access to finance.

- The government should provide agricultural extension services to the private sector to empower rural populations that rely entirely on crop farming and livestock rearing[5]. The initiative should involve educating farmers on the efficient use of technology in farming as well as improvement on animal husbandry to enhance optimal breeding.

- The Sudanese legal and institutional frameworks should be reformed to increase private participation to provide advanced ICT tools that will integrate the economy to a global scope[6].

- The government should engage the private sector in off-grid electricity generation through least-cost generation practices, effective electrification planning, and introduce off-peak and on-peak electricity pricing to make it affordable[7].

- The government needs to address the impact of climate change by adopting policies aimed at protecting the ecosystem, encouraging the production and use of clean energy sources, and promoting green energy. The private sector should be engaged to develop effective mechanisms for waste management and disposal, such as recycling or a circular economy[8].

- Dispute resolution in the country is the initial step towards tourism development. This can be achieved by employing additional mediation and security services from private organisations and holding constructive dialogue where the issues of each party are addressed[9].

- The government should focus on developing transport infrastructure to make tourist sites accessible and convenient. This will contribute immensely to employment in the host rural communities.

- The government should partner with the private sector to develop an employment roadmap toward a national employment policy. This will assist the government in giving substance to its commitment to promote full and quality-centred employment through an appropriate choice of economic, industrial and social policies, as well as the establishment of efficient institutions and the necessary legal framework to support it.

[5] Abubaker Haroun and Mohamed Adam, 'The Future Perspectives Of Agricultural Graduates And Sustainable Agriculture In Sudan' (2019) 1 Journal of Agronomy Research.
[6] Maha Bashri, 'Networked Movements And The Circle Of Trust: Civil Society Groups As Agents Of Change In Sudan' (2020) 24 Information, Communication & Society.
[7] Felix Makonye, 'The Grand Ethiopian Renaissance Dam (GERD) As A Solution For Sustainable Hydro-Electricity Generation: Tensions And Threats With Egypt And The Sudan' (2021) 8 Journal of African Foreign Affairs.
[8] Pei Sun Loh and others, 'Impact Of Climate Change On Vegetation Cover At South Port Sudan Area' (2020) 8 Climate.
[9] C. Michael Hall, 'Constructing Sustainable Tourism Development: The 2030 Agenda And The Managerial Ecology Of Sustainable Tourism' (2019) 27 Journal of Sustainable Tourism.

United Republic of Tanzania

Region
Eastern Africa

Population
64,110,286

Demographic growth
3%

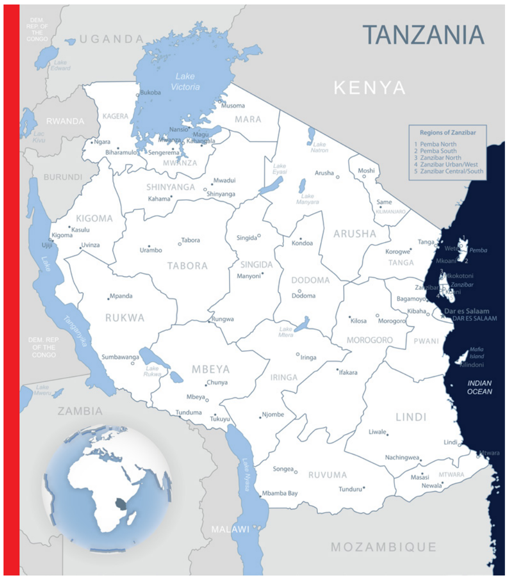
Average income (2020)
1,140 USD

Human Development Index:
160 out of 191 countries. The United Republic of Tanzania increased from 0.41 index in 2002 to 0.55 in 2021, growing at an average annual rate of 1.60%.

Economic membership
Southern African Development Community (SADC), East African Community (EAC)

Economic overview

The United Republic of Tanzania has been making strides to improve its business environment, especially since 2011. *The positive outcome of achieving the status of a lower middle-income economy in July 2020 shows that the country is on track to continue building a competitive and industrial economy for human development.*



The agriculture sector accounts for employment to more than 75 per cent of the population and contributes 29.1 per cent of the Gross Domestic Product (GDP). It is dominated by smallholder farmers dependent on rainfall for irrigation. Growth in the agricultural sector remains low, at around 4 per cent per year. Most crops grown are marketed in raw form, while value-addition to agricultural products is mainly on a small-scale secondary level. There is a significant out-migration of young people from low-productivity agriculture to urban informal service sectors, where productivity is just as low.

The government is taking measures to address these challenges by introducing subsidies to farmers and investors and removing unnecessary levies that have been seen to hamper the sector's growth. The government has also sought foreign financing for its flagship project Southern Agricultural Growth Corridor of Tanzania (SAGCOT), designed to develop that region's agricultural potential quickly. These wide-reaching efforts should see production levels of key crops return to growth in the coming years, helping boost value-added processing.

Tanzania is a globally recognised destination for nature-based tourism. The tourism sector contributed an estimated 17 per cent of GDP and directly employed over 850,000 workers, making it the country's second-largest component of GDP and third-largest source of employment. As the tourism value chain is linked to numerous other economic sectors, it plays an outsized role in growth, employment, and poverty reduction, particularly for women, who comprise 72 per cent of all workers in the tourism sector[1].

The manufacturing sector in Tanzania remains relatively small, with most activities concentrating on creating consumer products such as foods, beverages, tobacco, textiles, furniture, and wood-allied products. Food processing and textile

[3] World bank. Transforming Tourism: Toward a Sustainable, Resilient, and Inclusive Sector. Tanzania Economic Update. July 2021

are the leading manufacturing subsector. The manufacturing sector's contribution to the overall GDP has averaged 8 per cent over the last decade. However, activities within the sector have registered an annual growth of over 4 per cent. The sector is currently the third most important to the Tanzania economy, behind agriculture and tourism.

The mining industry has experienced high but greatly fluctuating growth rates in the last decade, with an annual average growth rate of 15 per cent per year. However, the growth departs from a low base, and the mining industry constitutes less than 5 per cent of Tanzania's GDP. The government expects the mining sector to grow to 10 per cent of the GDP by 2025. **The recent discoveries of very large offshore reserves of natural gas and, potentially, oil will make the extraction industry in Tanzania even more important.** The expected intensified extraction, export and domestic exploitation of Tanzania's natural resources hold great economic potential. It could contribute to solving the country's long-standing energy crisis and significantly boost domestic revenue.

The East African Community (EAC), comprising Kenya, Uganda, Rwanda, Burundi and Tanzania, is critical to achieving regional economic integration. The cooperation currently includes a customs union and a common market. The customs union, when finally implemented, will lead to common external tariffs and the free movement of goods within the region. The common market will entail the creation of a single regional market with free movement of labour and capital. Tanzania has also ratified the African Continental Free Trade Area (AfCFTA), which has excellent potential for increased continental trade with lower tariff barriers.

Challenges faced by the private sector

- **Inadequately skilled workforce:** 59 per cent of young workers (aged 15–29) are undereducated for their jobs. Tanzania's education and training systems suffer from inadequate equipment and resources that do not match modern industry technology and resistance to curricula reforms[2]. This compromises the quality of workforce skills, giving rise to skill shortages and constraining the operations and growth of formal sector firms. The secondary and vocational education systems are underfunded and ineffective as they remain largely disconnected from companies and unable to meet their needs[3]. Furthermore, few Tanzanian students received **vocational training**, with around 4 per cent of males and 2 per cent of females doing so[4]. Tanzania expects the highest growth of young people aged 18 to 23 between 2015 and 2035; this will undoubtedly strain government resources as they seek to expand educational opportunities.

- **Informal economy: 76 per cent of Tanzania's non-agricultural workforce is informally employed.** Individuals and businesses in the informal economy have more difficulty accessing capital, credit, technology, markets, and institutions. For workers, it can entail greater financial risk or fewer returns on their labour. It is connected to inferior working conditions, job insecurity, and lack of access to state benefits and social security. For governments, it translates to lower revenues, affecting their capacity to build institutions and deliver services to the public, placing the tax burden on businesses and workers in the formal economy.

- **Low access to credit, especially for micro, small and medium enterprises:** Longstanding structural issues in Tanzania's financial sector prevent proper intermediation. These issues include the high cost of financing, driven by high-interest rates on deposits, with some main banks reporting deposit rates as high as 12 per cent. The shallowness of Tanzania's financial sector leaves banks dependent on deposits for funding, which contributes to high lending rates. Elevated deposit rates contribute to the high cost of bank financing, which feeds into the lending

[2] Andreoni, Antonio. "Skilling Tanzania: improving financing, governance and outputs of the skills development sector." (2018).
[3] Tan, Hong, Sajitha Bashir, and Nobuyuki Tanaka. "Skill use, skill deficits, and firm performance in formal sector enterprises: evidence from the Tanzania enterprise skills survey, 2015." World Bank Policy Research Working Paper 7672 (2016).
[4] Danish Trade Union Development Agency, Labour Market Profile Tanzania & Zanzibar 2021/2022 https://www.ulandssekretariatet.dk/wp-content/uploads/2021/06/LMP-Tanzania-and-Zanzibar-2021-Final.pdf

terms and conditions extended to consumers and firms. The resulting feedback loop weakens the effectiveness of the monetary policy because when the central bank reduces official interest rates, banks do not equally decrease the rates charged to borrowers.

- **Private higher education institutions in Tanzania are constrained by unnecessary legal and administrative hurdles,** including existing controls on the number of students enrolled at each private university and the type of programs they are allowed to offer. They were operating below capacity, partly because of regulatory restrictions and partly because of a lack of financial resources among prospective students. They could potentially double their student intake in many programmes if they were allowed to do so without lowering the quality standards defined by TCU[5].

- **Unpredictable changes in regulatory and fiscal regimes directly constrain and introduce uncertainty into firms' operations** and, as such, loom large in rankings of major business environment constraints. There is a lack of a conducive legal framework for new policies as sometimes technical, and implementation requirements have been given no due consideration. Regulators do not adopt a standard process in enforcing regulations to enable consistency, and businesses experience significant variations in timelines and formats in the execution of compliance orders. Tanzania's tourism sector has also long suffered from mutual distrust between the government and private firms, citing government inefficiencies and misunderstanding of the way the sector functions.

- **Electricity supply:** unreliable power grid and electricity supply negatively affect the activities of businesses. In 2020, 78.4 per cent of the total population had access to the grid electricity, while the number of households connected was 37.7 per cent. So far, 73.2 per cent of urban and 24.5 per cent of rural areas are electrified. The energy supply is insufficient to meet the growing demand of businesses at a rate of 10 per cent-15 per cent annually[6]. The government's Five-Year National Development Plan 2021/22 – 2025/26 will include the development of three hydroelectric power plants, namely, Julius Nyerere (2,115 MW), Ruhudji (358 MW), Rumakali (222 MW).

- **Underdeveloped infrastructure:** The absence of effective transport solutions, including rail systems and road networks, is a major constraint to the private sector growth. Tanzania also has put infrastructure as its top agenda. Since 2015, the country has embarked on ambitious projects such as the Nyerere Hydro Power Plant, the construction of a Standard Gauge Railway (SGR) system and improvements of roads & airport systems. In the tourism sector, due to the government ceasing investment in tourism infrastructure, new investments inevitably have clustered around the old ones, where the necessary infrastructure was already in place, including Arusha, Moshi, Dar es Salaam, and gradually Zanzibar. This has limited the expansion and exploitation of other tourist opportunities.

- **Lack of regulatory framework for e-commerce:** A significant challenge is that e-commerce is poorly developed due to inadequate legal frameworks to support e-businesses and prevent cybercrimes. Consequently, e-transactions are reluctantly supported by financial institutions, which limits businesses' expansion ability to expand and hinders growth and employment due to the possibility of market expansion. However, a few e-commerce developers in the country are engaged in payment gateway and digital marketing solutions.

- **Tanzania's industrial sector** faces several challenges, such as using outdated technologies, poor maintenance of existing industries, environmental hazards, and production of uncertified goods. However, Tanzania's 2025

[5] Worldbank. The Potential of Private Higher Education in Tanzania. 2021
[6] ITA. "Tanzania - Telecommunications". International Trade Administration. Accessed Nov. 2021, https://www.trade.gov/country-commercial-guides/tanzania-telecommunications.

vision predicts that at least 40 per cent of the country's GDP will come from the manufacturing sector by 2025[7].

- **Agricultural sector stakeholders** face considerable challenges in modernising the industry to increase yields, exports, and value-added processing. Slowing export revenues; land acquisition hurdles; and smallholder farmers struggling to access economically viable technology, adequate storage facilities, markets and credit have affected the sector.

Private sector policy recommendations

Policymakers are urged to consider designing and implementing more effective measures to enhance the private sector's participation in economic growth and development.

1. **Private sector collaboration with the government is needed to develop a national human capital development framework that is focused on identifying and moving the Tanzanian labour force from unproductive (subsistence and non-mechanised farming) to** low-output informal employment) to productive sectors.

   - There should be a focus on information and communications technology (ICT) and other job-rich non-agricultural sectors.

   - Small business owners should be offered training programmes to accelerate skills acquisition by combining financing, formalisation, and training programmes for entrepreneurs. This quickens the process of formalising the economy.

   - Include ICT and computer education, including software development, web development and computer programming, as part of the school curriculum and government Technical and Vocational Education and Training (TVET) programmes.

   - Companies with organisational capabilities should be directly involved in skill development through industrial placements, dual apprenticeships, and internships, with firms incentivised with rebate or grant models.

   - Private education providers should be incentivised with targeted funds and partnerships involving levy rebates to restructure the education curriculum and training portfolio in TVET.

2. **Support a job intensive, private-sector-led Covid19 recovery by:**

   - Evaluating and strengthening existing private-sector support programmes, such as the expedited arrears-clearance and VAT-refund efforts and targeted soft loans.

   - Enhancing the quality, frequency, and scope of the public-private dialogue.

   - Addressing administrative inefficiencies in private-sector regulation and streamlining licensing processes.

   - Simplifying the process for acquiring work and residence permits.

   - Prioritising public investment in ready-to-invest infrastructure for the manufacturing sector.

3. The government should seek and **encourage foreign and domestic investments** for the growth of labour-intensive industries and job creation, emphasising enhancing agriculture productivity; addressing key infrastructure gaps and promoting sustainable management of natural resources; building skills; and improving the business environment.

4. The government should improve **rural infrastructure** and essential services such as water and sanitation; energy for cooking, heat and light and employment generating commercial

[7] World Bank. "Tanzania Economic Update: How To Transform Tourism Into A More Sustainable. Resilient And Inclusive Sector". The World Bank. Last modified 2021. https://www.worldbank.org/en/country/tanzania/publication/tanzania-economic-update-how-to-transform-tourism-into-a-more-sustainable-resilient-and-inclusive-sector.

activities; transmission and communication of knowledge and information a national priority. The government should **encourage urban mobility** by reducing congestion costs in cities, which can absorb as much as a third of a worker's income. The government should improve space planning for industrial and business zones and urban transportation corridors, with special attention to secondary cities. Making strategic infrastructural investments in roads, rapid trains, and fibre optics will create job opportunities in these secondary cities' construction and service industries.

5. Establishing long-term financing instruments will provide the private sector with an enabling environment. The government should develop initiatives that support small business associations/incubators and strengthen existing associations to reduce fixed costs associated with training programmes, financing, and other services.

6. The leather industry is competitive as the cost of producing a pair of leather shoes is 20 per cent lower in Tanzania than in China. Tanzania has a large livestock population (17.7 million cattle, 12.5 million goats and 3.5 million sheep) and produces about 2.6 million pieces of raw hides and skins annually. A large portion is exported raw, and only 10 per cent is processed. Opportunities exist in establishing modern tanneries and leather finishing production units. The government should improve the quality (skills and standards) of skins and hides by providing technical assistance to livestock owners through associations. The government should also reduce (and gradually remove) export tax on raw hides and skins to promote a gradual competition on inputs price and quality.

7. Expansion of existing institutional, policy, and legal mechanisms for effective implementation and creation of private-public partnerships (PPPs) in the energy sector. The provision of financing for small power producers (SPP) will stimulate the private sector-led development of renewable energy in remote rural areas that cannot connect to the national electricity grid. Additional initiatives such as Lighting Africa, Mobisol, and Off-Grid Electric will help to meet energy demand in Tanzania by exploring sustainable energy resources such as solar power[8].

8. Capacity building involving procurement, negotiations, and efficient management and facilitation of PPPs in the manufacturing and agricultural sector. Regulations such as the Special Economic Zones (SEZ) Export User License and SEZ User License should be exploited to empower and motivate private investors to establish manufacturing plants in SEZ.

9. Improve connectivity and market access through improvements in hard and soft infrastructure, as well as using special economic zones.

- Modernise the port of Dar es Salaam and, in the longer run, develop new infrastructure around the agglomeration of Dar es Salaam (such as a dry port) and diversify toward new ports (e.g. Bagamoyo).

- Develop SEZ to leverage agglomeration effects and access to transport and electricity infrastructure and markets.

10. Move firms out of the informality trap by incentivising potential exporters to formalise their interactions with administration, commercial banks, and more significant foreign partners. The government should facilitate access to formal sources of financing by reducing information costs (ID registry, credit bureau), developing risk-sharing instruments (matching grants, leasing), and strengthening the capacities of potential exporters to apply for loans. Also, by improving access to information on potential markets and trading partners through network sharing.

[8] Matthew Matimbwi. "Tanzania Energy Situation". Energypedia. Last modified 2021, https://energypedia.info/wiki/Tanzania_Energy_Situation.

11. Foster the employment potential of tourism:

- Improve the policy and institutional environment by revising the Tourism Policy (1999) and Tourism Act (2008) in close cooperation with the private sector.

- Foster an enabling environment for private sector growth in the tourism industry, including small businesses, by rationalising procedures for licenses and controls.

- Develop linkages with the local economy by strengthening local capacities, including at the community level, for providing tourists with food, accommodation and other services.

- Drop VAT tax on tourism deposits and tourist visa fees to encourage tourists to visit Tanzania.

- Diversify tourism products and attractions, beyond the over-utilized northern circuit and Zanzibar, by promoting infrastructure development and innovative marketing and branding initiatives, with special attention to the South.

- Financial support to tourism firms is critical to shore up employment and mitigate the impact of the Covid19 shock on poverty. Policies should improve the accessibility of transitional finance to private businesses and support seascape and landscape collaborations and co-investments[9].

12. Supportive regulatory and incentives framework for private universities: The development of a good-quality private sector should be an integral part of the government's strategy to expand higher education through institutional diversification. This requires simplifying the regulatory framework for private institutions to facilitate greater institutional autonomy and accountability, enabling access to research and innovation grants for fully accredited private universities, provide financial incentives for accredited private universities for programs in priority areas (e.g., subsidies, land leases), and identify and implement suitable models for PPP, particularly for STEM programs. TCU could consider allocating a financial grant to private universities that enrol a minimum proportion of low-income students, first-generation students, or women in STEM programmes, or students from remote rural areas.

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[8] World Bank· "Tanzania Economic Update: How To Transform Tourism Into A More Sustainable· Resilient And Inclusive Sector"· The World Bank· Last modified 2021· https://www·worldbank·org/en/country/tanzania/publication/tanzania-economic-update-how-to-transform-tourism-into-a-more-sustainable-resilient-and-inclusive-sector·

Togo

Region
West Africa - West African Economic and Monetary Union (WAEMU)

Population
7 889 094

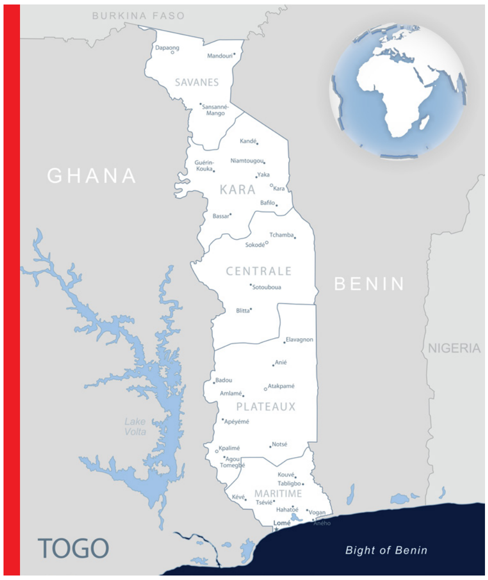
Demographic growth
2.42%

GDP per capita (2020)
915 USD

Human Development Index:
0.513 (204/228)

Economic overview

It is important to note that the government's policy of facilitating the business climate and making the country more attractive to private investment has enabled Togo to rank among the ten most reform-minded countries, with positive repercussions on economic growth. Since 2018, Togo has experienced sustained growth, estimated at 5 per cent of GDP, thanks to strong contributions from the agricultural sector, the extractive industry and trade, which are the pillars of the economy, as is the case in several WAEMU countries.



Togo's National Development Plan (NDP) launched in 2018 aims to make the country a logistics platform of excellence and a qualified business hub in the sub-region within five years. The private sector is firmly committed to supporting the implementation of the National Development Plan (NDP 2018-2022). It was expected that the ongoing structural reforms in the three pillar sectors of the economy mentioned above would raise the country's GDP growth to 7.6 per cent by 2022, with a 10-place jump in the UNDP Human Development Index (HDI), also given the ongoing reforms in education, health and social protection.

However, despite these numerous efforts, the road to a structural transformation of the Togolese economy, notably towards a buoyant, competitive and sustainable private sector, is still long according to the International Monetary Fund (IMF). In fact, Togo is still among the world's least developed countries (LDCs) in 2022 according to the United Nations Conference on Trade and Development (UNCTAD). Togo's economic performance in terms of cross-border trade and industrialisation is still below expectations.

Moreover, a study on the impact of the coronavirus pandemic (COVID-19) on the private sector carried out by the Chamber of Commerce and Industry of Togo (CCIT) shows that the private sector has not been spared. Indeed, the CCIT notes that the private sector finds itself in a fragile environment due to the pandemic, thus undermining all the gains made through the reforms undertaken in the country in recent years.

The ensuing findings are as follows: (i) More than 92 per cent of companies saw their turnover drop between February and March 2020. The services sector is the one in which more companies (93.5 per cent) saw the greatest drop in turnover, followed by trade (92.6 per cent), industry, mining and construction (92 per cent) and agriculture (87.2 per cent). (ii) With regard to employment, almost 62 per cent of private sector companies kept all their employees, despite the difficulties linked to COVID-19. Redundancies, lowered production and temporary cessation of activities are much more common in small companies. (iii) Private sector companies operating in the trade segment were more likely to face the problem of declining sales and supplies. In addition to supply problems, companies operating in the services sector saw a decline in business activity. (iv) Not only did companies in the industrial, mining and construction sectors face problems with supply and access to finance, they also experienced a drop in production and sales. As for companies in the agricultural sector, the drop in sales was the main difficulty, followed by the problem of access to finance and the transport of goods in addition to supply problems. (v) Medium-sized and large companies were much more likely to opt for part-time work (53.8 per cent). Others preferred to temporarily stop their activities (24.6 per cent), put their employees on short-time work (21.3 per cent) or reduce their production (13.3 per cent). Part-time work is a measure taken in almost all sectors, mainly by small companies. On the other hand, some companies made staff redundant (5.2 per cent) or simply changed their activities (2.7 per cent).

The report points out that all the measures taken by the Togolese government to deal with the pandemic will probably only help businesses hold on in the short term, but not if the pandemic continues over time. All these measures are likely not to work in the long term due to the low resilience of companies, many of which might go bankrupt, which in turn would encourage the growth of the informal economy for the survival of the population. The study found that overall, the measures taken by the Togolese government to combat COVID-19 are considered effective and relevant by more than 50 per cent of business owners.

Challenges faced by the private sector

According to the findings of the Integrated Regional Survey on Employment and the Informal Sector (ERI-ESI) carried out by the National Institute of Statistics and Economic and Demographic Studies (INSEED), there are still obstacles that do not always make life easier for business owners in Togo. These obstacles include the following:

- **Informality** - 91.6 per cent of workers operate in the informal economy compared to 8.4 per cent in formal jobs in 2017. It was with this in mind that the support project for mechanisms to effectively extend social coverage to workers in the informal economy was launched on 25 February 2021. The project, implemented by the National Social Security Fund (CNSS) and the International Labour Office with the support of the EU, should help accelerate the process begun a few years ago, and guarantee effective access to social security for informal workers.

- **Informality affects key sectors of the economy -** The three main non-agricultural sectors that attract the most workers and enterprises in the informal economy are: trade (44.2 per cent), industry (29.3 per cent) and services (26.5 per cent). Industrialisation is still weak in Togo.

- **The low level of human-capital education/training -** although there is a strong correlation between the level of education and the quality of integration into the workforce. Togo is one of the countries with a low Human Development Index (0.515 in 2019) and ranks 167th out of 189 countries. Overall, the average number of years of education successfully completed is 5.5 years. The average number of years of successful education in the informal sector is 4.55 years, while in the formal sector it is 10.38 years. In the informal non-agricultural economy, the average number of years of successful education in the industry, trade and services sectors is 5.1, 4 and 4.6 years respectively. Consequently, the low level of human-capital education/training is a brake on the development of the economy in general, and the private sector in particular, given that 87.9 per cent of jobs are concentrated in the informal economy in Togo.

Furthermore, when looking at the variation in the level of education and salary received, it also appears that the level of education significantly influences the average monthly income depending on the sector (formal and informal). For example, in Togo, the average monthly income is FCFA 70,634 for an average level of education of 5.5 years in formal jobs. However, the average monthly income varies from FCFA 40,761 for workers in the informal sector to FCFA 93,206 for workers in the formal sector with an average of 4.55 years of education. In other words, workers in the formal sector earn twice as much as workers in the informal economy for the same number of completed years of study.

- **The gender dimension of informality -** A greater proportion of women work in informal jobs than men, 95.6 per cent versus 78.3 per cent in 2017.

- **An inefficient labour market with gender disparities -** Overall, only 12.1 per cent of individuals (men and women) are in formal non-agricultural jobs. Only 4.4 per cent of women are in formal non-agricultural employment compared to 21.7 per cent of men.

- **A weak labour market regulation system-** Overall, more than 30 per cent of individuals (men and women combined) work excessive hours beyond 48 hours per week, exceeding the 35 hours recommended by the ILO.

- **A gender dimension for poverty that disproportionately impacts self-employed women -** 13.8 per cent of individuals (men and women combined) who are self-employed earn less than the minimum wage, i.e. 17.6 per cent of women compared to 9.8 per cent of men.

- **Persistent youth unemployment linked to a poorly developed private sector -** Like all WAEMU countries, Togo does not have an unemployment problem in the strict ILO sense, but rather a problem of underemployment exacerbated by the informal economy.

- **Low effectiveness of national employment policies -** Overall, unemployment affects the following categories more: people with higher education (14.5 per cent), young people in the 15-34 age bracket (6.8 per cent) and the urban environment, particularly the capital Lomé (7.8 per cent).

- **Insufficient national infrastructure to absorb out-of-school youth in vocational training -** This represents a significant shortfall when more than 25 per cent of young people aged 15-24 are not in education or employment.

- **A mismatch between the school system and the needs of the labour market, particularly the expectations of private sector employers -** Technical and vocational education and training (TVET) absorbs only 20.66 per cent of students, whereas the three main activities in the country that create non-agricultural jobs in the private sector are trade, industry and services/ tourism.

- **A private sector that is still weak in terms of employment opportunities -** The manufacturing industry employs less than 15 per cent of people (men and women combined).

- **Insufficient access to credit -** The two main sources of capital financing for the start-up of an informal production unit (IPU) are own savings from tontines (57.9 per cent) and informal loans from friends or family (17.1 per cent).

- **A low level of public-private dialogue-** This is typically justified by insufficient government efforts to raise awareness among informal economy promoters about formalising their activities. Indeed, 45.2 per cent of IPU heads cite the lack of information as the reason for not registering their activities in the various commercial registers and national statistics, as opposed to 38.7 per cent who seem to benefit from the fact that formalising a business is not compulsory in the country.

- **Excessive taxation combined with a high level of corruption -** Only 5.9 per cent of private sector business owners pay taxes on their business activities. In contrast, 24.9 per cent of business owners operating in the informal economy say they are willing to pay taxes and formalise their activities if regulatory measures become less burdensome in the absence of abuse of power by governing authorities. This is consistent with the country's 134th place out of 180 countries in Transparency International's 2020 public sector Corruption Perceptions Index.

- **A legal system that is still contested -** More than 30 per cent of individuals (men and women alike) do not trust the justice system.

It is important to stress that the current and consecutive improvement noted over the past two years in Togo's business climate, despite the COVID-19 crisis, is the result of the government's commitment to achieving not only the 2030 SDGs, but also the development goals of the African Union's (AU) Agenda 2063 for sustainable and inclusive growth, a transformed economy focused on digitisation and the full employment of its working population, as expressed in its NDP (2018-2022). Accordingly, Togo has copied Nigeria's example and is now among the most reform-minded countries.

These reforms focus in particular on the following areas: setting up businesses, obtaining a location and access to finance, especially credit. However, much work remains to be done in terms of the daily management of operations and the effective securing of the business environment to make the country more attractive to international investors and the diaspora.

- **Business creation -** Togo has facilitated business creation by removing the obligation to legalise business documents and by reducing the time required to register a business.

- **Management of construction permits -** In this area, the country has put in place measures to facilitate the processing of construction permits by reducing fees and launching an online portal for application and payment. In addition, Togo has also improved building quality control by regulating inspections during construction.

- **Electricity connection -** Togo has made access to electricity cheaper by further reducing the cost of connection and the security deposit for new connections.

- **Property registration -** Togo has made property registration easier by streamlining administrative procedures and reducing costs.

- **Obtaining credit -** Togo has improved access to credit information by expanding the coverage of credit bureaus and allowing better disaggregation of data from utilities.

Private sector policy recommendations

The recommendations apply to the following areas:

1. Supporting and strengthening public-private dialogue

Specific objectives include:

- Including public-private dialogue in sectoral development plans and strategies;

- Establishing and maintaining a genuine public-private partnership;

- Developing a roadmap and agenda for public-private dialogue at national level;

- Actually considering the needs of private sector partners in sectoral development strategies;

- Strengthening state institutions, including assessing the legal and regulatory framework for creating and formalising businesses in the formal sector;

- Constantly coming up with reforms to improve the business climate;

- Complying with agreements;

- Bolstering the role of the state as a guarantor of peace, security and good governance;

- Ensuring independent and accountable social partners;

- Capacity building for social partners;

- Establishing a communication plan to reduce communication gaps between the private and public sectors;

- Establishing a unit or commission to work on promoting and popularising the incentives to be given to the private sector in the short, medium and long term.

2. Supporting young investors and women, developing entrepreneurship and fighting against informality

Specific objectives include:

- Promoting an entrepreneurial culture in society as a whole, particularly in technical and vocational training institutions, on audiovisual platforms (TV and radio) and national online social networks, in adult education centres and in universities;

- Creating training and apprenticeship centres for self-employment for out-of-school youth;

- Creating a favourable climate for investment by providing incentives, e.g. access to credit at subsidised interest rates and on flexible repayment terms;

- Establishing a genuine partnership between the state and the banking sector to encourage domestic financing and investment, including the promotion of self-employment among youth and women;

- Focusing policy on formal job creation;

- Establishing a genuine institutional partnership between the state, the private sector and representatives of local authorities to support and promote the creation of income-generating jobs in rural areas and encourage the development of agri-food cooperatives;

- Promoting the decentralisation and efficiency of local government bodies to facilitate municipal authority access to national and regional financial flows to support entrepreneurship among women and young people in rural areas and to better channel the needs of women and young people for the development of their commercial, agro-pastoral and craft activities in rural areas in particular;

- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;

- Considering the needs of informal sector operators in strategies for combating informality by the central government in order to better encourage their transition from the informal to the formal sector;

- Organising ongoing training and education sessions on creating and formalising businesses in rural and urban areas;

- Promoting access to digital technology for young people and women in rural areas by creating free digital training centres within local authorities;

- Promoting women's access to land in particular and favouring a reorganisation of the land register;

- Eliminating minimum fees for business start-ups and shortening the waiting period for registering and authenticating documents;

- Creating national savings in the various countries to finance income and employment-generating projects, especially for young people and women.

3. Cross-border trade

Specific objectives include:

- Promoting the development of intra-African trade by removing customs barriers;

- Improving national and regional infrastructure, such as developing roads, pedestrian walkways, lighting and utility poles, access to the digital network, and building structures to house markets at borders;

- Modernising and deploying one-stop shops;

- Guaranteeing a secure and stable climate at national level, particularly in terms of customs services to facilitate the free movement of people and goods (rule of law); this would also improve entrepreneurship by women, particularly the creation of income-generating activities (trade) carried out most often by small traders (women) at the borders;

- Guaranteeing follow-up for the supply and distribution of petroleum products;

- Deploying national, regional and international sectoral strategies to ensure exchange rate predictability;

- Implementing sectoral strategies to develop the resilience of the economy, particularly of businesses, to cope with various shocks;

- Reducing export and import delays;

- Setting up and modernising an electronic payment system for port fees at national level;

- Going paperless in customs formalities and extending the opening hours of ports;

- Increasing the size of inter-African markets and diversifying production in order to expand markets and improve the competitiveness of the formal private sector globally;

- Promoting good governance and responsible business conduct and fair competition in markets in order to improve the global competitiveness of the formal private sector;

- Establishing simplified trade arrangements (exemption from customs duties) and simplifying customs clearance formalities for small-scale transactions, usually carried out by small traders, especially women;

- Enhancing regional integration, in particular economic cooperation between the different regional economic communities to remove persistent barriers to intra-regional trade;

- Strengthening the fight against smuggling at borders and ports;

- Establishing and developing regional power pools to reduce electricity connection costs and link markets to resources;

- Establishing mutually beneficial trade agreements to attract more investors; boosting intra-regional trade through digital technology;

- Diversifying the energy market with a focus on promoting solar panels to improve the competitiveness and productivity of businesses and also to reduce the costs of connecting to the power grid;

- Expanding the telecommunications market, especially the digital market, to improve access to the electronic network for businesses and enable them to increase their competitiveness in the global market;

- Establishing effective cyber security and cyber defence strategies at regional level;

- Strengthening the African Continental Free Trade Area (AfCFTA).

4. Fighting informality

Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;

- Establishing incentives and deterrents;

- Sharing and exchanging regional experiences;

- Developing a strong and effective institutional legislative framework;

- Annually implementing structural reforms and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;

- Developing guarantee instruments to promote access to credit for young people and women, especially those with economically viable income- and employment-generating projects;

- Reducing costs and delays in obtaining building permits;

- Reducing electricity connection fees;

- Eliminating mandatory minimum fees for business start-ups;

- Eliminating mandatory fees for authenticating documents and shortening the registration period for business start-ups;

- Improving access to credit information, e.g. by extending the coverage of public credit services and by starting to report data from public utilities;

- Developing a national directory of formal sector companies;

- Annually assessing the registration rate of new companies and considering the needs of unregistered companies in order to better channel and adapt sectoral strategies to facilitate their transition to the formal sector;

- Establishing and modernising an electronic system for creating and registering businesses at national level;

- Creating a level playing field for businesses to facilitate their formalisation.

5. Developing human capital

Specific objectives include:

- Improving the supply of public services (education, health and social protection);

- Ensuring a match between training/ education received and the needs of the labour market in technical and vocational education, general secondary education and universities;

- Promoting development-oriented research in technical and vocational schools, general secondary schools and universities in order to unleash the innovation potential of young people and improve the competitiveness of the private sector globally;

- Priority training for public sector managers;

- Mandatory internships for students to immerse them in the world of business.

6. Improving the labour market

Specific objectives include:

- Increasing the number of jobs through access to new investments at national level;

- Promoting the application, via the Ministry of Social Affairs and Labour, of a legal framework for workers/employees on working conditions and a minimum wage;

- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal businesses to formalise;

- Promoting flexible working hours for workers;

- Improving employment frameworks, policies and conditions;

- Improving wages and paying compensation for work stoppages due to the occurrence of happy occasions (e.g. births) and unhappy events (illnesses, accidents, etc.) in workers' lives.

Republic of Uganda

Region
Eastern Africa

Population(2022)
48 148 244

Demographic growth(2020)
3.32%

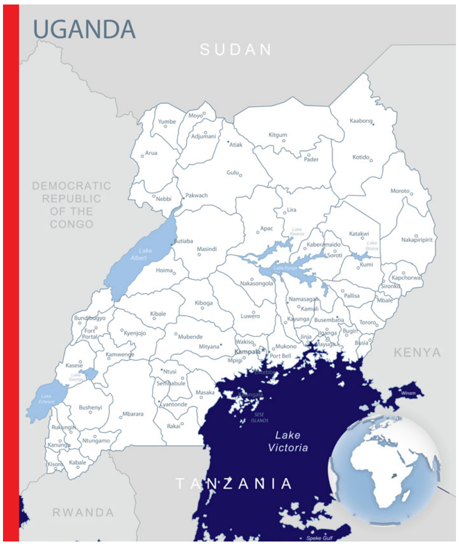
Average income (2020)
822 USD

Human Development Index:
166 out of 191 countries: Uganda's Human Development Index (HDI) value is 0.525.

Regional economic membership:
Common Market for Eastern and Southern Africa (COMESA) and East African Community (EAC)

Economic overview

The Uganda Bureau of Statistics estimates that about 70 per cent of Uganda's working population is employed in agriculture. The contribution of agriculture to Uganda's economy fell from over 50 per cent of Gross Domestic Product (GDP) in 1992 to 23 per cent in 2019 due to other sectors growing at a faster rate (though agribusiness contributes a significant amount to the manufacturing sector), with industry contributing 21 per cent and services 54 per cent.



The Food and Agriculture Organization statistics show that 35 per cent of Uganda's arable land is utilised for agricultural production[1]. However, the industry's productivity is significantly affected by inadequate irrigation infrastructure, limited use of hybrid seeds and fertiliser and pest infestations. **Uganda's stable rainfall patterns have been affected by climate change resulting in extreme weather conditions,** drying of wet regions, increased temperatures and unprecedented flooding affecting farm productivity.

Although progress has been made to diversify the export base, unprocessed agricultural commodities remain Uganda's most significant exports of goods. For example, unroasted coffee represents 14 per cent of total exports by value, while tea, tobacco, beans, fish and maise represent a further 19 per cent. Uganda has significant mineral resources, including oil, and mineral exports have grown exponentially in recent years, giving the country great potential to continue to diversify.

Exports of services have grown from 4 per cent of GDP in 1990 to 14 per cent in 2020, with tourism and information and communication technologies (ICT) driving the growth. The destination of goods exported has also changed, with a large shift to regional exports, with over 50 per cent destined for the Common Market for Eastern and Southern Africa (COMESA) region. With the advent of the African Continental Free Trade Agreement (AfCFTA), there is potential for Uganda to have more intra-African trade. Small-scale firms dominate Uganda's industrial sector, and there's a need for private-sector-led industrial development strategies.

ICT infrastructure has developed significantly due to partnerships between the government and private

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[1] African Development Bank. "Uganda Economic Outlook". African Development Bank. Accessed: 2021. https://www.afdb.org/en/countries/east-africa/uganda/uganda-economic-outlook.

companies. Private Public Partnerships (PPPs) between the National Information Technology Authority-Uganda - the Ugandan government's technology development agency - with organisations such as Google and Facebook have led to over 3,000 km (1,864 miles) of fibre optic cable being installed around the country to connect the second tier of administrative units (sub-counties) within each district.

> Uganda's stable rainfall patterns have been affected by climate change resulting in extreme weather conditions,

Challenges faced by the private sector

- **Lack of specialised skills:** Although Uganda's adult literacy rate is 76.5 per cent, it had a 64.5 per cent primary school dropout rate, and only 5 per cent of Ugandans were enrolled in tertiary education. Per the International Labour Organization, in 2019, 73 per cent of Ugandan workers lacked the education required for available jobs. Employers commented that university graduates lack basic technical, managerial, and communications skills, so much time and money is spent training them.

- **Limited access to finance is a major constraint to MSMEs' growth and development.** Many micro, small and medium enterprises (MSMEs) could not access finance due to collateral burden, high cost of finance (interest rates) and legal requirements such as having tax identification numbers and because they cannot meet the legal requirements by financial institutions for accessing loans.

- **High levels of corruption:** Transparency International's 2021 Corruption Perceptions Index ranked Uganda 144 out of 180 countries, dropping two places from the previous year. Land-related fraud and corruption are common, especially as complex land laws restrict some ownership and lead to frequent land disputes.

- **Inefficient government services:** Businesses experience unnecessary bureaucratic procedures, excessive documentary requirements, procedural hurdles relating to poor institutional coordination among the different government offices, and inefficiency in government agencies and systems in the process of obtaining and renewing business licences, obtaining construction permits and, in general, all engagement with government institutions constitute a significant burden.

- **COVID-19 pandemic and related government restrictions on business activities.** As a result of business closures and low aggregate demand, businesses and entrepreneurs have witnessed a massive loss of income, according to the World Bank. There was also a sharp increase in unemployment.

- **Informality:** It is estimated that **more than 80 per cent of employment in Uganda is informal, and the informal sector contributes approximately 50 per cent of the GDP**. Furthermore, wages for persons in formal employment were more than twice those for persons in informal employment.

> Although progress has been made to diversify the export base, unprocessed agricultural commodities remain Uganda's most significant exports of goods

- **Energy - unreliable transmission and distribution systems.** Uganda has one of the lowest electrification rates in Africa, primarily due to an overreliance on biomass sources in the energy mix, constrained electricity transmission and distribution infrastructure, limited access to off-grid solutions, limited productive use of energy, and uncoordinated intra- and inter-sectoral planning. In urban areas, 57.2 per cent of Ugandans have access to electricity; however, access drops to 10 per cent in rural areas, and it is only 22.1 per cent nationwide.

- **Limited infrastructure, including connectivity, in rural areas.** Although the government has been investing heavily in infrastructure outside of the major towns, Uganda's road and rail systems are in poor condition, and access to electricity is limited.

- **The poor state of transport infrastructure has a substantial effect by reducing business productivity and increasing the cost and time of doing business.** With a 10 per cent annual growth rate in car ownership, Uganda's road network is seriously overburdened, especially in and around cities. Furthermore, Uganda's roads are poorly maintained, making transportation costly and dangerous.

- Commercialisation of the agricultural sector is impeded by farmers' limited use of fertiliser and quality seeds and a lack of irrigation infrastructure, rendering production vulnerable to climatic extremes and pest infestations.

- Agricultural sector growth is also impaired by the lack of quality packaging capabilities, insufficient storage facilities, poor post-harvest handling practices, shortage of agricultural credit, high freight costs, the lack of all-weather feeder roads in rural areas, a complicated and inefficient land tenure system, and limited knowledge of modern production practices.

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> more than 80 per cent of employment in Uganda is informal, and the informal sector contributes approximately 50 per cent of the GDP

- **Gender inequality:** Data from the Ugandan Bureau of Statistics shows that the median monthly cash wage of persons in paid employment was Uganda shillings 200,000 in 2018/19, with males receiving Uganda shillings 240,000 compared to Uganda shillings 150,000 for females.

- **Difficult tax regime:** The complexity and challenge of navigating the different tax codes and regulation cost businesses and entrepreneurs productive time and cost.

Private sector policy recommendations

- **Government should adopt measures to reduce reliance on imported inputs and materials.** This should include additional investments in manufacturing enterprises and government subsidies for machinery to enhance a strong industrial base in Uganda. Efforts should be made to transition to local raw materials where possible and focus on local value addition, particularly in manufacturing, to reduce dependence on imported goods. The government should consider protecting MSMEs by emphasising the use of local content in projects.

- **Tax incentives to local start-up companies must be more competitive than foreign start-up companies to build up national capacity.** Small-scale industry infrastructure needs a collective government strategy, such as affordable access to high-voltage power, premises, knowledge, machinery, supply chains and transport. Cooperatives and cluster businesses should be encouraged and prioritised with incentives and promotions. Small start-up companies (revenue below UGX 1bn) that align with the Buy Uganda, Build Uganda (BUBU) policy or are majorly export-oriented or are substituting import goods need sustainable tax breaks and lenient tax brackets.

- **Creating a special fund accessible by qualifying MSMEs at the Uganda Development Bank that is repayable but interest-free.** The objective of such a fund would be to support the sustainability of ideas that are very important for the country's technological advancement, future job creation and economic development but cannot generate sustainable growth in the short term. It is proposed that the government/URA create a special category for scientific research and technology companies.

- **The national policy should focus on reducing the barriers to acquiring IT infrastructure (hardware/software)** with a minimum or no VAT/withholding tax. To improve access to information and data and stimulate the development of the IT sector, it is recommended to remove the Over the Top (OTT) tax and VAT on software companies.

- **The government, with the support and engagement of employers' organisations such as the Federation of Ugandan Employers (FUE), should intervene and make policies for micro, small and medium-sized enterprises that enhance their access to finances, business support, access to technical skills and creation of enabling environment[3].**

- To generate employment and revive the economy after the Covid-19 disruption, there should be increased support to the existing business community at the local level through Savings and Credit Cooperatives, which can make long-term soft loans should be made available.

- Given the size and cross-cutting nature of the **informal economy**, a gradual and phased approach should be taken in medium and long-term plans. This will entail reducing the cost of formalisation, such as entry costs; reducing bureaucracy in the business start-up and authorisation process; reducing the cost of remaining in the formal market, such as taxes; developing a special tax scheme for MSMEs; and making it easier to access credit.

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The government, with the support and engagement of employers' organisations such as the Federation of Ugandan Employers (FUE), should intervene and make policies for micro, small and medium-sized enterprises that enhance their access to finances, business support, access to technical skills and creation of enabling environment

- Government should provide access to concessional government loans at minimal or no interest rates with a two-year grace period for up to 30 per cent of the company's total value, waving the land collateral requirement. This will involve capping loan interest rates for small businesses, varying from no more than 0.5 per cent per month (about 6 per cent annual compound interest rate) to no more than 15 per cent per year for the next three years.

- The government should encourage investment and offer incentives to the private sector as they can considerably improve agricultural productivity by investing in newer and more efficient technological equipment. Also, they can promote the acquisition of vital skills and knowledge to integrate effective production and manufacturing methods[4].

- The government should improve preparedness and tackle the impacts of climate change through private-public partnerships (PPPs) for gathering and understanding crucial climate data and developing effective adaptation and mitigation strategies.

- The government should engage private companies to increase the country's power supply by expanding transmission lines[5]. PPPs such as Power Africa should be supported to facilitate innovative and sustainable energy sources such as hydropower. PPPs in Uganda can significantly improve economic and social growth through private investments in inter-connected services, which present valuable opportunities for job creation. Ninety-seven per cent of Uganda's electricity is distributed by Umeme Co. Ltd, where the government owns 23.20 per cent of total shares.

1. MSME ownership is dominated by men (76 per cent) . An effort should be made to

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[3] Ibid
[4] International Organization for Migration, "The Impacts Of Climate Change In Uganda - Uganda", Reliefweb, Last modified 2021, https://reliefweb.int/report/uganda/impacts-climate-change-uganda.
[5] African Development Bank, "Uganda Economic Outlook", African Development Bank, Last modified 2021, https://www.afdb.org/en/countries/east-africa/uganda/uganda-economic-outlook.
[6] National Small Business Survey Of Uganda March 2015

encourage female participation in smaller businesses. This might be done through setting up facilities that help develop a better enabling environment and funding incentives for women and youth. Initiatives such as the Female Future Leadership Development Programme by the FUE can be further encouraged and adapted to support women's engagement in MSME ownership.

2. The government should adopt policies that recognise, license, and regulate online trading and e-commerce, to further support the expansion of the ICT sector.

Zambia

Region
Southern Africa

Population(2022)
19 708 129

Demographic growth
2.8%

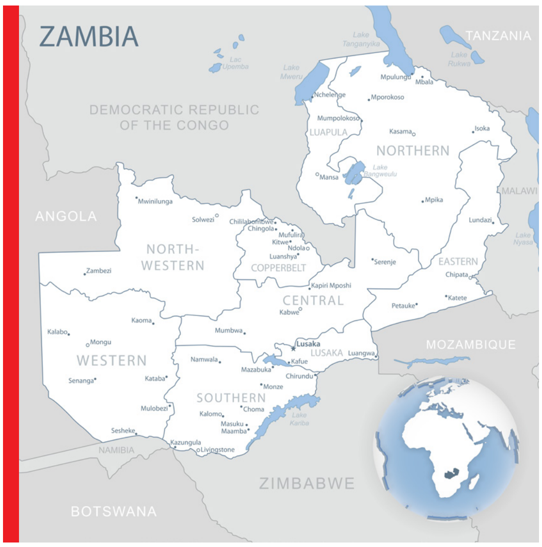
Average income (2022)
311 USD

Human Development Index ranking:
154th out of 191 countries. In 2020, the human development index for Zambia was 0.57 score. The human development index of Zambia increased from a 0.43 score in 2001 to a 0.57 score in 2020, growing at an average annual rate of 1.48%.

Economic membership:
Southern African Development Community

Economic overview

The Zambian economy is heavily dependent on copper mining and rain-fed agricultural production, which exposes the economy to external vulnerabilities such as variances in global copper prices and changes in seasonal weather patterns. However, policies are being made to diversify the economy. Despite broad economic reforms in the early 2000s, Zambia still struggles to diversify its economy and accelerate private-led growth to address the poverty of its people. According to the Extractives Industries Transparency Initiative (EITI), mining contributes 77 per cent of Zambia's total export value and nearly 28 per cent of government revenues. A landlocked country, it has a small domestic market and faces some of the highest transportation costs in the Southern Africa region.



Zambia is experiencing a sizeable demographic shift and is one of the world's youngest countries with a median age of 17.6 years. Its population, much of it urban, is estimated at about 17.9 million and is growing rapidly at 2.8 per cent per year. Zambia's economy has been significantly impacted by climate change resulting in changing growing seasons, severe and frequent seasonal droughts, elevated temperatures, and occasional dry spells[1]. This contributes to food insecurity with recent findings by the Integrated Food Security Phase Classification (IPC) showing that 1.18 million Zambians experienced severe food shortages between July and September 2020[2].

Zambia has made significant strides on its path to digital transformation over the past few years. Progress is particularly evident in digital infrastructure, digital financial services, and digital platforms, while more significant gaps remain in digital skills and digital entrepreneurship.

Zambia's industrialisation plan has identified manufacturing, tourism, energy and agriculture as their priority focus[3].

Challenges faced by the private sector

- **Policy inconsistency and uncertainty:** Government policies concerning business and trade often changed without prior stakeholder consultation. Government officials' interpretation of regulations affecting businesses is inconsistent and unpredictable. A good indicator of the cost of

[1] UNDP, 2021
[2] Jerry Martin, "Zambia Food Security Policy Assessment: Institutional Architecture For Food Security Policy Change", Africa Lead.
[3] Zambia human development report, 2016

regulatory uncertainty is the amount of time and money senior management spent on regulations (e.g. tax, customs, labour regulations, licensing, and registration), completing forms and dealings with officials. For example, the EITI notes that Zambia's minerals tax regime has changed ten times in 16 years – an issue that mining companies say disincentivises investment and exploration. Market-distorting subsidies and ad hoc changes to trade policy in the agriculture sector have inhibited greater involvement by and growth of private enterprises.

> Zambia's industrialisation plan has identified manufacturing, tourism, energy and agriculture as their priority focus

- **Tax rates and administration:** Firms in the private sector are constrained by tax rates and administration. In addition, in relation to tax administration, there is a high frequency of change in tax policy that is either unjustified or unexplained to the business community, and the Zambia Revenue Authority's (ZRA) behaviour toward firms can be arbitrary and punitive. Some staff lack the skills needed, are not provided with clear guidelines, and are given wide discretionary power, which opens the door to corrupt practices. WDI figures show that Zambia's highest marginal tax rate and the tax-to-Gross Domestic Product (GDP) ratio are higher than its regional neighbours.

- **Cost of and access to finance.:** Access to capital in the domestic financial market is restricted and characterised by high annual interest rates averaging between 20 per cent and 37 per cent. Small and medium enterprises (SMEs) are required to provide collateral averaging over 400 per cent of the loan value.

- **Low labour productivity:** Meanwhile, despite low nominal wages, actual labour costs in Zambia are considered high for the region due to low productivity, stringent labour laws, generous benefits for formalised employees, and training costs due to the shortage of skilled labour.

- **Electricity deficit due to rationing of power affects businesses and industries.** The situation has improved since the Zambian government intensified efforts to connect new power generation projects to the national grid and because of strong rainfall in 2020/2021. Load shedding, though still experienced, has eased.

- **The decline and the volatility of the Kwacha have a serious impact on the private sector.** The loss in purchasing power of the Kwacha through inflation is reflected in the market-determined exchange rate, which has depreciated precipitously, despite periodic official interventions.

- Covid-19 remains an ongoing challenge for the Zambian business sector as it has stifled growth, affected supply chains and general business activity, and crippled the country's vital tourism industry in 2020 and 2021. Low vaccination rates and an inadequate healthcare system have exacerbated the spread of Covid-19 during each successive wave and will remain a challenge for the foreseeable future.

- Firms in Zambia are concerned about the generally poor quality and limited availability of infrastructure services. Supply of electricity is unreliable, with power outages causing production loss, delays, and increasing the cost of doing business. Zambia has 2,800 MW of installed electricity generation capacity, of which 85 per cent is hydro based. National access to electricity averages 31 per cent, with 67 per cent of the urban and 4 per cent of the rural population having access to power. Zambia's vast majority of power is operated by ZESCO, a vertically integrated state-owned utility. However, the sector is opening to new independent power producers for on-grid and off-grid transactions. The government has set a goal for universal electricity access and expects to bring online additional MW of solar, hydro, and thermal power through 2030[4].

A gap remains in information and communications technology (ICT) infrastructure, with the lack of last-mile connectivity preventing greater use of digital systems in more sparsely populated areas where access to services and markets is more limited and where digital systems could help reduce transaction costs associated with serving smaller populations. The high price of connectivity also imposes a barrier to greater business take up. Concerning digital infrastructure, all provincial centres are now linked to the fibre backbone. The country's state-of-the-art data centre can be leveraged for government and commercial use. International benchmarks for the affordability of broadband have also been met, and the use of mobile phones has increased significantly, reaching 15.5 million mobile subscriptions in 2019, out of which 63.5 per cent use broadband.

An insufficiently developed and maintained network of primary, secondary, and tertiary roads creates steep transportation costs. For water supply, many of the industrial districts in the major Zambian towns incur the extra expense of buildings wells to compensate for an unreliable public supply of water.

- **Zambia has made less progress in increasing the population of those with requisite digital skills for digital transformation.** Most Zambians have some level of foundational digital skills, but intermediate and more advanced ICT skills are in short supply. The Seventh National Development Plan (7NDP) Implementation Plan aims to have ICT mainstreamed in schools, and the new competency-based national curriculum has made ICT a compulsory subject. In practice, however, most schools are not connected to the internet, have inadequate access to devices, and have limited knowledge of how to use ICT in teaching and learning.

- The tourism and travel industry accounted for 7.2 per cent of employment and 7 per cent of the country's GDP in 2019 before the coronavirus pandemic[5]. The legal requirement of obtaining several licenses (sometimes up to 58) and poorly designed procedures for license acquisition is a major barrier to investment in the sector.

- **The private sector lacks confidence in the judicial system to enforce contractual and property rights in business disputes.**

Private sector policy recommendations

The following initiatives are recommended to promote private sector participation in national economic growth and development.

- **More robust private sector involvement is needed to tackle entrenched energy issues.** The country experiences intense and abundant sunlight throughout the year, so solar power is a viable solution to energy issues. However, the solar power segment is largely managed by non-governmental organisations, donors and the government.[7] Increased private sector participation should be encouraged and supported in the power sector to increase access to electricity and power generation through public-private partnerships (PPP).

- The gradual development experienced due to the National ICT Policy could be further improved by offering tax breaks, loans and grants and establishing ICT parks for the private sector. This will encourage further investment, research, and development in the Zambian ICT industry.

- **Reducing the cost of doing business through digitally optimised government systems.** Policies aimed at promoting private sector activity should include:

  - Developing a government-wide implementation approach to advancing and scaling up the digitisation of major government payment flows (such as social cash, fertiliser subsidies, school fees, taxes, customs, and licenses).

  - Optimise and scale up the e-border management, e-licenses, and public e-procurement systems.

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[3] ITA, "Zambia - Energy", International Trade Administration, Last modified 2020, https://www.trade.gov/country-commercial-guides/zambia-energy.
[6] Rayner Tabetando, "Tourism And COVID-19 In Zambia", IGC, Last modified 2020, https://www.theigc.org/blog/tourism-and-covid-19-in-zambia/.
[7] IITA, "Zambia - Energy", International Trade Administration, Last modified 2020, https://www.trade.gov/country-commercial-guides/zambia-energy.

- **Leveraging data and digital systems to improve sector-specific outcomes in secondary towns and rural areas.** The government should undertake initiatives that would focus on the digital transformation of a sector (such as agriculture, education, or health) to increase the effectiveness of public service delivery or increase productivity and reduce vulnerability.

- **Improving the adoption of innovative digital solutions by enabling entrepreneurship.** Initiatives should be undertaken to ensure that the private sector can develop innovative solutions to resolve public and private sector challenges. This will involve conducting a regulatory review assessing how tax, labour, and other pertinent regulations affect enterprises at the start-up stage and developing a regulatory sandbox for digital innovation that provides digital entrepreneurs with a clearer mechanism for navigating regulatory requirements for innovative products and services.

- Developing a start-up strategy that includes attention to technology entrepreneurship that leverages the competency and resources of the Ministries of Higher Education and Commerce, Trade and Industry, the private sector, and the continental entrepreneurship ecosystem.

- There should be a clear change in the allocation and expenditure of public resources to focus on the key drivers of agricultural productivity and growth, such as research and development, extension services, irrigation, and feeder roads. This involves an improved emphasis on activities that directly focus on crop and livestock production and productivity.

- **The government should facilitate dialogues with employer organisations** such as the Zambian Federation of Employers, Zambia Chamber of Commerce and Industry (ZACCI), Indaba Agriculture Policy Research Institute (IAPRI), Zambia National Farmers Union (ZNFU), and Agriculture Consultative Forum (ACF)[8]. Through multi-industrial coordination, frameworks and mechanisms can be developed to strengthen the effectiveness of stakeholders' input in the agricultural sector. Multi-industrial frameworks should target the technology, horticulture and fertiliser, chemicals, fishing and forestry sectors. This will create great potential for job creation.

- To counter the effect of climate change, private sector investment and expertise should be engaged in developing some remedial measures. This includes securing technologies for identifying flood and drought-prone regions using mapping, developing best practices to promote sustainable utilisation of water resources, and strengthening early warning systems for climate change preparedness[9].

- Policymakers should design regulations to consolidate and simplify the process of obtaining business permits, taxation and business registration[10]. This will encourage formalisation and therefore increase private-sector investments and employment.

- Improve businesses' tax and regulatory treatment regarding equity, transparency, and predictability, with a special focus on tax administration. Also, strengthen public-private dialogue on policy and institutional reform.

- Reduce the mandatory severance benefit for employees in line with neighbouring countries.

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[8] UNDP, "Zambia", UNDP Climate Change Adaptation, Last modified 2021, https://www.adaptation-undp.org/explore/africa/zambia#:~:text=Zambia%20has%20been%20experiencing%20adverse,changes%20in%20the%20growing%20season.

[9] UNDP, "Zambia", UNDP Climate Change Adaptation, Last modified 2021, https://www.adaptation-undp.org/explore/africa/zambia#:~:text=Zambia%20has%20been%20experiencing%20adverse,changes%20in%20the%20growing%20season.

[10] Rayner Tabetando, "Tourism And COVID-19 In Zambia", IGC, Last modified 2020, https://www.theigc.org/blog/tourism-and-covid-19-in-zambia/.

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Avenue Louis-Casaï 71 – CH-1216 Genève
T +41 22 929 00 00 F +41 22 929 00 01
ioe@ioe-emp.com • ioe-emp.org