NGE IMPACT
NEXT GENERATION ENTREPRENEURS

SMALL BUSINESS ACT for AFRICA

by HUB AFRICA

The platform for Entrepreneurs and investors in Africa

Empower African Business Opportunities

A vision that is not accompanied by action is only a dream. An action that does not follow no vision is wasted time. Vision followed by action can change the world.

Nelson Mandela

Don't half dream
Don't get attached to half of a hope
A half-traveled path will get you nowhere and an idea half-expressed will not give of result.

Jibrane Khalil Jibrane

Madness is doing the same thing over and over again and expecting different results.
Albert Einstein

An SME is not a big company in miniature.
Olivier Torres

SOMMAIRE

A springboard to empower VSES AND SMES

- Context
- Small Business Act for Africa why?
- Vision and Mission of the SBAA
- Proposals & Orientations
- Objectives for 2030

CONTEXT

- Business climate: a chiaroscuro. The latest Doing Business 2020 report shows the desire of a large number of African countries to improve administrative procedures. This desire is reflected in a high rate of reforms encouraging the creation of small and medium-sized enterprises, a number of countries have introduced Single Windows.

- Sub-Saharan Africa breaks its record for the third consecutive year with 107 legislative reforms, more than a third of the reforms recorded globally. However, in the top 50 of the 2020 ranking, only Mauritius is present.

- The continent's potential is enormous, with a population that will double in 2050 and essentially young, mining, agricultural and fishing resources, 60% of unused arable land, a glaring deficit in basic infrastructure and therefore as many projects.

- Very informal in contexts where the entrepreneurial spirit is not encouraged enough.

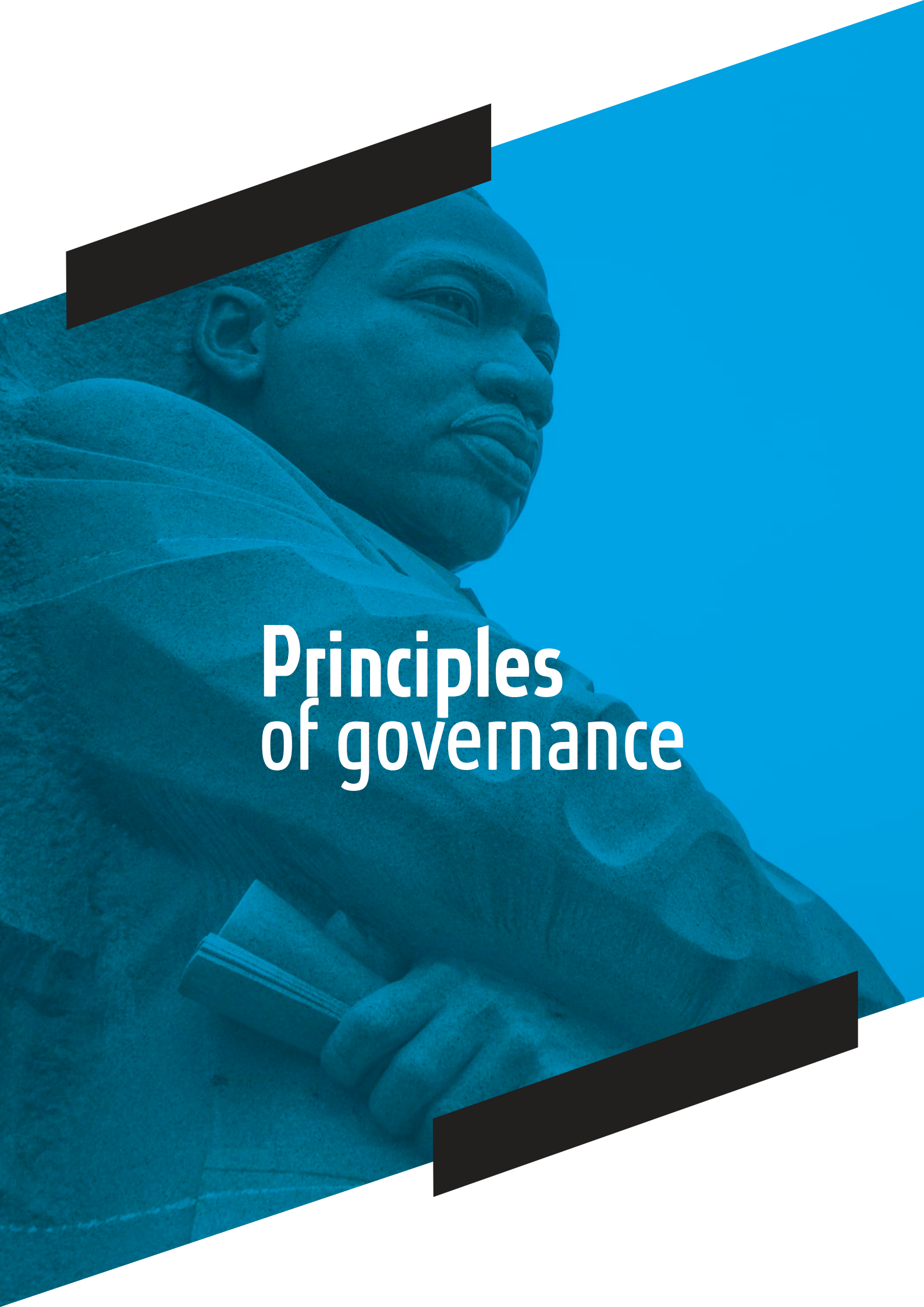
- The industrialization of the continent is still slow.

- Entrepreneurship is essential to national economies. It improves living standards, creates wealth and solves problems, not only for entrepreneurs and their clients, but also for a plethora of other stakeholders. Entrepreneurs can drive change through innovation and develop new products and services for new markets. Higher business income can boost national income and tax revenues as well as national competitiveness. Entrepreneurs contribute to vibrant and vibrant communities by creating a domino effect where everyone can benefit if negative externalities are minimized and positive benefits maximized.

Small Business Act for Africa, why?

TODAY, ADOPTED BY A NUMBER OF EUROPEAN AND AFRICAN COUNTRIES, INCLUDING TUNISIA, SOUTH AFRICA, MOROCCO, IT IS USEFUL TO RECALL THAT IN THE SMALL BUSINESS ACT OF JULY 30, 1953 (LAW), THE AMERICAN CONGRESS CREATED THE SMALL BUSINESS ADMINISTRATION, WHOSE FUNCTION IS «TO HELP, ADVISE, ASSIST AND PROTECT, AS FAR AS POSSIBLE, THE INTERESTS OF SMALL BUSINESSES.»

- The charter also states that the SBA would guarantee small businesses a "fair share" of government contracts and sales of surplus assets.
- A powerful lever, a springboard to facilitate the access of VSEs and SMEs to public markets
- Fill the order book of these companies, which generate jobs and income
- VSEs and SMEs face many obstacles in their development :
  - Lack of fair competition conditions, competition from the informal sector is too high
  - Mismatch between skills and business needs
  - Limited innovative technologies and capacities
  - More than 80% of businesses are informal ... go to their integration into the formal circuit



Principles of governance

PUBLIC-PRIVATE GOVERNANCE

- Designate a single institution responsible for the implementation of this framework law
- Guarantee the stability and transparency of the regulatory framework
- Steering, impact measurement, monitoring and evaluation

DIGITIZATION (THE DNA OF THE SBAA)

- Digitalized project management
- Popularize the support mechanisms of VSEs at the central and regional level by all its federations and associations
- Develop internet portals dedicated to the business of SMEs

COMMUNICATION (DOING THINGS IS GOOD - LETTING PEOPLE KNOW IS BETTER)

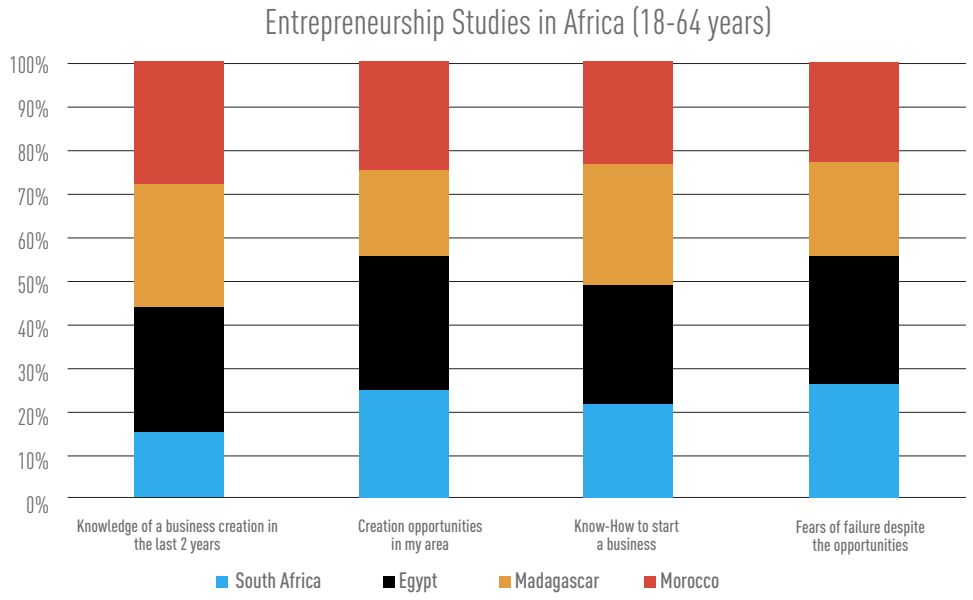
- Popularize the support mechanisms of VSEs at the central and regional level by all its federations and associations.
- With the support of MCINET and the MEF & Modernization, improve the mechanisms for dialogue between the private and public sectors.

TRAINING

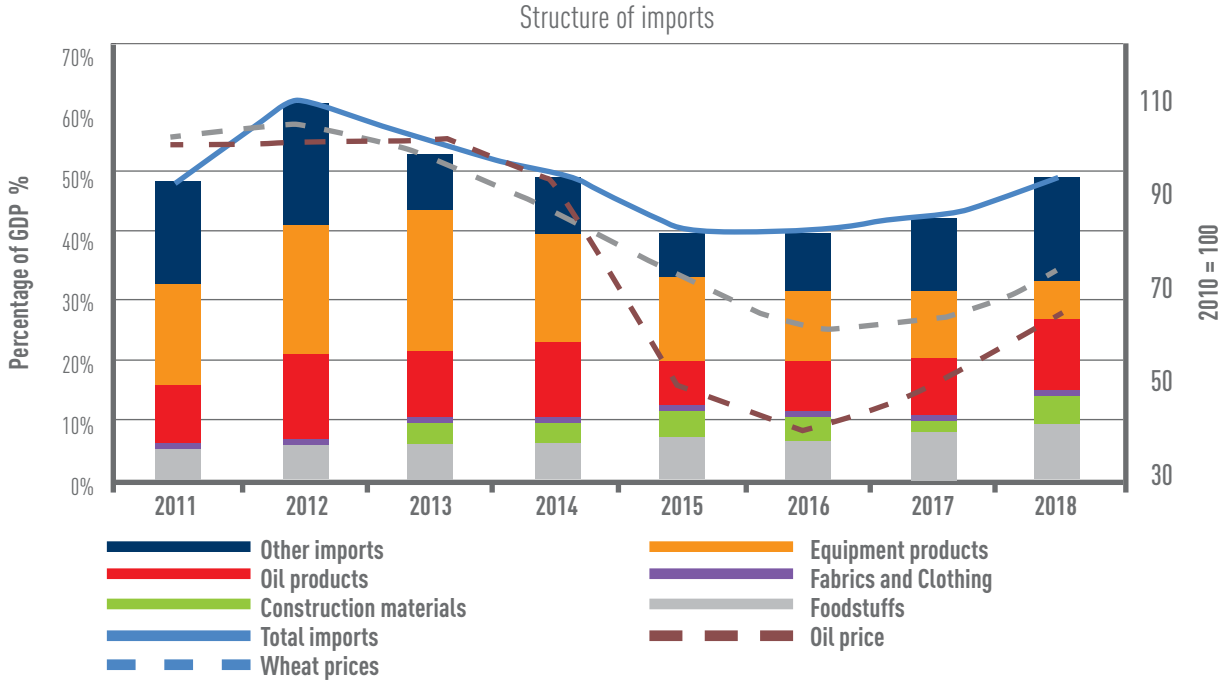
- Train officials in conjunction with entrepreneurs on the contribution of SMEs to the country's economic development
- Set up multi-language training to support the SME in the form of video capsules, serious games and other fun tools

Entrepreneurship in Africa indicators

(SOCIO-CULTURAL FOUNDATIONS OF ENTREPRENEURSHIP)



Structurally deficit economies

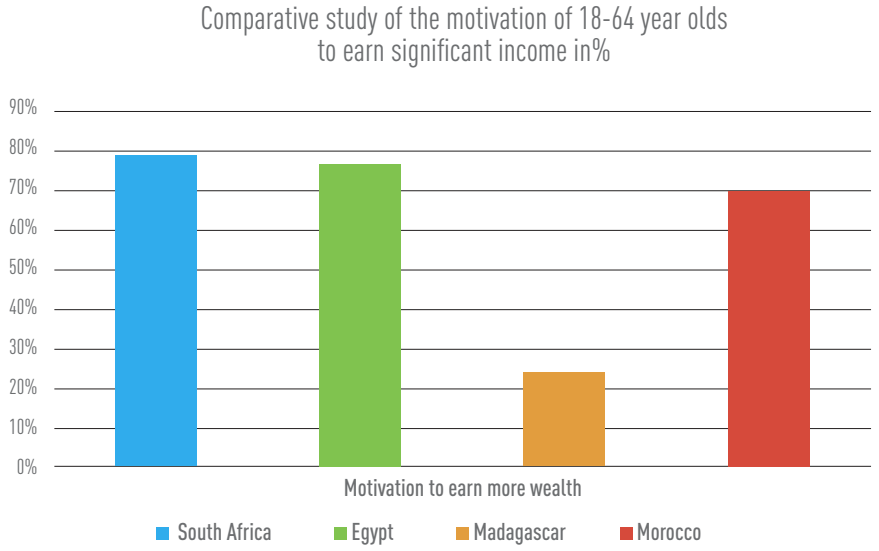


Global Entrepreneurship Index

- Relative to the Global Entrepreneurship Index 2019 in Africa, Tunisia (34.00) led, followed by South Africa (31.60), Namibia (30.00), Morocco (28.30), Egypt (24.60), Gabon (23.80), Ghana (21.60), Nigeria (20.80), Senegal (20.30)...

- Note that the United States of America is the first country, with a score of 86.80 among 134 countries. This is the highest score which represents 1.90% of the total index of global entrepreneurship, followed behind Switzerland, Canada, Denmark and the United Kingdom at 8.90%.

Motivation to earn more wealth

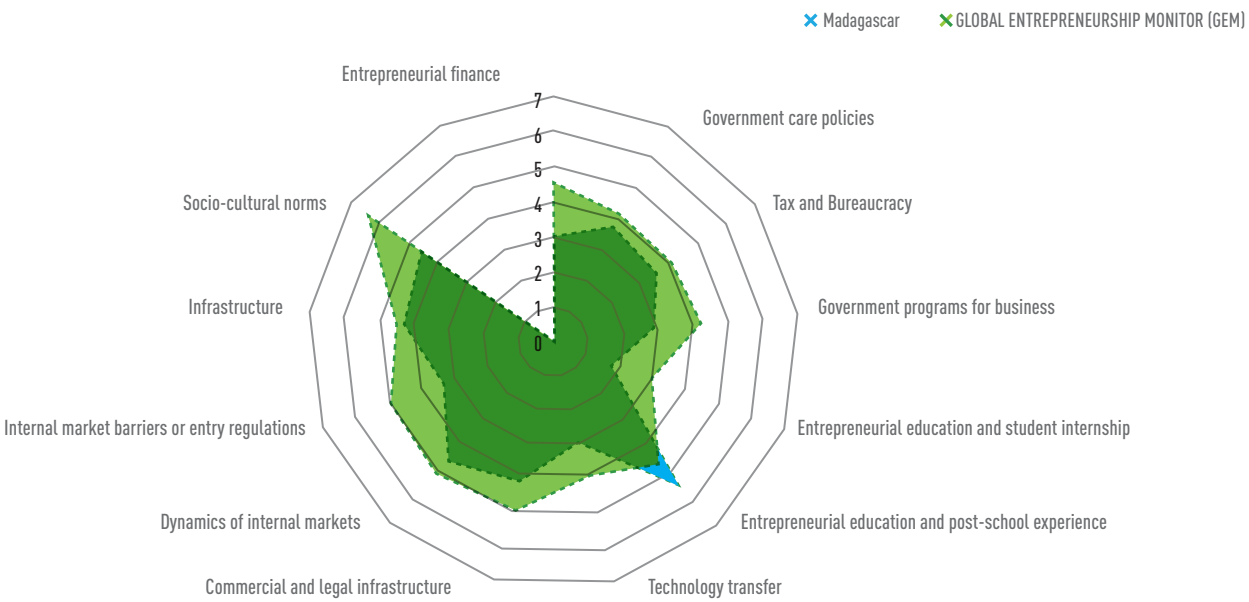


Doing Business ranking by country

Country	Regional rank		World rankl		Evolution
	Doing Business 2020	Doing Business 2019	Doing Business 2020	Doing Business 2019	
Mauritius	1	1	13	20	7
Rwanda	2	2	38	29	-9
Morocco	3	3	53	60	7
Kenya	4	4	56	61	5
Tunisia	5	5	78	80	2
South Africa	6	6	84	82	-2
Zambia	7	8	85	87	2
Botswana	8	7	87	86	-1
Togo	9	21	97	137	40
Seychelles	10	9	100	96	-4
Namibia	11	12	104	107	3
Malawi	12	13	109	111	2
Ivory Coast	13	17	110	122	12
Djibouti	14	10	112	99	-13
Egypt	15	16	114	120	6

Country	Regional rank		World rankl		Evolution
	Doing Business 2020	Doing Business 2019	Doing Business 2020	Doing Business 2019	
Uganda	16	18	116	127	11
Ghana	17	14	118	114	-4
Eswatini	18	15	121	117	-4
Lesotho	19	11	122	106	-16
Senegal	20	22	123	141	18
Nigeria	21	26	131	146	15
Niger	22	23	132	143	11
Green cap	23	19	137	131	-6
Mozambique	24	20	138	135	-3
Zimbabwe	25	32	140	155	15
Tanzania	26	24	141	144	3
Mali	27	25	148	145	-3
Benin	28	31	149	153	4
Burkina Faso	29	29	151	151	0

Expert rating of entrepreneurial framework conditions



Vision & Mission
SBAA

- Ensure the transition to formal for 80% of activities that remain informal in many African economies, through the Auto-Entrepreneur channel;

- Make the VSE-SME efficient and competitive in the medium term;

- Reserve a portion and simplify access to public procurement by dematerializing and generalizing a «simplified public market» approach;

- Better inform VSE-SME and Microenterprise;

- Reduce cash flow problems with advances ranging from 30% to 50% of the total amount of the order;

- Thanks to the deployment of electronic invoicing, improve payment terms to suppliers;

- Fight against illegal work and against fraud in the posting of workers, so that companies maintain their competitiveness;

- Encourage literacy and writing of local and international languages in companies;

- Support the development of startups and innovation by committing to devote a minimum of 2% of regional public procurement to innovative purchasing..

Proposals

01 IMPROVE THE BUSINESS CLIMATE

GOVERNANCE / ORGANIZATIONAL

- Unify the definition for MSME
- Designate a single pilot responsible for the SME: Guarantee the stability and transparency of the regulatory framework
- Encourage the MSME to use alternative dispute resolution methods..

SELF-ENTREPRENEUR FOCUS

- Doubling the turnover threshold of the auto-entrepreneur status
- Support the banking of auto-entrepreneurs through the opening of LIB (Low Income Banking) accounts with digital wallets integrating value-added services (withholding tax for social coverage, marketplace, digital management tools)
- Allow private insurers to offer social coverage offers with the implementation of withholding tax via mobile payment
- Generalize the Self-Employed Status
- Facilitate the Act of Investing

TAX

- Payment period
- Require large companies to deduct only expenses paid to SMEs.
- Correlate the distribution of dividends with compliance with the payment on the due date (legal or contractual as the case may be) of the SME suppliers

RELIEFS AND INCENTIVES

- Remove the deposit on IS or similar for the TPME
- Provide for lump sums a single levy for all taxes, duties and social contributions
- Create tax incentives for the first years of business life and for the handover
- Provide for differentiated taxation of long-term capital gains depending on the length of time the securities are held.

ADMINISTRATIVE PROCEDURES AND REGULATORY FRAMEWORK

- Simplify and digitize reorganization and liquidation procedures
- Reduction of administrative burdens and implementation of smart regulations ('Think Small first') and increased support for competitive industries (result of the benchmark)

02 PROMOTION OF INNOVATION AND TECHNOLOGY

Human capital: The mismatch between the offer and the demand is more than ever a reality.

Perception of African companies abroad: Generally, African economies do not have marketing positioning clear institutional.

Business dependency African traditional markets:
Need to diversify trading partners andopen up to new markets in Asia, Africa and South America..

Lack of concrete incentives for innovative projects:
Innovation projects are not financially supported because they represent a significant risk without counting protection risks of intellectual property

INNOVATION

- Develop continental strategies for the promotion of innovation and the production of technology (AI, Cryptocurrency, Big Data, etc.)
- Set up tax incentives for companies that allocate part of their investment to R&D
- Support the establishment of a private open innovation platform.
- Encourage countries and sub-regions to call on innovative start-ups and small businesses: Guarantee each innovative start-up to obtain its first purchase order by a public administration
- Encourage SMEs to integrate the Green Economy as a lever for development and excellence

TECHNOLOGY

- Set up infrastructures adapted to new technologies (regional data center at accessible costs)
- Creation of a complete and low-cost digital package including the essentials of business management (ERP, simplified accounting, etc.)
- Raise awareness among SMEs of the importance of digital transformation through video clips, training, serious games and special events to sustain the business.

SUPPORT

- Create activity zones to accommodate small and medium-sized enterprises within dedicated and adapted infrastructures and invest in incubators / accelerators and network them.
- Provide restructuring and transformation assistance in the event of failure.
- Offer an online diagnostic service equipped with prediction tools to support MSMEs with high potential or in difficulty
- Streamline and support the success of handover in family businesses

HUMAN CAPITAL

- Create an incentive framework to attract and retain Moroccan and international talents.
- Advantages favoring the hiring of specialized profiles (from the American SBA benchmark)
- Short training courses dedicated to advanced technologies in schools and universities and in the continuing education offer

INTERNATIONAL SUPPORT

- Definition of an international commercial strategy for Africa
- Simplify and reduce the administrative cost of access to export.
- Offer a single portal to provide all the elements to small businesses wishing to export (other African countries, EU, etc.).
- Set up export aid programs to absorb part of the costs linked to the development of foreign markets.

ATTRACT NEW INVESTORS

- Attract companies operating in the technology sector to invest in the continent
- Facilitate the link between (foreign) investors and SMEs (transfer of companies and / or transfer of know how).

03 PROMOTE ACCESS TO MARKETS AND PUBLIC PROCUREMENT

PUBLIC ORDER FOR SMES

- A reform of the public procurement decree towards opening up public procurement to the two categories Auto-entrepreneurs and cooperatives, with an ambition to reserve 20 to 30% of public procurement for these two categories.
- Establish a public procurement regulatory authority with clear procedures for handling the different phases, from launching calls for tenders, awarding, execution of works and services, acceptance and financial settlement.

ACCESS TO INTERNATIONAL MARKETS

- The one-stop-shop for import and export procedures promotes and simplifies trade through this Easy Access to procedures and formalities, for the entry and exit of goods.
- Call on complementary organizations that have set up support panels and export opportunities.

CALLS FOR TENDERS

- Exempt small business from the provisional bond for contracts where the Client's estimate does not exceed the threshold of € 100,000
- Simplify the conditions of access to public contracts for small businesses (level of qualification and financial resources adapted to small businesses).
- Offer young companies the opportunity to participate in public calls for tenders with the intuitu personae reference (CV and professional career of the entrepreneur
- Speed up and make compulsory the generalization of electronic submissions and extend it to all public establishments.

REGULATORY SECTION

- Establishment of tools and procedures for the control and monitoring of the shares reserved for SMEs in public contracts
- Set the investment threshold for projects carried out within the framework of laws in force or to be enacted, to be reserved for the TPME
- Clear procedures for handling the various phases, from launching calls for tenders, awarding, carrying out works and services, acceptance and financial settlement

GE - SME RELATIONSHIP

- Give priority in public procurement to large companies that co-treat part of the market to very small businesses via a better technical rating.

FACILITER L'ACCÈS AUX MARCHÉS

- Encourage small businesses to export via EIGs, clusters and ecosystems
- Support the creation of common distribution platforms, or even the creation of consortia
- Set up export aid programs to absorb part of the costs related to the development of foreign markets.

04 STRENGTHEN ACCESS TO FINANCING FOR MICRO-ENTERPRISES

EXISTING

Fragile relationship Bank / business: the bank requires a significant participation of the entrepreneur in the project or excessive guarantees.

Lack of structure and transparency in some companies: which makes banks more cautious and too cautious, including with regard to good students.

Unsuccessful regulatory framework for private equity: eg investment funds cannot recover VAT on transactions carried out.

Timidity of alternative financing methods: which leaves companies dependent on the banking sector.

PROPOSALS

OFFER

- Set up new alternative financing (Crowdfunding and Business Angels) and encourage the use of existing ones.
- Launch a call for projects for the creation of new financial instruments dedicated to SMEs with a focus on guarantor institutions and upstream financial tools to promote the startup ecosystem
- Create funds dedicated to innovation, fed by personal savings with tax incentives.
- Financing through the capital market by giving the stock market its full place as a development accelerator.

TAX INCENTIVES

- Improve the taxation of private equity (including transmission and reversal), IS, IR and in particular the VAT exemption for investment funds and business angels.

COST OF FINANCING

- Limit banks' margin on loans offered to micro-enterprises financed by donors or subsidized by the state.
- Set as an objective to reach a certain rate of bank loans granted to micro-enterprises.

GUARANTEES

- Limit the use by banks of guarantees on the personal property of small business managers and promote guarantees by mutual guarantee companies or any other mechanism (reverse factoring, local documentary credit).
- Put in place a mechanism to eliminate the need for a personal surety when a guarantee institution acts as a surety.
- Define a scoring by the Risk Centers or Credit Bureau exempting the best rated SMEs from guarantees on personal property.

SUPPORT

- Strengthen the sector of the banking advisory profession for small businesses.
- Provision of each SME's scoring by the Risk Centers or Credit Bureau.
- Strengthen the culture and training in financial management of small businesses.
- Facilitate the link between (foreign) investors and SMEs.

05 PROMOTION OF ENTREPRENEURIAL CAPACITIES

EXISTING

Lack of entrepreneurship education: a weak point in Africa according to GEM.

Shyness of entrepreneurial programs

Advantageous regulatory framework for private equity:
Ex: investment funds must recover VAT on transactions carried out.

Strengthening the incentive for entrepreneurship for women:
Representing only 10% of the total number of entrepreneurs, the place of women in this incentive for entrepreneurship is essential.

PROPOSALS

➘ ENTREPRENEURSHIP EDUCATION

- Create an entity for entrepreneurship education and the promotion of women:
  - Production of educational content for schools from primary to university
  - Promotion of entrepreneurship among women and support for women leaders

- Create an entrepreneurship education fund intended for associations wishing to run entrepreneurship training / workshops for the benefit of young people.
- Create a toolbox intended for neighborhood associations wishing to promote entrepreneurship allowing intervention at different stages of the project life cycle: awareness, creation, development.

➘ PROMOTION OF ENTREPRENEURSHIP

- Create national events to celebrate entrepreneurship in the form of a Regional Caravan (awareness-raising debates, Awards for exemplarity, networking)

➘ UPGRADING OF TEAMS WITHIN A SMALL BUSINESS

- Digitize and streamline training reimbursement mechanisms
- Include online training purchased locally or abroad in reimbursed training plans
- Provide statistics on the need for human capital in MSMEs.

Objectives Horizon 2030

BUSINESS CREATION / YEAR

- 750 000
- Get the most informal businesses into the formal one, through the Auto-Entrepreneur Status
- 4 levers:

- support to grow and grow
- social Security
- digital access to the market
- alternative financing: crowdfunding and / or Business Angel
- create a Continental Business Angels Fund supported by the African Union, through the AfCFTA

REVERSE LOSS RATES

- Record a rate of 70% of Microenterprises with a turnover of over 150 M €
- Double the rate of VSE-PME with a turnover of more than € 500 million

INCREASE EXPORTS

- Accentuate the local and international presence of VSEs and SMEs
- Increase the share of these companies in export sales to bring it to 40% by 2030
- Entrepreneurship is a mechanism of economic and social development to generate income and jobs while enabling and enriching individuals and communities. It is truly a driver of change

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