

# ENTREPRENEURSHIP POLICY TOOLKIT

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## PART 5.4: GOVERNANCE



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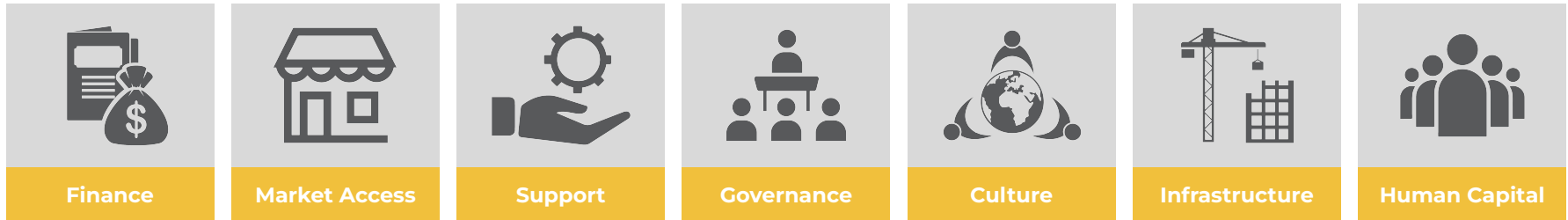
**Make-IT  
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## How to read Part 5 of the toolkit?

Part 5 of the Entrepreneurship Policy Toolkit addresses the main challenges faced by entrepreneurs across the continent.

In the previous part of the toolkit, i4Policy analyzed the challenges covered by fourteen entrepreneurial ecosystem diagnostic tools. We concluded that, despite wide variation in sources, the evaluative approaches are relatively consistent and seven challenges are considered the main categories in most of the methodologies reviewed.

These seven provide us with a well-researched typology of challenges faced by entrepreneurs across the world:



## How to read Part 5 of the toolkit?

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Part 5 of the Entrepreneurship Policy Toolkit is divided into seven sub-sections, tackling each of the challenges mentioned in the previous slide, as follows:

1. **Finance**
2. **Market Access**
3. **Support**
4. **Governance**
5. **Culture**
6. **Infrastructure**
7. **Human Capital**

It is up to you to read through the sub-sections as you desire. You can either download or read the entirety of Part 5, if you want to have a broad understanding and bird-eye view of all challenges faced by entrepreneurs. However, if only a specific challenge is of interest to you, feel free to go through one (or several) sub-sections.

Each subsection contains policy interventions, focusing first on the objectives the policy must meet in order to effectively tackle a challenge, then on the policy's expected impacts and KPIs. Throughout all subsections, examples of successful national policy interventions will be provided per challenge.

# What will I learn?

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## Part 5.4 - Governance

In this section, we will explore the challenges faced by startups and SMEs in the area of governance and regulations. You will learn:

- How to simplify administrative procedures for an SME;
- Ways to use costs reductions as incentives for entrepreneurs to license and register their companies;
- What communication channels to use to clarify and centralise information;
- How to improve coordination of entrepreneurial initiatives between the variety of existent stakeholders;
- How to create public campaigns aimed at improving entrepreneurs' awareness of regulations, standards and procedures set by law;
- How to improve regulatory quality;
- Which enforcement procedures can enhance predictability in commercial relationships and reduce uncertainty for businesses and investors.



## Definition - What is governance ?

According to the World Bank, “Governance consists of the traditions and institutions by which authority in a country is exercised. This includes:

- (i) the process by which governments are selected, monitored and replaced;
- (ii) the capacity of the government to effectively formulate and implement sound policies; and
- (iii) the respect of citizens and the state for the institutions that govern economic and social interactions among them.”

In the field of entrepreneurship, governance relates to non-conductive laws and regulations affecting startups, the growth of firms, and associated implementation practices.



## Part 5.4

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### Part 5.4 - Governance

- 5.4.1 Regulatory Quality
  - 5.4.2 Enforcing Contracts
  - 5.4.3 Political & Economic Environment
  - 5.4.4 Business Procedures
  - 5.4.5 Digital Governance
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## 5.4.1 Regulatory Quality

This sub-challenge captures the perception of the ability of the government and the public service to formulate and implement sound and independent policies and regulations that permit and promote private sector development. It covers the quality and clarity of information

### Policy Objectives Addressed

- Increase efficiency of regulatory systems
- Simplify access to information
- Make policy more evidence-based
- Improving the understanding of the laws by raising awareness of regulations, standards and procedures

### Expected Impacts

- Promoting better functioning markets and increase productivity of businesses by cutting red tape
- Creating clearer laws and regulations promoting business development

### KPIs

- Regulatory quality index
- ICT regulatory environment
- Government effectiveness



## 5.4.1 Regulatory Quality

### General Tools for Improving Regulatory Quality

- 1. Regulatory impact analysis:** Regulatory Impact Analysis (RIA) is used to assess the positive and negative effects of a regulation. It is evidence-based, drawing on consultation with affected groups and assessing economic, social and environmental impacts.
- 2. Public consultation:** Consultation with businesses and the public reduces the risk of regulatory failure because the transparent nature of the process increases buy-in and compliance. An example is making laws publicly available for online consultation in the final stages of drafting.
- 3. Consideration of regulatory alternatives:** This includes:
  - a. more flexible, less prescriptive forms of regulation, such as performance-based regulation,
  - b. co-regulation and self-regulation, involving the industry, profession or regulated entities,
  - c. incentives and market-based instruments, including taxes and subsidies, tradable permits and other market-based approaches, often found in the environmental area, and;
  - d. information approaches, focusing on education and persuasion.
- 4. Compliance burden-reduction measures:** Administrative requirements surrounding regulation take time and cost businesses money. Measures include reduction of paperwork, delays and streamlining application and licensing processes.



## 5.4.1 Regulatory Quality



### 1. Simplification of procedures

Procedures, time, cost and paid-in minimum capital to register a company, to get construction permits, to get connected to the electrical grid and to find / register / transfer a property (land administration) are often too high for startups and SMEs.

#### Intervention 1

#### Digitization of application and registration platforms

#### Example

**Company Registration** - Governments like Mauritius use an online portal, the Companies and Businesses Registration Integrated System (CBRIS) to improve the interface between government and the private sector, the quality and timeliness of government services and transparency of procedures. CBRIS allows the electronic submission of applications for incorporation of companies and application for the Business Registration Number. In addition, incorporated companies can also pay their yearly registration fees through the system. This intervention is applicable to both startups and SMEs but may be most likely be utilized by startups who may be used to digitized services.

**Visa Applications** - The Startup Visa offers fast-track self-employment visas to non-EU citizens seeking to open a startup in Italy; while the Startup Hub helps non-EU citizens who want to launch an innovative startup and already have regular residency permits convert them to startup-entrepreneur status. Applications can be made online directly or through certified incubators.

#### Applicable to

SMEs, Startups

## 5.4.1 Regulatory Quality



### 1. Simplification of procedures

#### Intervention 2

#### One-stop-shops

#### Example

**Aggregation of services for company registration** - To reduce bottlenecks and centralize services, the Government of Ghana's Registrar General created a One-Stop-Shop which allows companies to obtain their Tax Identification Number (TIN), Social Security and National Insurance Trust (SSNIT) Number at one desk. Previously companies were required to visit respective offices separately.

#### Applicable to

SMEs, Startups

## 5.4.1 Regulatory Quality



### 2. Standards and Compliance

Regulations often reflect the established technological and business paradigms, and may be slow to change due to the relative prominence and lobbying power of incumbents in the policy debate in comparison with young firms and prospective entrants. This may generate additional barriers for entrants seeking to bring new and disruptive technologies or business models to market, such as in environmental, food and safety or in the fintech sector.

<b>Intervention</b>	<b>Training on standards and regulations</b>
<b>Example</b>	<ul style="list-style-type: none"><li>• Rwanda seeks to train SMEs on environmental protocol, standards and health regulations (especially the manufacturing industry) through its Business Development Centers, enabling them to assess their own businesses. The Rwanda Environmental Management Agency will also develop training programs on environmental assessments and standards for business development centers.</li><li>• To ensure that SME product quality meets international standards, Mauritius' policy recommends that the government provides training in technical product specifications, product costing, marketing; and support for international certifications like ISO 9000, HACCP and Eco-Labeling among others.</li></ul>
<b>Applicable to</b>	SMEs, Startups

## 5.4.1 Regulatory Quality



### 3. Clarity of Information

Information surrounding business processes, rules and regulations is scattered across various government agencies making it difficult for companies to navigate. Some governments list these on government websites while others retain hard-copy forms at physical offices.

#### Intervention

**Governments may employ various communications channels and strategies to centralise information:** online platforms, business centers, observatories, databases and other activities for SME Data Collection. Agencies may also organize dialogues and exchanges for information sharing.

#### Example

Tanzania's MSME Information Portal, managed by the Tanzania Private Sector Foundation and the Financial Sector Deepening Trust, provides business management tools, opportunities for finance and investment, information on business networks and self-training materials for capacity building. It also offers information on policies, regulations and procedures, links to relevant institutions and a directory of other MSMEs.

#### Applicable to

SMEs, Startups

## 5.4.1 Regulatory Quality



### 4. Coordination of enterprise policy

Entrepreneurship does not follow a clear, coherent, holistic and inclusive strategy backed by unequivocal political support. The distinction between different segments of entrepreneurs is not always clear, and the implementation of entrepreneurship measures is mixed. Dedicated institutions can be ineffective and reactive given limited administrative capabilities and their inability to coordinate among public agencies and with private sector. Interventions to improve coordination of entrepreneurial initiatives between the myriad of stakeholders involved are required at the national, regional and continental level.

<b>Intervention 1</b>	<b>Ranking of district/state interventions through a framework assessment of entrepreneurial ecosystems (National)</b>
<b>Example</b>	In an effort to foster competitiveness and incentivize its states to promote their startup ecosystems, India introduced the States Startup Ranking Framework in 2018. Its objectives are to capture on the ground feedback to map the state of awareness in the ecosystem, the adoption of best practices and the regulatory framework in each state. The rankings have been successfully implemented over the past two years using a scoring framework hinged on seven pillars - Institutional Support, Simplifying Regulations, Easing Public Procurement, Incubation Support, Seed Funding Support, Venture Funding Support, Awareness and Outreach.
<b>Applicable to</b>	Startups

## 5.4.1 Regulatory Quality



4. Coordination of enterprise policy	
Intervention 2	<b>Consolidation of overlapping functions, accreditation and monitoring of service providers (National).</b>
Example	<b>Consolidation</b> - In its policy, Mauritius set out to improve the institutional support framework and streamline regulatory procedures for SMEs by consolidating three organizations - SMEDA, Enterprise Mauritius and National Women Entrepreneur Council into one organization. It incorporated as a parastatal organization, SME Mauritius with a board constituted equally of public and private sectors' representatives with a clear mandate to provide targeted and differentiated support to SMEs.
	<b>Accreditation</b> - In Nigeria, this includes accreditation processes for Business Development Service Providers to ensure the availability of data for planning and quality control on services delivered to MSMEs.
	<b>Monitoring &amp; Evaluation</b> - To improve monitoring, the policy proposes the development of a comprehensive, database (directory) of MSMEs in Nigeria. This also includes monitoring and evaluation and of their Business Development Centers by SMEDAN post-training.
Applicable to	SMEs, Startups

## 5.4.1 Regulatory Quality



### 4. Coordination of enterprise policy

#### Intervention 3

**Common definitions, charters, and blueprints at the regional level by regional bodies. (Regional)**

#### Example

The West African Economic and Monetary Union (WAEMU), by virtue of its role as a regional coordinating body for francophone West Africa, seeks to create a framework for SMEs in its member states. Its interventions include the development of an SME Charter with the WAEMU Community, as well as the establishment of strong, autonomous SME Development Agencies with appropriate human, financial and material resources within member states. It also seeks to establish a Directorate for SMEs which is permanently attached to an appropriate Ministry in each WAEMU Member State to guarantee the interests of SMEs.

#### Applicable to

SMEs, Startups

## 5.4.1 Regulatory Quality



### 5. Awareness & Sensitization

Many entrepreneurs (especially those in the informal sector) are unaware of regulations, standards and procedures set by law. Even when they are aware, they may avoid them.

<b>Intervention</b>	<b>Publicity campaigns</b>
<b>Example</b>	<p>Rwanda's policy includes a publicity campaign to inform SMEs of the new Flat Tax regime and benefits of formal registration; sensitization of SMEs to new regulations to increase formalization and the introduction of a reward scheme for registered SMEs that encourages unregistered SMEs to register for tax purposes.</p> <p>Nigeria's strategy to promote formalization of MSMEs includes a campaign to sensitize MSMEs on the benefits and advantages of formal registration through road shows, engagement of Business Membership Organizations and the National Orientation Agency.</p> <p>To promote understanding of the existing standards and regulations, the policy proposed the establishment of MSME friendly windows at the Federal, State and Local Government levels to facilitate easy access.</p>
<b>Applicable to</b>	SMEs, Startups



## 5.4.2 Enforcing Contracts

Measures the time and cost to resolve a commercial dispute, the quality of judicial processes, and the respecting of property rights. Good enforcement procedures enhance predictability in commercial relationships and reduce uncertainty for businesses and investors.

### Policy Objectives Addressed

- Reducing payment processing times to SMEs and startups
- Provision of effective dispute resolution mechanisms (government to business, business to business)

### Expected Impacts

- Increased private sector confidence
- Improved credit markets as a result

### KPIs

- Rule of Law index
- Intellectual property protection
- Property rights index
- Enforcing contracts

## 5.4.2 Enforcing Contracts



Where contracts are concerned, entrepreneurs face challenges resolving payments on two levels:

- Business to government (public contracts)
- Business to business (B2B)

### 1. Reducing payment processing times to SMEs and startups (Business to government contracts)

<b>Intervention 1</b>	<b>Legally enforced payment windows for government contracts with interest for late payments</b>
<b>Example</b>	<ul style="list-style-type: none"><li>• Burkina Faso has committed to process claims within 60 days, however in practice, suppliers realistically received payments between 90-180 days. Should public entities exceed the processing windows, they are required to pay a default interest for late payment.</li></ul>
<b>Applicable to</b>	SMEs

## 5.4.2 Enforcing Contracts



### 1. Reducing payment processing times to SMEs and startups (Business to government contracts)

#### Intervention 2

**Monitoring Committees:** Three types of review bodies address bidders' complaints - procuring entities, independent administrative review bodies, and courts.

#### Example

- The Nigerian Charter calls for preferential treatment to recognized SMEs, naming the National Committee for Monitoring of the Charter (CONASUC) as the organization responsible for assisting SMEs experiencing payment difficulties.

#### Applicable to

SMEs, Startups

## 5.4.2 Enforcing Contracts



### 2. Provision of effective dispute resolution mechanisms (addressing business-to-business complaints)

<b>Intervention</b>	<b>Alternate Dispute Mechanisms:</b> Where business-to-business (B2B) and other contracts are concerned, governments are looking towards Alternate Dispute Resolution Mechanisms to support SMEs.
<b>Example</b>	<ul style="list-style-type: none"><li>• Mauritius' strategy proposes a claim procedure mechanism using Alternative Settlement Procedures based on the small claim tribunal principle for dispute amounts of up to MUR 250,000. This procedure is similar to an existing procedure in place by the Mauritius Chamber of Commerce's Arbitration and Mediation Center (MARC).</li></ul>
<b>Applicable to</b>	<ul style="list-style-type: none"><li>• SMEs</li></ul>

## 5.4.3 Political and Economic Environment

A stable political and economic environment is essential for a healthy and conducive business climate. Low levels of corruption, regulatory predictability, political stability, low inflation rates and freedom for entrepreneurs are all key components of a thriving business ecosystem.

### Policy Objectives Addressed

- Providing a stable and predictable regulatory environment
- Ensuring long-term sustainable economic policy, both fiscal and monetary

### Expected Impacts

- Stability for entrepreneurs to thrive and innovate

### KPIs

- Corruption index
- Political stability
- Economic freedom

## 5.4.3 Political and Economic Environment



### 1. Regulatory predictability

Predictability in regulatory decision-making is a commonly cited concern for investors and entrepreneurs. Clear and accessible regulations - explicitly stated through published policies, procedures, etc. - enable entrepreneurs to inform themselves about regulatory affairs. Moreover, clear and open communication from the government on policy development and iteration, including consultations with all actors involved, reduces regulatory risks and fosters investment.

<b>Intervention 1</b>	<b>Provide easy access to information on rules and regulations for entrepreneurs</b>
<b>Example</b>	The Government of Senegal has launched several websites and information access portals. For example, the website of the Official Journal of the Republic ( <a href="http://www.jo.gouv.sn">www.jo.gouv.sn</a> ) lists all legal and regulatory texts published since 2001. Another portal that lists up to 750 documented administrative procedures is available via <a href="http://www.servicepublic.gouv.sn">www.servicepublic.gouv.sn</a> .
<b>Applicable to</b>	SMEs, Startups

## 5.4.3 Political and Economic Environment



### 1. Regulatory predictability

#### Intervention 2

#### Communicate proactively and open about policy iteration and consult

#### Example

- The Africa Cabinet Government Network (ACGN) was established in 2014. It aims to support inclusive, evidence-informed decisions by African Governments. It builds on a shared desire to exchange knowledge on steps taken to improve the procedures and capabilities of Cabinet Secretariats, especially to improve evidence-based policy-making.
- In 2020 the Government of Ghana published its National Public Policy Formulation Guidelines, adding to a 2017 revision of the Ghanaian Cabinet Manual which streamlined how the Cabinet regulated its decision and rule-making procedures. Both documents contain regulatory impact assessment provisions, as well as guidelines on how to perform consultations with stakeholders.

#### Applicable to

SMEs, Startups

## 5.4.3 Political and Economic Environment



### 2. Transparency and accountability of the public sector

#### Intervention 1

#### Implementing regulation to combat corruption

#### Example

- In 2012 Senegal established the National Office for the Fight against Fraud and Corruption (OFNAC). It has powers to initiate investigations and aims to prevent and fight against fraud, corruption, related practices and offences. It can analyze information related to corruption and fraud and make it available to the judicial authorities responsible for prosecution; receive complaints, claims and denunciations and can conduct inquiries, investigations, audits and verifications. Currently, the Senegalese government is strengthening the assignment of OFNAC, specifically to ensure that proper follow-up is given to investigations that it transmits to the competent judicial authorities.
- In 2019 Sierra Leone established the Anti-Corruption Amendment Act. It provides among others, for increased penalties for offences; strengthened protection for witnesses and whistleblowers; alternatives to prosecution; and a wider scope of corruption offences. The Act also provides administrative sanctions for public officers who fail to submit their asset declaration forms or knowingly record false, inaccurate or misleading information in the forms; introduces trial in absentia of those accused of corruption and limits declaration of assets to senior public officials.

#### Applicable to

SMEs, Startups



## 5.4.3 Political and Economic Environment



### 2. Transparency and accountability of the public sector

#### Intervention 2

#### Publishing data on company beneficial ownership

#### Example

The Republic of Kenya has committed to publish a central public register of company beneficial ownership (BO) information of firms operating in the country. Through gathering and publishing these data the government aims to combat a reported increase of cases of loss of public funds through fraud, embezzlement and procurement malpractice through companies whose real owners remain shadowy or unknown. Investigations often reveal the directors involved, but questions remain as to whether the known directors are indeed the ultimate, true owners of the companies based on their profiles and the nature and extent of their involvement.

#### Applicable to

SMEs, Startups

## 5.4.4 Business Procedures

This includes the most important business procedures that companies must go through, including the cost of starting a business, obtaining permits, paying taxes, resolving insolvency and immigration services. Simple, transparent, and predictable procedures encourage people to start businesses and let them focus on their core ideas instead of drowning in red tape.

### Policy Objectives Addressed

- Streamlining business procedures
- Providing more flexible and inexpensive bankruptcy options for small businesses
- Simplification of complex tax regimes
- Reducing the tax burden on SMEs and startups
- Increasing Intellectual Property usage with startups and SMEs

### Expected Impacts

- Businesses save time and cost, which impact productivity as well as product/service pricing

### KPIs

- Starting a business
- Business Freedom
- Paying taxes
- Resolving insolvency
- Obtaining construction permits
- Ease of hiring foreign labor
- Startup visa score

## 5.4.4 Business Procedures



Entrepreneurs face numerous hurdles and complex business procedures that waste time and money and add costs to their final products and services. Some of these challenges include:

- **Bankruptcy and Insolvency:** In many countries time and costs for commercial insolvency/bankruptcy are high and the outcome and recovery rate uncertain. In some countries the legal framework is weak, encouraging entrepreneurs to create legal structures abroad or, when facing bankruptcy, to keep their businesses dormant.
- **Paying Taxes:** In addition to the complexity of tax regulations and processes, entrepreneurs often find tax and contribution rates high.
- **Cost reductions:** fees for business procedures, such as incorporation or licensing, can be high.
- **Intellectual Property (IP):** In some countries, intellectual property legislation does not align with international standards. Where they do, they are often poorly implemented. Entrepreneurs underestimate the importance of IP or are unable to comply due to the costs and time associated with the procedures.
- **Immigration:** Immigration policies (entrance to the country, labor laws for migrants, etc.) limit the access to foreign (or diaspora) workers, which is critical especially in tech sectors, where global attraction of specialized / high-skilled workers (ex. engineers) is extremely important. Barriers to short-term business visits can also disincentivize investors or other business support providers.

## 5.4.4 Business Procedures



### 1. Bankruptcy and Insolvency

In many countries time and costs for commercial insolvency/bankruptcy are high and outcomes and recovery rates uncertain. In some countries the legal framework is weak, encouraging entrepreneurs to create legal structures abroad or, when facing bankruptcy, to keep their businesses dormant.

<b>Intervention 1</b>	<b>Recovery plans and protection from forced liquidation</b>
<b>Example</b>	<ul style="list-style-type: none"><li>● <b>Recovery plans:</b> Recovery plans offer SMEs an opportunity to develop practical steps to get back on track. In Niger, SMEs can be subscribed to a recovery plan approved by CONASUC (Comité National de Suivi de la Charte, the Monitoring Committee).</li><li>● <b>Exemptions from preliminary closure agreements and forced liquidation:</b> Italy's Fail-Fast procedure exempts startups from the standard bankruptcy procedure, preliminary closure agreements and forced liquidation should an over-indebtedness crisis occur.</li></ul>
<b>Applicable to</b>	SMEs

## 5.4.4 Business Procedures



### 1. Bankruptcy and Insolvency

While offering flexible measures for Startups and SMEs, it is equally important to provide protection for investors in companies undergoing bankruptcy.

<b>Intervention 2</b>	<b>Guarantees and incentives for investors</b>
<b>Example</b>	<ul style="list-style-type: none"><li>• Morocco and Niger both offer tax deductions (from the basis of assessment) to individuals who have subscribed to the capital of an SME going through the insolvency process. In Morocco, the company must be within five years of its incorporation or reorganization, and investments must be cash investments.</li></ul>
<b>Applicable to</b>	SMEs

## 5.4.4 Business Procedures



### 2. Paying Taxes

In addition to the complexity of tax regulations and processes, entrepreneurs often find tax and contribution rates high.

<b>Intervention 1</b>	<b>Simplified regimes based on company type, profits or other criteria</b>
<b>Example</b>	<ul style="list-style-type: none"><li>Senegal's recently passed startup law offers a more simplified tax rate system as well as exemptions from the flat rate minimum tax.</li></ul>
<b>Applicable to</b>	SMEs, Startups

## 5.4.4 Business Procedures



### 2. Paying Taxes

#### Intervention 2

**Deductions or exemptions to startups and SMEs:** These may also be conditional and specific to priority sectors, locations or activities of interest to the state.

#### Example

- SMEs in Benin using local raw materials and/or renewable energy (biogas, wind energy, solar energy) are exempted from all local taxes and duties on income, turnover and activities in the first three years of operation. Benin also offers these exemptions to SMEs creating new jobs or employing youth or unemployed people.
- Zambia offers exemptions on income for the first three years of operations for an enterprise operating in an urban area, and for the first five years if operating in a rural area.

#### Applicable to

SMEs, Startups



## Simplified Tax Rate in Senegal

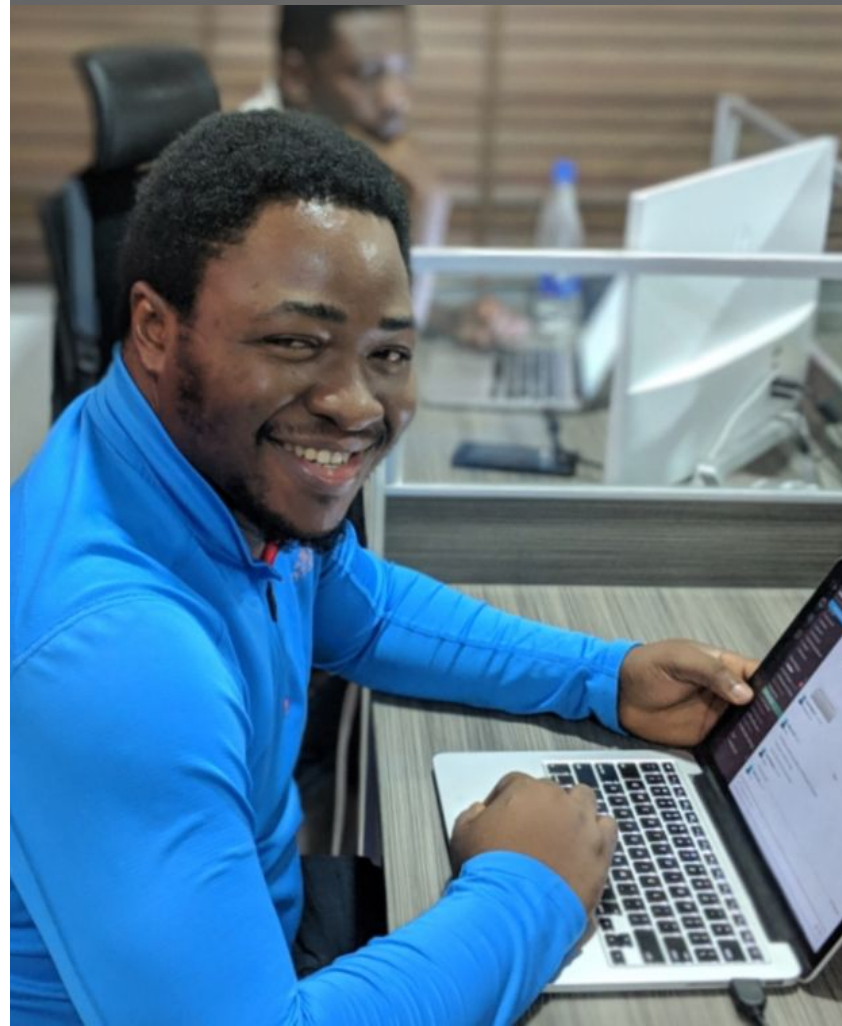


Senegal's unique global contribution tax rates (GCU; Contribution Globale Unique), have been **reduced from 11 different rates** depending on the category of company and the level of turnover to **just two rates** for service providers and traders/producers.

Service providers receive a 5% rate (previously between 4% and 8%) while traders and producers receive a 2% rate (previously between 1 and 3.8%).

Startups and SMEs are exempt from:

- The flat rate minimum tax (IMF; Impôt Minimum Forfaitaire) for the first 3 years of operation for startups, and the minimum threshold of CFA500,000 was also eliminated.
- The flat rate contribution to be paid by employers (CFCE; Contribution Forfaitaire a la Charge des Employeurs) for the first 3 years of operation for startups.







## Deductions for Startups in Tunisia



Tunisia's Startup Act provides several benefits for startup founders and investors. Startup founders are provided with a stipend, startups are exempt from corporate tax and they are exempt from capital gains tax. In addition, startups do not need approval from the telecom authority and technical control procedures on their imports are skipped.

Investors in startups in Tunisia can also count on generous support from the government. The Startup Act contains, for instance, tax relief for individuals and entities that directly invest in startups or that subscribe to venture capital funds investing in startups. Additionally, a tax relief on capital gains is introduced, exempting investments into startups from capital gain taxation. A third measure, meant to ensure that startups have access to funding, provides a guarantee for VC funds investment in startups for up to 30% of the investment.



## 5.4.4 Business Procedures



### 3. Cost Reductions

In many countries, the cost of licensing and registration for various processes (business registration, tax registration, permitting, standardization, etc.) is a barrier for formalization of entrepreneurs.

<b>Intervention</b>	<b>Provision of subsidies, fee reductions and other financial exemptions are incentives for licensing and registration.</b>
<b>Example</b>	In Zambia, the SME law allows a manufacturing enterprise to operate for the first five years without a manufacturing license. It also exempts these companies from the payment of licensing fees and payment of rates on the factory premises for five years. Senegal's Startup Act also provides reduced registration fees for the creation of companies with capital less than CFA 100 million. The fee was reduced from 25,000 CFA to 10,000 CFA.
<b>Applicable to</b>	SMEs, Startups

## 5.4.4 Business Procedures



### 4. Intellectual Property

Many countries offer deductions, and exemptions to SMEs on their expenses and income related to the use of Intellectual Property.

#### Intervention 1

#### Tax Benefits for companies who have registered IP

#### Example

- Italy's "Patent Box" put in place by the 2015 Budget Law introduces fiscal benefits on income from the use of intellectual property. It gives companies the option to deduct 50% of the income deriving from commercial use of intangible assets (copyrights, industrial patents, trademarks and commercial brands) from their taxes.

#### Applicable to

SMEs, Startups

## 5.4.4 Business Procedures



### 4. Intellectual Property

#### Intervention 2

#### Training on Intellectual Property

#### Example

- Many entrepreneurs are not aware of the benefits and processes surrounding IP in their countries. Training can be provided through business resource centers, incubators, hubs, and other networks for SMEs and startups.

#### Applicable to

SMEs, Startups

## 5.4.4 Business Procedures



### 4. Intellectual Property

#### Intervention 3

#### Participation in International IP Networks and Organizations

#### Example

- In order to support the development of indigenous franchises and facilitate the acquisition of franchise agreements from abroad, governments have joined worldwide networks or bodies such as the World Intellectual Property Organization and signed treaties like to the Patent Cooperation Treaty; the Madrid convention for protection of marks; the Hague system for industrial design and technology related sectors; and the Lisbon system for AOC (Appellation d'origine contrôlée) for agro-processed foods.

#### Applicable to

SMEs, Startups

## 5.4.4 Business Procedures



### 5. Immigration

Countries like Mauritius, Italy, and the Philippines make use of special visas for business people and startups. Reducing barriers to hiring international employees can facilitate business growth.

<b>Intervention</b>	<b>Introduction of special visa for business and startups</b>
<b>Example</b>	<p>The Filipino Startup Act provides three types of Startup Visas. These are:</p> <ol style="list-style-type: none"><li>1. The startup owner visa for a prospective or current foreign owner of a registered startup or startup enabler;</li><li>2. The startup employee visa for a foreign employee of a registered startup or startup enabler; and</li><li>3. The startup investor visa for a prospective or current foreign investor of a registered startup or startup enabler.</li></ol> <p>The visas have an initial five year validity and may be renewed or extended for an additional three years. Multiple-entry interim startup visas valid for six months to one year may be issued for free to prospective startup owners, investors, or enablers subject to the endorsement of the appropriate host agency. Visa holders are also exempt from securing an Alien Employment Permit (AEP) and are added to a public database subject to existing rules and regulations.</p>
<b>Applicable to</b>	Startups



## Cutting Red-Tape at Rwanda's RDB



- ❖ **Decreased the time to start a business from 18 to 3 days:**  
First, the government increased the number of notaries (from 1 to hundreds) to reduce backups, and later removed the need for a notary through an online form. An online publication notice replaced the physical publication and a one stop shop reduced the number of interactions from 9 to 2 people.
- ❖ **Reduced the time to transfer property from 1 year to a month:**  
The government made it easier to transfer property by removing mortgage registration fees and applying a flat fee (as opposed to a 6% tax). It decentralized its land and registration offices and imposed strict time limits for procedures such as tax clearance certificates.
- ❖ **Improved trade by reducing the time required to export goods by half (60 to 29 days)** and reduced the number of documents required from 14 to 8. The government moved the customs declaration process to an online system, extended border hours, implemented electronic data exchange systems, risk-based inspections and improved border cooperation.



## 5.4.5 Digital Governance

African countries are at various levels of maturity in the development of governance structures for the digital economy. Policies for the governance of data infrastructure and management (e.g. re-usable public-sector data and open data), interoperability and interconnectivity (e.g. application programming interfaces - APIs), digital financial services (e.g. mobile money) or digital identification systems (for example e-signature) are either non-existent or newly developed.

### Policy Objectives Addressed

- Increase availability of e-government services
- Develop national strategies on trending issues of privacy, artificial intelligence, data storage etc

### Expected Impacts

- Improving access to information through digital governance

### KPIs

- Government online services
- Publication and use of open data





## 5.4.5 Digital Governance

This section focuses on e-Government services and open data. It does not contain specific policy interventions but rather emphasizes the importance of digital governance and calls for the development of a national digital governance strategy and provides recommendations in this respect.

### **Context: the African Union's 2020-2030 Digital Transformation Strategy**

The African Union's 2020-2030 Digital Transformation strategy seeks to “harness digital technologies and innovation to transform Africa’s societies and economies to promote Africa’s integration, generate inclusive economic growth, stimulate job creation, erase the digital divide and eradicate poverty to secure the benefits of digital revolution for socio-economic development.”<sup>1</sup>

In order to achieve these targets policymakers must consider a myriad of challenges. The strategy outlines:

- **Foundational Pillars:** Enabling Environment, Policy and Regulation, Digital Infrastructure, Digital Skills and Human Capacity, Digital Innovation and Entrepreneurship
- **Critical sectors:** Digital Industry, Digital Trade and Financial Services, Digital Government, Digital Education, Digital Health, Digital Agriculture
- **Cross cutting themes:** Digital Content & Applications, Digital ID, Emerging Technologies, Cybersecurity, Privacy and Personal Data Protection, Research and Development

<sup>1</sup> African Union (2020). *The Digital Transformation Strategy for Africa (2020-2030)*.  
<https://au.int/en/documents/20200518/digital-transformation-strategy-africa-2020-2030>



## 5.4.5 Digital Governance

### Recommendations

In order for a digital government strategy to be effective, some pre-conditions need to be in place that will support its development and implementation. The OECD (2017) surveyed existing digital governance strategies and identified the governance arrangements needed for coordinating the vision, design and implementation for the strategy.<sup>1</sup> A number of lessons can be drawn from their analysis.

The Open Government Partnership also highlights several ideas for governments to advance regarding digital governance.<sup>2</sup> While underlining the potential of digital technologies the OGP also acknowledges that these technologies can present risks to democracies, for example through unaccountable institutions pursuing their own interests. Their menu of ideas features recommendations across areas like inclusive digital transformation and innovation, digital rights and safeguard against misuse of digital technologies.

In the following two slides we present a subset of what we feel are the most important and relevant recommendations for the design of your digital governance strategy.

<sup>1</sup> OECD (2017). *Survey on the use and implementation of the Recommendation of the Council on Digital Government Strategies*. <https://www.oecd-ilibrary.org/sites/65e2cbbf-en/index.html?itemId=/content/component/65e2cbbf-en>

<sup>2</sup> Open Government Partnership. <https://www.opengovpartnership.org/policy-area/digital-governance/>



## 5.4.5 Digital Governance

### Recommendations

- 1. External stakeholders should be engaged at all administrative levels.** Consultation creates buy-in and reduces the risk of implementation challenges in the future.
- 2. Ensure internet access is inclusive.** Addresses barriers to affordability and accessibility for underrepresented communities and geographically isolated regions.
- 3. Implement appropriate data management policies.** Ensure that these are aligned with global norms to protect data rights, use, storage, and privacy.
- 4. Proactively create mechanisms for transparency, oversight, and inclusion into the use of artificial intelligence and algorithms.** This could include directives on the ethical use of technologies like AI and prevention of human rights abuses.
- 5. Create policies to limit abusive surveillance and safeguard against censorship and arbitrary shutdowns.** With regard to internet censorship governments must ensure that content-based restrictions meet international standards for civic rights.



## 5.4.5 Digital Governance

### Recommendations

- 6. Explore policies to tackle disinformation and misuse of social media platforms.** Some governments are mandating that social media companies remove harmful and incorrect content.
- 7. Use a high level strategic governance platform and an operational coordination team for implementation.** High level bodies provide political direction, while technical coordination takes place with a unit or network of Chief Information Officers (CIOs) at the ministerial/agency levels.
- 8. Utilize centralized ICT funds to co-finance strategic projects and incentivize compliance.**
- 9. Measure impact through monitoring systems, indices and impact assessments.** While monitoring is often centralized through coordination teams, some countries have decentralized the process with automated monitoring.



## Chile's Modernization Strategy



- ❖ Chile launched a new framework for the high-level governance of public sector modernisation and digital government.
- ❖ It includes the creation of a Permanent Advisory Council for Modernisation composed of 12 members from the public and private sector who are responsible for providing ongoing advice to the President on the strategic and long-term vision for public sector modernisation. The Council has one President and an Executive Secretary.
- ❖ The government also created the Executive Council for the Modernisation of the State, comprising delegates from the President's Office, MINSEGPRES, the Ministry of Finance and the Direction of Budget of Chile (DIPRES), to develop a roadmap and monitor progress.





## Israel's IT Governance as a Service



- ❖ As part of its efforts to strengthen ICT governance and oversight, Israel has developed the application IT Governance as a service (ITGaaS).
- ❖ ITGaaS is a platform that supports the management and monitoring of ICT projects. It also allows agency CIOs to prepare their annual work plans, IT budget and risk management of IT departments in all ministries.
- ❖ The platform serves as a service that facilitates the alignment of IT department management with government standards in a range of fields and helps create a catalogue of all government platforms and systems, thus providing Israel with a robust basis of compliance with good practices in IT project governance. It also allows for the continuous monitoring of ICT project implementation.





## Internet Inclusion in Rwanda and South Africa



- ❖ In Rwanda, the Digital Ambassadors Program, a collaboration between the government, the Digital Opportunity Trust and the Mozilla Foundation, trains 5,000 digital skills trainers who will be posted in rural areas to provide digital skills training to 5 million Rwandans.
- ❖ In South Africa, the Imbizo campaign of internet awareness has already reached thousands of non-internet users in its first months, providing email addresses and ensuring people understand how the internet can benefit their lives.



# Key Performance Indicators





## Governance KPIs



Sub Challenge	Description	Indicators	Source
<b>Regulatory quality</b>	This sub-challenge captures perceptions of the ability of the government and the public service to formulate and implement sound and independent policies and regulations that permit and promote private sector development, with special attention to the ICT regulatory environment.	Regulatory quality index	<a href="http://www.govindicators.org">www.govindicators.org</a>
		ICT regulatory environment	<a href="http://www.itu.int">www.itu.int</a>
		Government effectiveness	<a href="http://www.govindicators.org">www.govindicators.org</a>
<b>Enforcing contracts</b>	Measures the time and cost to resolve a commercial dispute, the quality of judicial processes, and the respecting of property rights. Good enforcement procedures enhance predictability in commercial relationships and reduce uncertainty for businesses and investors.	Rule of law index	<a href="http://www.worldjusticeproject.org">www.worldjusticeproject.org</a>
		Intellectual property protection	<a href="http://www.weforum.org">www.weforum.org</a>
		Property rights index	<a href="http://www.internationalpropertyrightsindex.org">www.internationalpropertyrightsindex.org</a>
		Enforcing contracts	<a href="http://www.doingbusiness.org">www.doingbusiness.org</a>
<b>Political &amp; economic environment</b>	Captures the stability and freedom of corruption of countries. It includes a measure for the economic stability of a country. Low inflation rates and stable countries provide a fertile ground for businesses to thrive.	Corruption index	<a href="http://www.transparency.org">www.transparency.org</a>
		Political stability	<a href="http://www.govindicators.org">www.govindicators.org</a>
		Economic freedom	<a href="http://www.heritage.org">www.heritage.org</a>



## Governance KPIs



Sub Challenge	Description	Indicators	Source
<b>Business procedures</b>	This sub-challenge captures perceptions of the ability of the government and the public service to formulate and implement sound and independent policies and regulations that permit and promote private sector development, with special attention to the ICT regulatory environment.	Starting a business	<a href="http://www.doingbusiness.org">www.doingbusiness.org</a>
		Business freedom	<a href="http://www.heritage.org">www.heritage.org</a>
		Paying taxes	<a href="http://www.doingbusiness.org">www.doingbusiness.org</a>
		Resolving insolvency	<a href="http://www.doingbusiness.org">www.doingbusiness.org</a>
		Obtaining construction permit	<a href="http://www.doingbusiness.org">www.doingbusiness.org</a>
		Ease of hiring foreign labor	<a href="http://www.doingbusiness.org">www.doingbusiness.org</a>
		Startup visa score	<a href="http://www.swibo.org">www.swibo.org</a>
		Government coordination	Expert opinion
<b>Digital governance</b>	Tracks the evolution of e-government services in terms of availability, quality, and diversity of channels and the use by the public of these services. Includes the availability of open data for accountability, innovation and social impact.	Government online services	<a href="http://www.publicadministration.un.org/egovkb">www.publicadministration.un.org/egovkb</a>
		Publication and use of open data	<a href="http://www.opendatabarometer.org">www.opendatabarometer.org</a>



## FURTHER READING

- ❑ **Transparency International (2018). Compendium of Good Practices On Anti-Corruption for OGP Action Plan.**  
[https://images.transparencycdn.org/images/2018\\_Compendium\\_Good\\_PracticesAnti-corruptionOGP\\_English.pdf](https://images.transparencycdn.org/images/2018_Compendium_Good_PracticesAnti-corruptionOGP_English.pdf)
- ❑ **World Economic Forum (2017). Digital Policy Playbook 2017. Approaches to National Digital Governance.**  
[http://www3.weforum.org/docs/White\\_Paper\\_Digital\\_Policy\\_Playbook\\_Approaches\\_National\\_Digital\\_Governance\\_report\\_2017.pdf](http://www3.weforum.org/docs/White_Paper_Digital_Policy_Playbook_Approaches_National_Digital_Governance_report_2017.pdf)
- ❑ **Open Government Partnership (2020). A Guide to Open Government and the Coronavirus: Privacy Protections.**  
<https://www.opengovpartnership.org/documents/a-guide-to-open-government-and-the-coronavirus-privacy-protections/>
- ❑ **World Bank Group. Global Indicators of regulatory governance.**  
<https://rulemaking.worldbank.org/en/rulemaking>

## WHAT TO EXPECT NEXT...

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Now that you have explored the regulatory challenges faced by startups and SMEs, Part 5.5 will focus on building a culture of entrepreneurship in your country.


Take your time to explore and navigate each topic at your own pace. And remember to keep a notebook handy in case you want to jot down particular examples or questions to relate back to your own context.

## CREATIVE COMMONS

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