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The Gambia National Policy for MSMEs
2019- 2024

ABBREVIATIONS

ADR	Alternative Dispute Resolution
BDS	Business Development Services
CBG	Central Bank of The Gambia
CBO	Community Based Organisation
GAMTEL	Gambia Telecommunications
GCCI	Gambian Chamber of Commerce and Industry
GGCP	Gambia Growth and Competiveness Project
EPZL	Export Processing Zone Licence
ESD	Enterprise Support Division of GIEPA
FAO	Food and Agricultural Organisation
FDI	Foreign Direct Investment
GCAA	Gambia Airport Authority
GDP	Gross Domestic Product
GIA	Gambia International Airline
GIEPA	Gambian Investment and Export Promotion Agency
GMD	Gambian Dalasi
GOTG	Government of The Gambia
GPA	Gambia Port Authority
GRA	Gambian Revenue Agency
IAG	Insurance Association of The Gambia
IAS	International Accounting Standards
IBAS	Indigenous Business Advisory Services
ICT	Information and Communication Technology
ITAG	Information Technology Association of The Gambia
M & E	Monitoring and Evaluation
MDI	Management Development Institute
MFI	Microfinance Institution
MOBSE	Ministry of Basic School Education
MOE	Ministry of Energy
MOFEA	Ministry of Finance and Economic Affairs
MOHERST	Ministry of Higher Education, Research, Science and Technology
MOICI	Ministry of Information, Communication and Infrastructure

MOJ	Ministry of Justice
MORAL	Ministry of Regional Administration and Lands
MOTIE	Ministry of Trade Industry, Regional Integration and Employment
MOW	Ministry of Works
MSME	Micro, Small and Medium Enterprise
MSE	Micro and Small Enterprise
NAWEC	National Water and Electricity Company
NBFI	Non-Bank Financial Institution
NEDI	National Enterprise Development Institution
NGO	Non-Government Organisation
NAQA	National Quality and Accreditation Agency
PPP	Public Private Partnership
R & D	Research and Development
SBA	Small Business Association
SDF	Social Development Fund
SIC	Special Investment Certificate
SME	Small and Medium Enterprise
TIN	Taxation Identification Number
TGSB	The Gambian Standards Bureau
TVC	Technical and Vocational Centre
TVET	Technical, Vocational and Educational Training
USD	United States Dollar
UTG	University of The Gambia
VAT	Value Added Tax
VISACA	Village Savings and Credit Association

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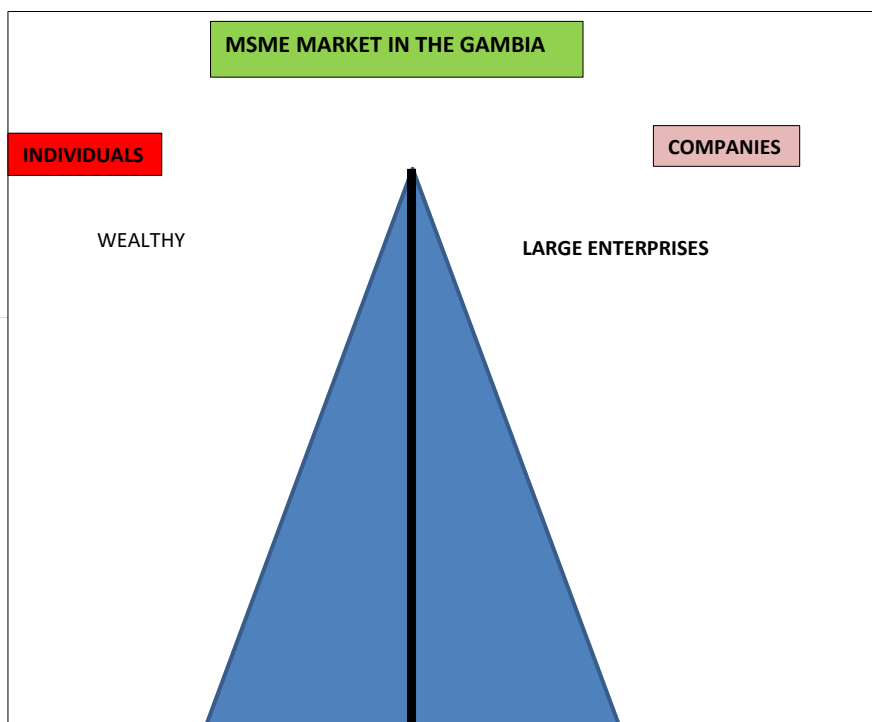
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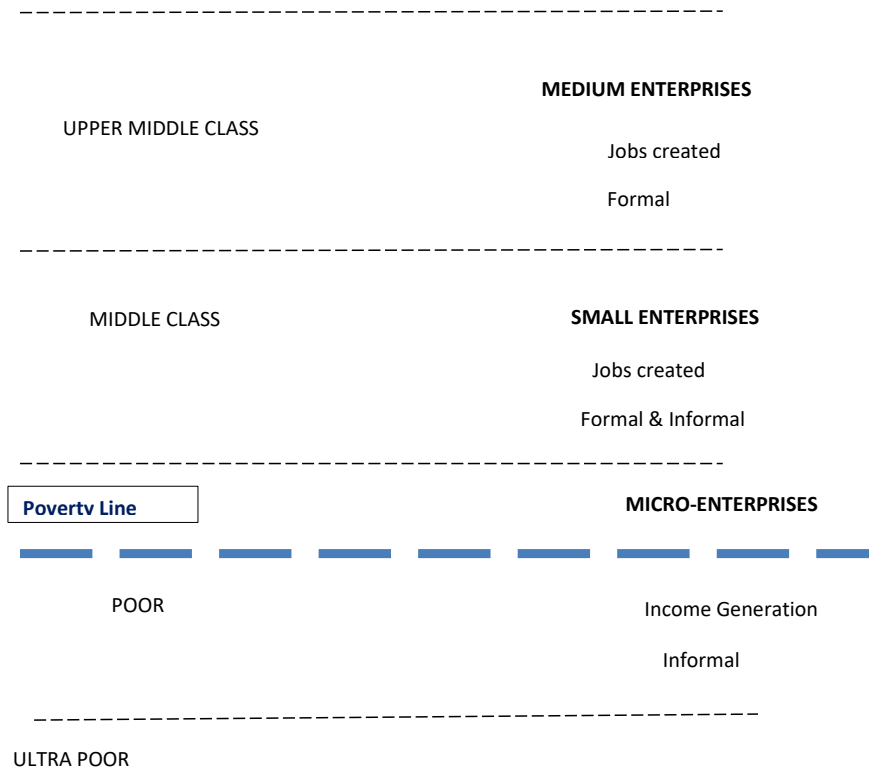
1.0 INTRODUCTION

1.1 The need for a vibrant MSME Sector

It is universally argued that MSMEs are an essential component of any growing and dynamic economy whether developed or developing. In studies from a broad range of countries the following points are reinforced:

- MSMEs are essential to economic growth, wealth and employment creation as well as technology transfer in economies both large and small;
- The more vibrant the MSME sector, the healthier the national economy;
- The impacts of the MSME sector go beyond wage creation - they generate employment for poor, low-skilled workers, increase skill development and have broader social impacts, such as access to health care, improved housing, access to education and other social safety nets;
- It is not possible to say whether MSME vitality is a 'cause' or an 'effect' of healthy economic growth.





1.2 MSME Definition

- (a) The definition of the MSMEs is important as it will determine the policies, strategies and activities in the future. However, there is no universally accepted definition for this group of businesses. Annex 1 shows a range of definitions that are in use today in various parts of the world. The diagram on the previous page shows the approximate distribution of MSMEs amongst the population.
- (b) It is proposed that the above definition of MSMEs is used in The Gambia. This has been adjusted to suit the situation in The Gambia based on the data obtained during the MSME Mapping Exercise.

(c) In addition a **new enterprise** is defined as one that has been in operation for less than 12 months. An **existing enterprise** is one that has been in operation for 12 months or more. This definition applies whether they are formal (registered) or informal (not registered). New enterprises are more risky with about 50% failing in the first three years globally. This has implications for financing as new ventures

MSME category	Employees (Number)	Paid in capital/assets GMD	Annual sales GMD
MICRO	1 to 4	0 – 25,000	0 – 100,000
SMALL	5 – 49	25,000 – 1 million	100,001 – 1 million
MEDIUM	50 – 99	1 million – 5 million	1 million to 10 million
LARGE	100 or more	More than 10 million	More than 10 million

(These definitions are subject to debate and change as per the MSME Mapping exercise) require a different sort of financing (e.g. seed capital venture capital, etc.) than existing businesses (e.g. debt or equity, etc.). If a new enterprise exists for more than 42 months then its chances of survival are greatly improved, suggesting that a degree of nurturing is necessary to assist new enterprises.

1.3 Characteristics of MSMEs at each level

MSMEs contribute about 20% to GDP and form around 60% of the urban labour force, thus they are a significant part of the economy.

(a) **Micro enterprises:** These are the smallest business units that exist and they have the following characteristics:

- Mainly in the informal sector, that is, they are not formally registered;
- Have minimal capital investment, often less than GMD 10,000, and have limited access to formal finance;
- Low productivity, low volume of business and erratic turnover;
- Owners are the sole operators with possibly one or two family members to assist;

- Little or no record keeping as the function of the business is to supplement household income;
- Limited literacy, education, skills and business knowledge;
- Little or no separation between household and business accounts;
- Resilient in an economic downturn due to their flexibility.

(b) **Small enterprises:** These are larger operations, but there is a grey area between micro and small that is sometimes referred to as “very small”. Small enterprises have the following characteristics:

- More often they are registered and operate in the formal economy, but some very small operations remain informal.
- The operations with a business licence are also registered with the tax and social security.
- Have some capital invested in tools and equipment.
- Have the capacity to create job opportunities for both skilled and unskilled labour.
- Productivity can be significant and depends on the demand for products or services.
- Owners are the managers that employ staff to run the business.
- Records are kept but may not conform to International Accounting Standards (IAS).
- Literate, with technical skills and some business knowledge.
- Very often innovative with the potential to grow.
- Less resilient than micro enterprises in an economic downturn, although they do have a degree of flexibility.
- Limited access to formal finance, but may still access funding from microfinance institutions.

(c) **Medium enterprises:** these are much larger operations, clearly visible, and all registered as formal business operations. They have the following characteristics:

- Relatively high capital investment dependent on the sector.

- Employ staff on regular wages and salaries and are aware of their social responsibility.
- Use accountants and book-keepers for financial records that are usually audited.
- Use technology and labour intensive methods for business.
- Well educated with a range of skills both technical and business.
- Relatively easy access to finance from formal financial institutions.
- In economic down-turns they shed labour to stay solvent.

1.4 MSME Sector Constraints

In developing an appropriate MSME Policy the following sector specific constraints will need to be addressed:

- Inadequate access to appropriate finance, with limited access to medium and long term finance;
- Some aspects of the legal and regulatory framework for doing business are less than supportive of the MSME sector;
- Low productivity and competitiveness derived from poor quality control and management;
- Inadequate skills for diversifying product design and packaging;
- Limited technical, business management and governance skills;
- Limited ability to keep records particularly accounting records of the business;
- Often illiterate.
- Family businesses often show a decline after 3 or more generations;
- Some bottlenecks with certain businesses due to cultural barriers;
- Markets often restricted to local community as a result of limited marketing skills, knowledge and information;
- Inadequate promotional and marketing support for MSMEs;
- Insufficient and uncoordinated business development services available to support MSMEs;
- Inadequate culture of entrepreneurship resulting from an education system that ignores business;

- Inadequate linkages and collaboration within the sector and between MSMEs and large business operations;
- Poor physical infrastructure that prohibits timely distribution of products and services nationwide;
- High energy costs;
- High taxes.

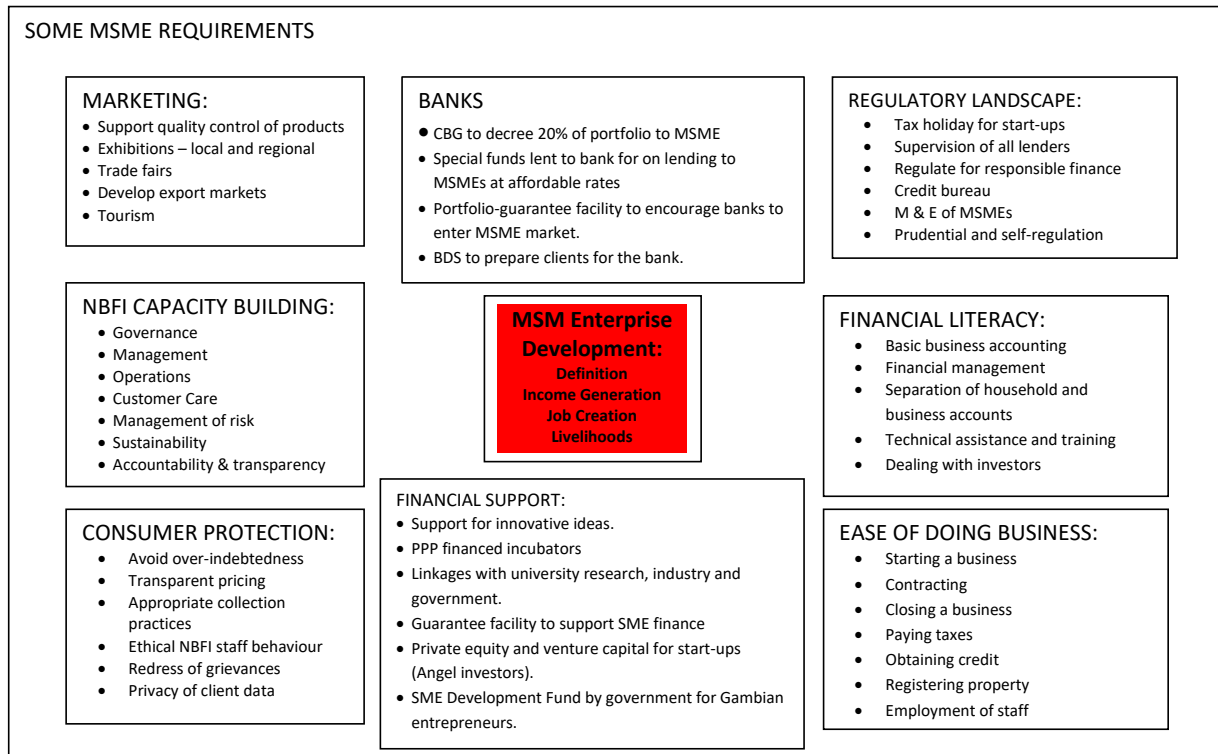
1.5 Challenges of the Business ~~Financial~~ Environment in The Gambia

As access to finance/capital is important for all businesses of all sizes the following issues need to be addressed:

- Medium and long term finance is limited. Finance is generally a short term overdraft or Letter of Credit with average maturity of 90 days.
- Finance for start-ups (angel or venture capital) is non-existent; because of the high risk banks are not interested. Attracting additional support funds for banks, operated through SDF and combined with encouragement from the Central Bank of The Gambia (CBG) for banks to ensure that a specified proportion of their portfolio should be at the MSME level.
- Banks are risk averse to MSMEs because of lack of credit history, poor financial records, and lack of credible business plans. The micro and very small businesses can access credit more easily from the VISACAs, Credit Unions and MFIs. The establishment of the Credit Reference Bureau at the Central Bank will go some way to improve this situation, but this deals only with the banks.
- The increase in the number of banks in The Gambia has not pressured interest rates to fall as a result of the competition. This may be because all the banks are chasing a small pool of deposits for which they have to pay a premium, thus keeping credit interest rates high. T-bills are an easier way of making money rather than through lending.
- Young people¹ often are excluded from the formal financial system because of their age, lack of work experience and credit record and other barriers that exist for inclusion in the financial system.

¹Youth, defined as the age group from 15 to 24, are often excluded from the financial system due to lack of experience.

- Taxation is a contentious issue. Currently it needs to be harmonised, clarified, simplified and reduced. A 5-year tax break should be given to all start-ups. Corporate taxes should be based on a fixed percentage of the profit as shown in audited accounts and practice of requesting an advance of tax and of taxing turnover should be stopped immediately. A system in which tax Inspectors have a degree of freedom in determining tax liability is prone to corruption.



2.0 POLICY PRINCIPLES FOR MSMEs

2.1 General

The policy objectives for MSMEs should be consistent with the National ~~Entrepreneuership~~Entrepreneurship Policy, the National Investment Policy, Trade Policy, Industrial Policy & Trade ~~Strategy – and~~Strategy – all and all other sectoral policies. In particular it should be consistent with National Development Plan (NDP) the long term Vision 2020, which seeks to create a self-reliant, enterprising and middle income nation that generates growth and alleviates poverty.

2.2 Vision for MSMEs

The Gambia National MSME Policy is guided by a vision of “Achieving widespread access to appropriate finance, technology, capital, market and mentorship for all MSMEs and providing a legal and regulatory environment that is business friendly as this will not only enhance the growth of the domestic MSMEs but it will also attract foreign direct investment (FDI). Furthermore, encouraging access to finance to all citizens, through banks, MFIs, VISACAs, NGOs and CBOs, it is hoped that poverty will be reduced and that more startups will register ~~and provide~~and provide job opportunities for all. Some of the non-bank financial institutions will focus on savings and credit and others on non-financial services to support MSMEs develop and grow.”

Elements of the vision include:

- (a) *A well educated population:* particularly in the context of entrepreneurship, TVET, STEM & ICT will be encouraged to develop business ideas that, with the support of professional business development service providers, will develop business ideas into growing and dynamic business operations. The human resources of The Gambia are its greatest asset and should be encouraged to become enterprising.
- (b) *The role of government:* is to provide an appropriate business-friendly environment, to enhance access to finance, capital, technology, R & D and to rationalise taxes for all MSMEs in order to encourage all citizens to participate in the country’s economic development.
- (c) *Competition:* will ensure that both financial and non-financial service providers will operate efficiently and effectively to provide high quality services to clients, and in a coordinated manner.

- (d) *Subsidies*: will no longer be needed and market determined interest rates shall apply but these should be realistic bearing in mind the needs and constraints of the MSME sector. Subsidies may be required for those organisations pushing the frontiers of the system to remote and the poorer parts of the country.

While this vision remains in the future, it has immediate impact in guiding the decisions of today. Support to MSMEs should be compatible and consistent with the vision and should contribute to its realisation.

2.3 Mission

The various stakeholders involved in the development of the MSME sector are committed to implement the policy objectives that are detailed in this document, so that the MSME sector can be enhanced for the benefit of the businesses and the national economy. Through the implementation of the various actions detailed in this document, income shall be generated, job created, poverty alleviated and GDP will increase.

2.4 MSME Priority Sectors

The MSME Policy strategies will focus on productive sectors (e.g. agriculture, industry, food processing etc.), services (particularly tourism and tourism related) and ICT, as these sectors are likely to create more job opportunities and livelihood~~that other sectors~~.

2.5 MSME Policy Principles

- (a) MSMEs are multi sectoral operating in different economic activities and are found in both rural and urban settings. When well coordinated and integrated policies are implemented, they serve as a catalyst for poverty alleviation, wealth accumulation and income distribution. ~~The harmonisation of the MSME policy with other national policies is essential; in particular the National Employment Policy, The National Industrial Policy, the National Investment Policy, the National Entrepreneurship Policy and the National Export Strategy~~
- (b) If the private sector is seen as the engine of sustainable growth, it cannot fulfil its role without a responsive MSME sector. There is potential for partnerships and linkages between MSMEs and large companies in which both benefit. There is a need for a favourable and responsive climate for MSME development that includes:
- Policies, legislation, regulations that consider the needs of MSMEs and promotes entrepreneurship.

- Provision of the appropriate infrastructure to reduce distribution costs and promote competitiveness.
- Support to enhance the quality (standards and technical regulations) of MSME goods and services so they are acceptable in regional and international markets and are similar, or better, in quality to competing products.
- Increased investment in productive enterprises to encourage innovation.
- Provision of key support networks, information and public procurement for MSMEs.
- Development of a culture of enterprise and the support of technical and vocational pursuits in the education system to encourage start-ups.
- Support/ encourage MSMEs/Start-ups/scale-ups in Green economy

(e)

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(c) Many of the smaller (micro and very small) operations are considered to be subsistence businesses to supplement income and attitudes towards them are often negative. However, some of the businesses grow and expand into larger operations. If The Gambia is to enjoy the benefits of the MSME sector then the following are essential:

- Sensitisation of public attitudes towards MSMEs.
- Inclusion of “operating your own business” options in all apprenticeship schemes.
- Enhancement of capacity of institutions providing business trainings to MSMEs. In addition to the GCCI and start-up incubators, MOTIE and GIEPA shall encourage the development of similar initiatives in other regions.
- Facilitating access to finance and other resources for MSMEs.
- Encourage innovation in all existing MSMEs through developing linkages with relevant R & D institutions.
- Female and youth led businesses should be encouraged in order to include the vulnerable portion of the population

(e)(d) In order to give the MSME sector a voice, MSMEs should be encouraged to organise themselves into Small Business Associations (SBA) or trade groupings. Using such a vehicles, ~~through GIEPA and GCCI~~, they can then lobby government for changes in legislation and regulations to suit their changing needs.

(f)(e) Government cannot take on all these roles, but it can establish the framework and mechanisms to involve the various stakeholders and delegate to the private sector, NGOs, business association and others the delivery of support services.

3.0 OVERALL POLICY OBJECTIVES

2.1 The Government of the The Gambia (GoTG) considers the MSME sector to be the engine of growth for the future. Examples from around the world demonstrate that a vibrant MSME sector provides the whole economy (measured by GDP) with the stimulus to become of benefit for all citizens in terms of growth and development. The MSME Policy covers the period 2019 to 2024.

2.2 The establishment of MSMEs will make a contribution to poverty alleviation, income generation and job creation in the context of both social and economic development.

2.3 The overall policy objective is to establish an efficient and effective MSME sector that both serves the needs of the poorer members of society and serves the needs of national economic growth and development. As an integral part of this policy:

- (a) All MSMEs in The Gambia will be encouraged to register as formal enterprises following the decentralization of the Single Window Business Registry to the regions. Government to work towards providing financial incentives all new operations to allow them to grow and mature.

- (b) Financing instruments will be developed for all MSME so that access to finance will not be a constraint for growth and development. In particular, support will be given to those enterprises involved in export or import substitution.
- (c) Taxation will be rationalised and harmonised so that advances are not used and a 5-year tax break will be given to all newly registered enterprises involved in export or import substitution, or in job creation, including those financed by ~~F~~oreign ~~D~~irect ~~I~~nvestment (FDI).
- (d) A focus on business education at all levels to encourage students to develop business ideas into realistic business proposals, will be supported by a post graduate MSME Institute. In this context the Management Development Institute (MDI) should be upgraded to include a wide range of business studies culminating the preparation of a viable business plan. The private sector needs to be encouraged to assist in the establishment of incubators to complement the GCCI incubator. Links with the university and R & D centres are an essential part of the business education ethos.
- (e) There will be a focus on women and youth in order to find work placements either in a micro/small enterprise of their own or as an employee in a client SME operation. Banks will be encouraged to provide separate and focussed products for this segment of the population so that they are included in the financial system.
- (f) All economic sectors, viz. agriculture, industry, tourism trade and services, will be covered by the policy but the focus of support will be on those sectors identified as priority in the National Investment Policy and GIEPA Act 2015 and consistent with the priorities indicated in paragraph 2.4 of this document.
- (g) Facilitate access to productive assets such as land, finance and other business inputs.

4.0 POLICY AND STRATEGY

4.1 Policy Objective #1: Easing of regulatory and legal environment to make it more business friendly for all enterprises.

Policy Elements

The Government will enhance implementation of programmes aimed at simplification and rationalization of procedures and regulations so as to encourage compliance and minimize transaction costs. Currently the Government has identified improving the business environment as a priority reform area to help create a much more conducive enabling environment. As a result, MOTIE with the support of the UNDP is working on opening a Single Window Business Registry (SWBR) in Basse, in the Upper River Region. Rolling out the SWBR to Basse would be a means towards contracting the informal sector as well as the efficient delivery of government services to the public in a quick, cheap and transparent manner. From a public perspective, formalization helps broaden the tax base, and allows the government to make better-informed public policy and investment decisions based on greater knowledge of the private sector.

1. Registration of a business
2. Enforcing contracts
3. Trading across borders
4. Registering Property

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STRATEGY

(a) Business Registration

- The development of a single window registration center, in each of the administrative regions of The Gambia, to register all businesses. The single window business registry will ease the process of business registration in the regions. The number of procedures to be reduced to registering the name, obtaining a business registration number, operational licence, obtaining a tax identification number (TIN) and social security reference should be carried out in one day with no cost at the

SWBR. This will encourage currently informal enterprises to register by removing the barriers of time and cost.

(b) Enforcing contracts

- To strengthen the commercial court to deal with commercial disputes on a fast track basis. This development would reduce the number of procedures, the cost and the time involved.

(c) Trading across Borders (Import and Export)

- Reduce the number of documents, the time and cost of importing and exporting by both sea and air. These conditions should be made less restrictive and more efficient by reducing the number of documents required, the time and the costs. Reducing airport and fuelling costs will attract more airlines which would be of benefit both to tourism and to the export of consumable and perishable items.

(d) Registering a Property

- Improve the current system for registering a property, by reducing the number of procedures, the time and the cost. A registered property is an important asset for any SME as it may be used as the basis of collateral for a bank loan.

ACTION PLAN TO IMPLEMENT THE NATIONAL MSME POLICY							
Policy/Strategy/Components	Year	Year	Year	Year	Year	Responsibility	
	1	2	3	4	5	Lead Institution	Support Institution
Policy Objective #1: Easing regulatory and legal environment to make it more business friendly for all enterprises							
<i>Strategy 1: Business Registration</i>							
Pursue the proposed single window to include business registration number, operational licence TIN, and social security reference so that business is registered in one day without any fees. Enact Business Registration Law of 2013	X	X				MOJ	GRA/GIEPA/MOTIE
<i>Strategy 2: Enforcing contracts</i>							
Speed up the function of the Alternative Dispute Resolution to dispense justice concerning contractual litigation.	X	X				MOJ/ADRS	GIEPA/MOTIE
<i>Strategy 3: Trading Across Borders</i>							
Reduce the number of procedures, the time and the cost for both imports and exports.	X	X				GRA/GPA/MOJ	GIEPA/MOTIE
Reduce airport and fuelling costs to benefit both	X	X				GCAA/MOE	MOE/GIEPA/MOTIE

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tourism and the export of consumable and perishable products.							
<i>Strategy 4: Registering Property</i>							
Reduce the number of procedures, the time taken and the cost so that it is easy to register any property.	X	X				MOJ/MORAL	GIEPA/MOTIE

4.2 Policy Objective #2: Enhance access to finance for MSMEs through alternative finance including guarantees, seed and venture capital, insurance in addition to debt and equity lending.

Policy Elements

- Government to strengthen fiscal and monetary policy management through the reduction of the public domestic debt and avoidance of extra-budgetary expenditures in order to further reduce the discount rate and hence the interest rates. This is currently part of government policy on economic reforms.
- The banking system including MFIs should be encouraged to be more competitive and use innovative financial instruments targeting MSMEs to reduce transaction costs and increase productivity.
- The banking system should be encouraged to provide credit, savings and other financial products that are attractive to women youth and reduce the barriers for them to be included in the formal financial system.
- The CBG should ensure that new financial products and liquidity vehicles are introduced that would allow them to better serve the MSME sector. (to regulate and ensure fair competition).

STRATEGY

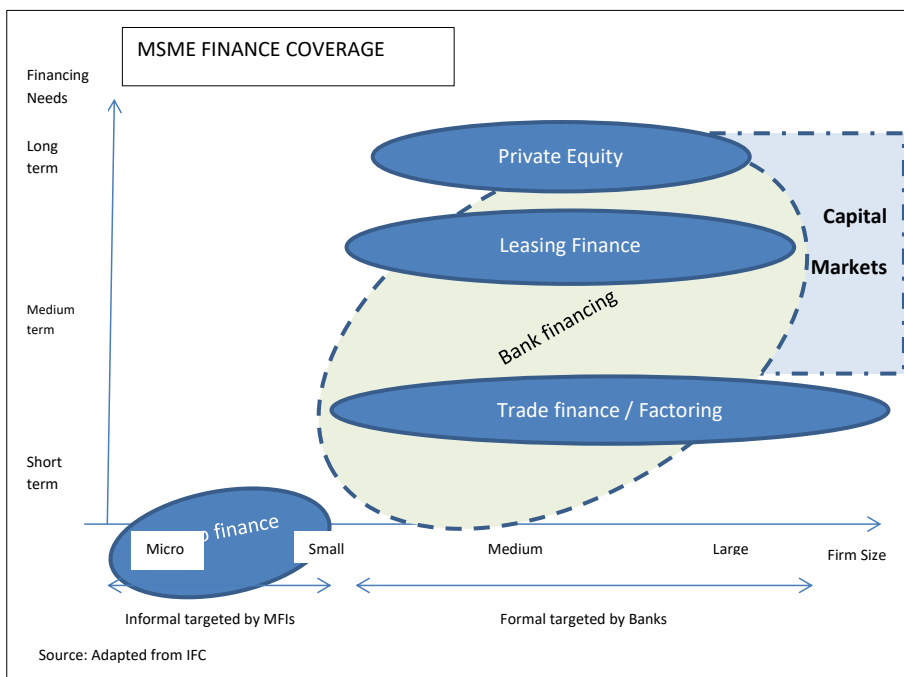
Lending at the micro level seems to be active with MFIs, NGOs, VISACAs, Credit Unions and various Community Based Organisations all involved in micro credit with SDF acting as the wholesale source in most cases. Some of this lending moves up into the small enterprise category where some lenders have had a bad experience because of lack of understanding of the larger clients.

- Whilst majority banks are currently reluctant to lend and provide other services to MSMEs for a variety of reasons this can be overcome by providing finance specifically for on-lending to MSMEs while at the same time the Central Bank of The Gambia (CBG) should encourage the banks to lend, say 15% of their loan portfolio, to the MSME sector at affordable interest rates.
- Establish an MSME Fund for the purpose of providing a line of credit to banks, which they would on lend to Gambian MSMEs at an acceptable spread. SDF as the

major apex organisation in The Gambia could be entity to manage, contract and disburse such finance obtained either from government or donors to lend to the banks or to MFIs or create an agency that will be responsible for MSME funds.

- Alternatively this fund could be used as the basis of a portfolio guarantee with the proviso that neither the credit officers nor the clients should be aware of the guarantee to avoid moral hazard. The Fund could be linked with BDS field based officers to support clients prepare business plans, cash flows and other documents for the bank/agency so that they are fully prepared for the first encounter with bank officials. These could be contracted by the bank or paid directly by the client. Therefore, Capacity building of the banks involved in MSME finance should be a priority.
- Encourage Commercial Banks to plough back part of their net profits (1 – 7%) as part of their corporate social responsibility to assist MSME development in the country. Such funds should be managed by SDF or an agency for MSME Funds.
- MSMEs often require medium term borrowing (maturity up to 5 years) and banks are reluctant to lend for this period. Once again government/Private ~~Seetor~~ ~~ould~~ Sector could attract donor funds that could be used for medium term loans. Whilst most working capital loans should be repaid within 12 months (lined to the business cycle and cash flow), loans for fixed assets need to be spread over a period of up to 5 years for a sensible amortization.
- Savings mobilisation is an essential ingredient of financial inclusion. Banks and Non-banks should be encouraged to attract small savings from MSME owners and operators.
- A credit reference bureau has been established by CBG that will provide client information to banks. Evidence suggest that a credit reference bureau will encourage lending. There is a need for a credit reference bureau to deal with the micro and small enterprise clients of the MFIs to ensure that clients do not visit both banks and non-banks. This could be established by the private sector as is done in other countries.
- The development of a portfolio guarantee to encourage the banks to enter the MSME market should be used in conjunction with field based Business Development Services (BDS). The BDS staff would identify, select and prepare potential clients' business plans, cash flow and collect all the documentation required by the bank.

The bank would then make the credit decision on the basis of the credit file and an interview with the client. This process implies training of BDS field based staff to work on contract with the bank. The guarantee should be administered by SDF.



- MSME start-ups require different forms of finance including seed capital from angel investors, venture capital, private equity, etc. At the present time these forms of finance do not exist in The Gambia. A specialised organisation should be established using private sector investors in partnership with government (PPP) to investigate the viability of such an operation. IFC has had some experience of developing appropriate innovative methods of venture capital in Africa in conjunction with African private equity firms. They should be encouraged to come to The Gambia.

- Financial products that focus on youth, limited to those who are 35 years old and under, could include credit (including start up credit) – with limited collateral requirements such as reliance on character, cash flow and solidarity groups; savings with a small initial deposit of GMD 3000, and this should be open to children in order to encourage them to save. (Takaful is already in place).
- Support value chain financing to ensure that all elements of the chain are financially viable. Encouragement to the banking sector will be through discussions with the Association of Bankers and CBG.
- Encourage all start-ups with BDS technical and managerial support (through mentoring, incubators, and other forms of support) particularly those that have borrowed funds for the development.

ACTION PLAN TO IMPLEMENT THE NATIONAL MSME POLICY

Policy/Strategy/Components	Year	Year	Year	Year	Year	Responsibility	
	1	2	3	4	5	Lead Institution	Support Institution
Policy Objective #2: Enhance access to Finance for MSMEs through alternative finance including guarantees, seed and venture capital, in addition to debt and equity lending.							
<i>Strategy 1: Establish an SME Fund</i>							
Banks to be encouraged to utilise up to 20% of their portfolio at the MSME level.	X	X	X	X	X	GIEPA	CBG/Banker's Association
Establish an MSME Fund for either lending to MFIs together with contracted BDS facilitators to locate, select, prepare and introduce clients to the credit officers. Medium term loans to be offered.	X	X	X	X	X	GIEPA. MoTIE	SDF/Donors/ NEMA/FAO/CBG/Banker's Association
Establish an SME Fund for a portfolio guarantee supporting MFIs in on-lending to SMEs. Medium term loans to be offered.	X	X	X	X	X	GIEPA, MOTIE	SDF/Donors/CBG/Banker's Association
Capacity building for banks for use of fund.	X	X				GIEPA/BDS Facilitators	BDS Network
<i>Strategy 2: Savings mobilisation</i>							

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Savings to be encouraged with banks and NBFIs by encouraging the opening of accounts with small amounts to attract first time savers.	X	X	X	X	X	Bankers Association	GIEPA/CBG
<i>Strategy 3: Credit Bureau for non-bank lenders.</i>							
The current establishment of a Credit Reference Bureau for the banks should be extended to non-bank financial institutions.	X	X				CBG/MOFEA	GIEPA/MOTIE
<i>Strategy 4: encouragement of venture capital and angel investment firms to operate in The Gambia</i>	x	x	X	x	x	MOTIE/GCCI/GIEPA	MoFEA(PPP)
IFC to be encouraged to develop venture and seed capital using African based private equity companies.	X	X				CBG/GCCI/ PPP	GIEPA/MOTIE
Local investors to be encouraged to invest in MSME start-ups	X	X	X	X	X	GCCI/GIEPA	CBG
<i>Strategy 5: Development of financial products for youth</i>							
Banks and other financial institutions to be encouraged to develop new products that are	X	X	X	X	X	Bankers Association/ CBG/NEDI/GIEPA	GIEPA/MOTIE

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attractive to young people including savings, credit with limited collateral requirements.							
<i>Strategy 6: Encourage support for value chain financing</i>							
This support to be implemented through mentoring, incubators clusters and other forms of BDS).	X	X	X	X	X	GCCI/CBG	GIEPA/MOTIE

4.3 Policy Objective #3: Develop a social safety net for the poorer segments of society (ultra-poor) to cover social protection, pensions and health in MSMEs.

Policy Elements:

- (a) Social protection, safe working conditions and financial security are pre-requisites for successful entrepreneurship, particularly for the smaller operations (micro and very small). This policy seeks to improve the social safety net with a range of micro-insurance facilities covering health and accidents and micro credit in MSMEs.
- (b) Safe working conditions as defined in the REVISED Labour Act should be adhered to by all MSMEs.
- (c) MSMEs should be encouraged to use mutual health schemes in their work place through the small business associations, workers confederations or trade unions.
- (d) Explore ways in which MSMEs can utilise micro-insurance schemes to cover health, accident and pension needs of the workers.
- (e) THE CREATION OF MICRO-INSURANCE SCHEMES BY CBG AND ENFORCED INSURANCE COMPANIES TO USE IT AS AN INSTRUMENT.
- (f) Savings mobilisation should be encouraged and the banks should accept small deposits to attract further savings from MSMEs.

STRATEGY

- (a) In conjunction with insurance companies study and develop social protection packages that are appropriate for MSMEs in The Gambia. The range of products to include credit-life, health and disability, pensions. MOFEA, MOTIE, GCCI, GIEPA and the Trade Unions should be at the forefront of this development together with SDF to work with insurers (both conventional and Islamic) to develop appropriate packages.
- (b) Introduce social protection packages (micro-insurance) in conjunction with insurance companies to the MSMEs and sensitise them on their adoption and existing NBFIs to be encouraged to use the packages to assist their micro clients.
- (c) Conduct social marketing through the mass media to raise public awareness of best practice in social protection.
- (d) Banks and other deposit takers should be sensitised to the need for savings by MSMEs.

ACTION PLAN TO IMPLEMENT THE NATIONAL MSME POLICY							
Policy/Strategy/Components	Year	Year	Year	Year	Year	Responsibility	
	1	2	3	4	5	Lead Institution	Support Institution
Policy Objective #3: Develop a Social safety net for the poorer segments of society to cover social protection, pension and health							
<i>Strategy 1: Develop a social safety net for the poorer elements of society.</i>							
Prepare a social safety net through the development of appropriate micro-insurance products covering credit, credit-life, health and accidents for MSMEs.	X	X	X	X	X	Insurers(IAG)/GCCCI	GIEPA/Trade Unions/MFIs, MOFEA, MOH, DSW
Distribution of products through Non-Bank Financial Institutions.	X	X	X	X	X	Insurers(IAG)/	SDF/GIEPA/MFIs/ MOFEA
<i>Strategy 2: Enforce safe working conditions as defined by the Labour Act in all MSMEs.</i>							
The Health and Safety regulations to be enforced to ensure that businesses are operating within the law.	X	X	X	X	X	MOTIE/DoL	DSW,MOH, MOJ

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<i>Strategy 3: Conduct social marketing through the mass media to raise public awareness of best practice on social protection.</i>							
MOTIE to initiate a public awareness campaign to enhance the working conditions in MSMEs.	X	X	X	X	X	Visual, audio and print media/MOTIE/DOL	GIEPA
A consultancy on the social protection secretariat has been conducted	X	X	X	X	X	MOTIE/DOL	GIEPA
<i>Strategy 4: Savings mobilisation to be encouraged through all financial intermediaries.</i>							
All financial intermediaries to be encouraged to adopt policies to attract small savings from MSMEs	X	X	X	X	X	CBG/Bankers Association/ NBFIs	GIEPA/MOTIE

4.4 Policy Objective #4: Develop an understanding of the MSME market to provide information to develop new markets at home and overseas (exports and import substitution).

Policy Elements:

- (a) Market research will assist the understanding of the MSME market dynamics and should provide information on the various MSME players, their activities, constraints and potential opportunities.
- (b) Many MSMEs do not have a market for their goods and services which prevents them from growing. Information on alternative markets, non-traditional export products and niche markets, including export markets, should be made available to them electronically and through all mass media channels (TV, radio and newsprint), social media platforms, government portals (trade info portals) etc.
- (c) Domestic and overseas markets (DFQF preferential Markets as Gambia's utilization rates are very low in these markets) should be explored to identify new markets for MSME goods and services. In the case of export markets the MSME products should be of an acceptable standard, and information of the standards should be readily available to the MSMEs.

STRATEGY

- (a) Undertake market research to establish current markets and identify if they are saturated or not and to investigate the potential of new markets at home and overseas.
- (b) Training in marketing for specific markets should be designed and undertaken. A contribution should be made by all trainees to the cost of the training as a matter of principle.
- (c) Encourage the creation of new MSME products using R & D from the university and other research units both local and international through an upgraded MDI and other tertiary Institutions that will pursue entrepreneurship courses. MDI to be enhanced and to be renamed as the Business and Management Development Institute (BMDI).
- (d) Market information centres to be established at strategic locations throughout the country by GIEPA, GCCI, MoTIE and other stakeholders, using suitably equipped GIEPA regional offices.

- (e) Field based BDS staff should be trained to undertake market surveys on a regular basis.
- (f) Promote the development of commercial ICT based market information services to be available to all businesses.
- (g) Trade fairs, study tours, markets and exhibitions should be a regular occurrence to give MSMEs a place to expand their markets.
- (h) Identify and prepare business plans for (a minimum of 50) investment opportunities as a pilot scheme within The Gambia for all potential MSME investors.

ACTION PLAN TO IMPLEMENT THE NATIONAL MSME POLICY							
Policy/Strategy/Components	Year	Year	Year	Year	Year	Responsibility	
	1	2	3	4	5	Lead Institution	Support Institution
Policy Objective #4: Develop and understanding of the MSME market to provide information to develop new markets at home and overseas (exports and import substitution)							
<i>Strategy 1: Undertake market research of current markets and investigate the potential of new markets at home and overseas.</i>							
Survey current markets to inform whether they are saturated or not.	X	X	X	X	X	GIEPA/MOTIE/SDF	SDF/GCCI
Survey of overseas (regional and international) markets to identify their potential.	X	X	X	X	X	GIEPA/MOTIE/GCCI	SDF/GCCI
<i>Strategy 2: Encourage the creation of new products for MSM businesses.</i>							
Investigate the development of new products for Gambian MSMEs developed from R & D at the UTG and from other local and overseas institutions	X	X	X	X	X	GIEPA	GCCI
<i>Strategy 3: Establish regional market information centres throughout the country in GIEPA regional offices.</i>							

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GIEPA to establish office (suitably equipped) in each administrative region in order to access a wide range of MSMEs.	X	X	X			GIEPA	GCCI
GIEPA to provide market information centres at each of the regional offices for use by MSMEs	X	X	X			GIEPA	GCCI
<i>Strategy 4: Regular market surveys to be established.</i>							
Field based BDS staff to regularly survey local markets to provide information to MSMEs.	X	X	X	X	X	GIEPA	GCCI
<i>Strategy 5: Promote the development of commercial ICT based market information</i>							
Encourage commercial ICT operators to provide on line market information on a regional basis for MSMEs	X	X	X			GIEPA/MOTIE	ICT operators/civil society
<i>Strategy 6: Establish trade fairs and exhibitions in all regions of the country</i>							
Trade Fairs and Exhibitions should be established on a regular basis in all regions of The Gambia in order to showcase products to the general public and hence expand their markets.	X	X	X	X	X	GCCI	GIEPA/SDF
<i>Strategy 7: Prepare a minimum of 50 business plans for investment opportunities for potential MSME investors.</i>							

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A wide range of business plans (a minimum of 50) to be prepared to cover priority sectors to be available for investors.	X	X				GIEPA/SDF	GCCCI
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4.5 Policy Objective #5: Harmonise and make the taxation system consistent with the needs of MSMEs and Foreign Direct Investment.

Policy Elements:

- (a) Due to the informal nature of many MSME operations, they are not aware of any incentives that may be available. Currently Special Investment Certificate (SIC) and the Domestic Investment Certificate (DICs) give a range of incentives to MSMEs but these are focused on the larger companies by a relatively high threshold.
- (b) A large informal sector increases the tax pressure on compliant businesses thus reducing competitiveness of registered MSMEs. The tax system is the key reason for the growth of the informal economy. The costs of compliance with the tax system not only have monetary cost but there is also a psychological component that motivates MSMEs to operate informally. Compliance costs risk being largely repressive and putting a large burden on MSMEs. There is a direct linkage between a burdensome tax regime and the level of informality.
- (c) Establishing an acceptable accounting system is expensive for many of the smaller operations and also is often costly. Assistance will be needed for them to acquire accounting skills (and other financial literacy skills). Lack of such experience prevents many businesses from moving from informal to formal.
- (d) The taxation system is complex and leaves many decisions to the discretion of tax inspectors. This type of system may lead to levels of corruption. The ideal is for the taxation of businesses to be simple, clear and fair. A reform is necessary and should take place over the next five years.

STRATEGY

- (a) The tax system to be reformed in the medium term (i.e. over the next five years) and should strive to simplify and consolidate taxes so that it is easy to understand and not prohibitively expensive. GRA, MOFEA, MOTIE and GIEPA should collaborate with GCCI, local governments and small businesses to develop an acceptable, clear and transparent tax system for small businesses and the national and regional level.
- (b) Corporate tax should be based on a percentage of profit as indicated in audited accounts and not based on turnover. This is suitable for the larger businesses but not for the Micro and Very Small enterprises which largely operate in the informal sector. Presumptive taxes could be introduced for the MSME sector for the smaller operators.

- (c) No advances of any business tax should be requested as is the case at present even if after the year end it is returned. Currently new enterprises (being in existence for 12 months or less) have the tax deposit waived. This should be the case for all taxpayers.
- (d) The Tax Education programme initiated by GRA to explain why profits are taxed, and how the money is used should be linked with an on-line Tax Advisory Service.
- (e) All Start-ups should have a 5 year tax holiday in order to mature and to gain traction in the business world. 5-years will allow them to arrive at the breakeven point and make small profits and it gives time for the costs of equipment and machinery to be amortised and loans to be repaid.
- (f) The introduction of Special Investment Certificates (SIC) and Export Processing Zone Licences (EPZL) has opened the door for a more liberalised taxation system. However, a threshold of US\$ 100,000 and 80% of output exported limits the numbers of MSMEs that can apply. To enhance the MSMEs contribution to the national economy, GIEPA and GRA together with Customs should provide more support in the form of fiscal incentives:
- Reduction in the threshold for SICs and DIC to include more businesses and greater flexibility on import duties.
 - Waiver on VAT on import of inputs (e.g. raw materials) for up to 5 years if the business employs an additional 15 employees of which 90% are Gambians. The current system of paying the VAT and then obtaining a refund ties up capital unnecessarily.
 - Government should consider a tax break for priority economic activities.

ACTION PLAN TO IMPLEMENT THE NATIONAL MSME POLICY							
Policy/Strategy/Components	Year	Year	Year	Year	Year	Responsibility	
	1	2	3	4	5	Lead Institution	Support Institution
Policy Objective #5: Harmonise and make taxation system consistent with the needs of MSMEs and FDI.							
<i>Strategy 1: Reform of the taxation system to simplify and consolidate taxes.</i>							
GRA and partners should develop a simple, clear and transparent system of taxes that is understood by all businesses.	X	X	X	X	X	GRA/MOTIE	GCCI/GIEPA/MOFEA
Corporate tax should be based on a percentage of profit from audited accounts and not turnover.	X	X	X	X	X	GRA/ MOTIE	GCCI/GIEPA/MOFEA
No advances of taxes due should be taken as is the case currently. The tax deposit(VAT) should be waived for all businesses.	X	X	X			GRA/ MOTIE	GCCI/GIEPA/MOFEA
All start-ups should have a 5 year tax holiday to give manufacturing MSMEs the chance to repay loans for machinery and equipment.	X	X	X			GRA/ MOTIE	GCCI/GIEPA/MOFEA
<i>Strategy 2: Adjustment of thresholds for</i>							

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<i>Special Investment certificates and Free Zone Processing licences to be reduced to include more small enterprises.</i>							
Explore ways in which the threshold for SICs may be reduced to include more businesses and greater flexibility on imports.	X	X				GRA/ MOTIE	GCCI/GIEPA/MOFEA
Waiver of VAT on imported inputs and raw materials used by SME manufacturing businesses to avoid paying then waiting for a refund which ties up capital.	X	X	X	X	X	GRA/ MOTIE	GCCI/GIEPA/MOFEA

4.6 Policy Objective #6: Develop a culture of entrepreneurship in The Gambia

Policy elements:

- (a) The National Development Plan (NDP), The National Entrepreneurship Policy, Trade policy, Industrial Policy and Trade Strategy as well as the long term Vision 2020 seeks "...to transform The Gambia into a financial centre, a tourist paradise, a trading and export oriented agricultural and manufacturing nation thriving on free market policies and a vibrant private sector, sustained by a well-educated, trained, skilled, healthy, self-reliant and enterprising population ...". If this vision is to be achieved, then free market policies should dominate the legislative process (meaning to simplify regulations and make all rules transparent) and the education system should be adapted to provide the necessary skills for Gambians.
- (b) Government, NGOs, civil society and the private sector should develop the human resource base of the MSME sector so that the aim of NDP can be achieved.
- (c) Capacity building of the MSME owners and operators should provide the skills to make Gambian products and services competitive in both domestic and international markets.
- (d) A national training needs assessment of the MSMEs (by NAAQA in conjunction with the MSME Unit at GIEPA) should be able to identify those skills that need to be developed in order for businesses to develop to their full capacity.
- (e) Develop appropriate business curricula for all levels of education, including work placements for older students, particularly those at UTG.
- (f) All technical and vocational training centres should be used to develop the technical skills needed by MSMEs. In addition, some basic business education (e.g. financial literacy) should be an integral part of the technical training.

STRATEGY

- (a) Community empowerment is the basis of the development of a culture that promotes business as a way of life.
- (b) Encourage basic secondary, and tertiary educational institutions to implement the already developed curriculum on entrepreneurship as an integral part of the education system.
- (c) Financial literacy programmes to be established for all existing MSMEs and also to be introduced into secondary schools.

- (d) Adult literacy programmes to be established to enhance the overall skills of MSME owner–operators;
- (e) Strengthen existing institutions dealing with MSMEs for new graduates to develop ideas into business opportunities and positive attitudes towards business. It could also be a source of market information, mentoring, training and technical assistance to enhance entrepreneurship and MSME growth.
- (f) Link existing institutions dealing with MSMEs to R & D from local and international research units.
- (g) Develop a post graduate curriculum for a 6 months course that will culminate in the development of appropriate business plans at UTG.
- (h) Establish an incubator to nurture the students with acceptable business plans with seed money to develop the implementation of the business.
- (i) Promote vocational and technical skills apprenticeship programmes tailored to build competencies amongst young people.
- (j) Restructure and strengthen Enterprise Support Unit Unit at GIEPA to deliver effective training, extension, monitoring and evaluation and business advisory services either through outsourcing or using in house skills.
- (k) Organise national and international study tours for selected MSME owners/operators to learn about new production technologies, product designs and their application.

ACTION PLAN TO IMPLEMENT THE NATIONAL MSME POLICY							
Policy/Strategy/Components	Year	Year	Year	Year	Year	Responsibility	
	1	2	3	4	5	Lead Institution	Support Institution
Policy Objective # 6: Develop a culture of entrepreneurship in The Gambia							
<i>Strategy 1: Encourage secondary and tertiary level institutions to include elements of business education in the curriculum</i>							
Study the possibility of including business education within the current curricula in order to encourage student to enter the world of business.	X	X	X			Already done so delete/reword	GIEPA/MOE/MOHERST/ MOBSE/MOTIE/TVET INSTITUTIONS/GCCI/GTTI
<i>Strategy 2: Financial literacy to be introduced and to be made available to MSME owner operators.</i>							
All educational establishments	X	X	X			NAAQA	GIEPA/MOE/MOHERST/

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to include elements of financial literacy to improve the understanding of finance.							MOBSE/ MOTIE/TVET/UTG/GCCI/GTTI
<i>Strategy 3: Adult literacy programmes to be established with access for all MSMEs</i>							
Functional literacy is as important asset for all those in business. It is important that adult literacy programmes are established to enhance the capacity of MSME owners and operators.	X	X	X	X	X	NAAQA	GIEPA/MOE/MOHERST/ MOBSE/ MOTIE/TVET/UTG/GCCI/GTTI
<i>Strategy 4: Strengthen existing institutions that deal with MSMEs for graduates to develop ideas into business opportunities.</i>							
Enhance the capacity of MDI so that graduates can develop business ideas into business	X	X	X			UTG/MDI/GCCI/MOHERST	GIEPA

opportunities and positive attitudes towards business. The enhanced MDI to be a source of market information, mentoring, training and technical assistance for MSME growth.							
<i>Strategy 5: Link the enhanced MDI with R & D from local and international institutions.</i>							
If MDI is to be enhanced to become an MSME Institute then it is important that strong links are established with local and international R & D for the benefit of graduates.	X	X	X	X	X	UTG/MDI/MOHERST	GIEPA
<i>Strategy 6: The establishment of incubators for start-ups is an essential ingredient of developing an entrepreneurship culture.</i>							
Whilst there is an incubator	X	X	X	X		GCCI/GIEPA/NEDI	

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currently in formation there is a need for several catering for different economic activities. All would nurture start-ups until they are ready to move into the real world.							
Investigate the possibility of PPP to develop incubators that would provide revenue to cover the costs from rentals, and would provide mentoring, coaching and technical assistance to incubatees.	X	X	X	X	X	GIEPA/GCCI/MOFEA	MOTIE/NEDI
Over time incubators should be established in the administrative regions of The Gambia.	X	X	X	X	X	GIEPA/GCCI/MOTIE/LOCAL GOVERNMENT OFFICES	MOLG
<i>Strategy 7: Promote technical and vocational skills apprenticeship programmes tailored to build competencies amongst young people.</i>							

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Upgrade Technical and Vocational Centres (TVC) to provide the skills needed by the community and for future development.	X	X	X			NAAQA	MOHERST/ GIEPA/MOHERST/GTTI/MOTIE /COMMUNITY DEVELOPMENT/LOCAL GOVT OFFICES/TVET INSTITUTIONS
<i>Strategy 8: Restructure and expand the Enterprise Support Department (ESD) at GIEPA to deliver effective training, extension and business advisory services through outsourcing or using in house skills.</i>							
Elaborate on a reach out strategy by GIEPA for targeted Enterprises.	X	X				Task already completed	MOTIE
<i>Strategy 9: Organise national and international study tours for selected MSME operators to learn new production techniques, product design and</i>							

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<i>marketing.</i>							
Identify major technical constraints in targeted MSMEs and organise relevant study tours (local, regional or international) to review how other overcome the constraints.	X	X	X			GIEPA/MOTIE	

4.7 Policy Objective # 7: Encourage the use of technology, in general, and in particular ICT in MSMEs.

Policy elements:

Policy elements:

- (a) ICT has a major role to play in facilitating development goals and in encouraging the dissemination of information and particularly to enhance e-commerce and e-business.
- (b) Access to the ICT is expensive, which affects MSME operations using computers.
- (c) Many MSME operators are aware of the potential benefits of ICT in their respective businesses and they have basic ICT awareness and computer literacy. However, they will require more training and orientation to obtain the best results.
- (d) Whilst many smaller MSMEs are labour intensive, which soaks up the unemployed, in the future the use of technological developments will be necessary to provide products and services that are competitive and acceptable

STRATEGY

- (a) Government, together with stakeholders in the ICT sector, to provide a more reliable and affordable internet access for MSMEs.
- (b) To create internet access platforms/spaces in rural areas for MSMEs to enhance their online presence and promote their products with the help of Business Development Advisors.
- (c) ICT to be introduced at Basic education levels.
- (d) GCCI in collaboration with the MDI², GIEPA, MoTIE and other stakeholders to develop and elaborate a plan for e-commerce and e-business to facilitate trade both domestically and internationally including further development of the ACE Initiative.
- (e) A strong public-private-partnership (PPP) to be established to create opportunities for vocational training and professional mentoring programmes in ICT.
- (f) Implement the recommendations of the feasibility study of setting up an ICT Hub.

² MDI to be enhanced to include business studies and should be renamed the Business and Management Development Institute (BMDI)

- (g) Enter into bilateral and multilateral agreement with international organizations involved in technology transfer and upgrading to improve access to technology by MSMEs.

ACTION PLAN TO IMPLEMENT THE NATIONAL MSME POLICY

Policy/Strategy/Components	Year	Year	Year	Year	Year	Responsibility	
	1	2	3	4	5	Lead Institution	Support Institution
4.1 Policy Objective #7: Encourage the use of technology, in general, and in particular ICT in MSMEs.							
<i>Strategy 1: Government, together with stakeholders in the ICT sector, to provide a more reliable, speedy and quality internet access for MSMEs.</i>							
To encourage ICT providers to upgrade their service to make it speedier and of high quality for all users and potential users.	X	X	X	X	X	ICT providers/MOICI/ITAG	GIEPA
<i>Strategy 2: To increase free access in the rural communities to enhanced information flow to MSME operators.</i>							
To encourage free flow of information to the rural areas by establishing centres where up-to-date market information is readily available	X	X	X	X	X	GCCI/MOICI/MOHERST/MOBSE	GIEPA/MOTIE
<i>Strategy 3: ICT to be introduced at Basic education levels.</i>							

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Encourage ICT to be introduced in basic schools and higher levels.	X	X	X	X	X	MOHERST/ MOBSE	GIEPA/MOTIE/GCCI
<i>Strategy 4: To encourage e-commerce and e-business to facilitate trade both domestically and internationally including further development of the ACE Initiative.</i>							
Stakeholders to develop and elaborate a plan for e-commerce and e-business to facilitate trade both domestically and internationally including further development of the ACE Initiative.	X	X	X	X	X	GIEPA/GCCI/IVT PROVIDERS/MOICI	
<i>Strategy 5: A strong public-private-partnership (PPP) to be established to create opportunities for vocational training and professional mentoring programmes in ICT.</i>							
Use private sector stakeholders to provide mentoring and coaching in ICT in TVET	X	X	X	X	X	ITAG/TVET	GIEPA/GCCI
<i>Strategy 6: To provide information to all MSMEs on the latest available technologies.</i>							
Stakeholders to establish a technology transfer centre to provide information to all MSMEs on the	X	X	X			ICT providers/TVET	GIEPA/GCCI

latest available technologies.							
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4.8 Policy Objective #8: Encourage linkages between large companies and MSMEs and facilitate MSME clusters and networks

Policy Elements:

- (a) The government and its agencies should endeavour to encourage MSMEs to work in clusters in designated industrial estates, in order to achieve economies of scale. The government should commit funds to implement the cluster development strategy.
- (b) Linkages should be encouraged with large companies sub-contracting MSMEs wherever possible. Government contracts should have a clause on sub-contracting especially to formalized MSMEs.
- (c) MSMEs to be encouraged to link together in networks of similar groups to benefit from training, market intelligence, access to export markets, logistics, funding and technological innovation.
- (d) There is currently a shortage of skilled Gambian workers

STRATEGY

- (a) GIEPA to lead the implementation of the Cluster Development Strategy and facilitate MSMEs operating in the same geographic location or sub-sector (e.g. carpenters, fishermen, metal workers, etc.) to establish clusters.
- (b) All stakeholders to assist in building trust, constructive dialogue and exchange of information among cluster members.
- (c) Large and medium sized companies should be encouraged to sub-contract to formalized MSMEs through providing designs and technical support.
- (d) The encouragement of clusters that could grow organically from a range of sub contracts.
- (e) Government procurement (as a large operation) should purchase at least 35% of its requirements from MSMEs. This should be reflected in the public procurement act.
- (f) It will be necessary to train Gambians, preferably through schemes that allow “on-the-job” training

ACTION PLAN TO IMPLEMENT THE NATIONAL MSME POLICY

Policy/Strategy/Components	Year	Year	Year	Year	Year	Responsibility	
	1	2	3	4	5	Lead Institution	Support Institution
Policy Objective # 8: Encourage linkages between large companies and MSMEs and facilitate the establishment of MSME clusters and networks.							
<i>Strategy 1: To facilitate MSMEs operating in the same subsector to establish clusters or networks initially to purchase bulk raw materials but later to develop into clusters.</i>							
ESD of GIEPA to encourage the formation of clusters, initially for bulk purchases of materials and marketing but later into full clusters where groups of businesses make different components of the same product.	X	X	X	X	X	GCCI	GIEPA/MOTIE/Business Associations
ESD to develop trust amongst the cluster members that shall cooperate while at the same time compete with each other. The employment of a consultant to develop	X	X	X	X	X	GCCI	GIEPA/MOTIE/

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specific clusters on behalf of GIEPA would be effective.							
ESD to encourage large companies (including government) to develop sub-contracts for the purchase of goods and services from MSMEs. Clusters can grow organically from such contractual arrangements.	X	X	X	X	X	GCCI	GIEPA/MOTIE/
<i>Strategy 2: Government to show its commitment to the MSME sector through the purchase of goods and services locally from MSMEs</i>							
Government should take the lead by purchasing a minimum of 35% of its annual requirements locally from MSMEs.	X	X	X	X	X	GIEPA/MOTIE/MOFEA/National Assembly	

4.9 Policy Objective # 9: Government to improve infrastructure to enhance the transport and marketing of all goods.

Policy Elements:

- (a) GOTG to improve the conditions of the roads to enhance the transportation of goods to market especially feeder roads linking farms to markets.
- (b) GOTG to encourage the development and use of river transport as an alternative to roads particularly for the transport of heavy goods.
- (c) GOTG to ensure sustainable power supply at affordable prices to facilitate production of goods by MSMEs.
- (d) Ensure efficient access to information through the sustainable development of telecommunications and information technology.
- (e) To promote investment in sustainable power supplies, e.g. solar, wind etc.

STRATEGY

- (a) GOTG, municipalities and local councils to embark on rehabilitating highway feeder roads and other auxiliary roads to facilitate the movement of goods and services.
- (b) Telecommunication services to be provided at affordable prices to enable MSME to access information on prices, markets and contacts with buyers.
- (c) In order to improve service delivery to MSMEs directly there is need for GIEPA and GCCI to establish suitably equipped offices in each of the regions.
- (d) GIEPA and GCCI to encourage government and the private sector to invest in alternative energy sources suitable for The Gambia, e.g. solar energy.
- (e) Provision of adequate energy supply at affordable prices.
- (f) Construct appropriate storage facilities for MSME products to improve quality and export competitiveness for The Gambia. In Particular fisheries infrastructure for sustainable sector development so as to increase fish export

ACTION PLAN TO IMPLEMENT THE NATIONAL MSME POLICY							
Policy/Strategy/Components	Year	Year	Year	Year	Year	Responsibility	
	1	2	3	4	5	Lead Institution	Support Institution
Policy Objective # 9: Government to improve infrastructure to enhance the transport and marketing of goods.							
<i>Strategy 1: GOTG to improve the conditions of the roads to enhance the transportation of goods to market produced by MSMEs</i>							
GOTG, municipalities and local councils to embark on rehabilitating highway feeder roads and other auxiliary roads to facilitate the movement of goods and services.	X	X	X	X	X	MOWT	GIEPA/Municipalities/
GOTB to investigate the revival of river transport as a viable alternative to roads for heavy goods.	X	X	X	X	X	GPA/MOWT	GIEPA
<i>Strategy 2: GOTG to ensure sustainable power supply at affordable prices to facilitate production of goods by MSMEs.</i>							
GOTG to enhance the provision of adequate energy supply at affordable prices.	X	X	X			NAWEC/Ministry of Energy	GIEPA
GIEPA and GCCI to encourage government and the	X	X	X			GIEPA/GCCI	Ministry of Energy

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private sector to invest in alternative energy sources suitable for The Gambia, e.g. solar energy.							
<i>Strategy 3: GOTB to encourage the provision of adequate energy supply at affordable prices.</i>							
GIEPA and GCCI to encourage government and the private sector to invest in alternative energy sources suitable for The Gambia, e.g. solar and wind energy.	X	X	X	X	X	GIEPA/GCCI	Ministry of Energy
<i>Strategy 4: To organise GIEPA regional offices as a means of assisting MSMEs to acquire market information.</i>							
GIEPA to acquire the assets of IBAS in order to develop regional ESD bases in the rural areas.	X	X	X			GIEPA/MOTIE	
The development of kiosks containing a computer with local and regional market information in the GIEPA offices.	X	X	X			MOTIE/GIEPA	GCP
Arrange seller-buyer meetings at GIEPA regional offices.	X	X	X	X	X	GIEPA	
<i>Strategy 5: Telecommunication (ICT) services to be provided at affordable prices to enable MSMEs to access information on prices, markets and buyers.</i>							
GIEPA to bring together all ICT stakeholders to improve efficiency and effectiveness of ICT at affordable prices.	X	X	X			GIEPA	

4.10 Policy Objective # 10: Promote exports and competitiveness of MSME products

Policy Elements:

- (a) As a result of the small domestic market and the low levels of income, growth of the Gambian economy will be dependent on the production and technical capacities of enterprises to produce high quality goods on a sustainable basis for domestic consumption and export.
- (b) Exports from The Gambia are limited and are currently declining. There is a need to diversify the product base of the economy.
- (c) Exports face several constraints including high sea and air freight costs, poor infrastructure, high energy costs, inadequate storage facilities and poor quality control.
- (d) The use of river transport facilities for heavy cargoes should be considered.
- (e) Access to information on the critical requirements of exports, processors, retailers and consumers is poor in all trade sectors.
- (f) The poor infrastructure restricts access to markets especially for MSMEs

STRATEGY:

- (a) A trade information system needs to be established to provide up to date market information to producers and exporters. This is an on-going development at MOTIE.
- (b) Compliance with international standards should be improved through regional cooperation to meet the increasing standard requirements from importing countries.
- (c) Alternative international air and sea carriers should be encouraged to operate in The Gambia in order to ease in the inadequate and high cost of sea and air freight by reducing port and fuel costs. This would benefit tourism as well as the export markets.
- (d) MSME exporters should be encouraged to establish networks and cooperatives to reduce the cost of raw materials and exporting.
- (e) NAWEC should explore the possibility of using other sources of energy (renewable) to help to bring down the cost of energy.
- (f) Work towards adapting production to potential markets rather than taking a production approach and try to find markets for what is produced. For specific

markets where The Gambia has preferential market access, MOTIE and GIEPA should assess what market opportunities there are for existing products.

ACTION PLAN TO IMPLEMENT THE NATIONAL MSME POLICY							
Policy/Strategy/Components	Year	Year	Year	Year	Year	Responsibility	
	1	2	3	4	5	Lead Institution	Support Institution
Policy Objective # 10: promote exports and competitiveness of MSME products							
<i>Strategy 1: A trade information system to be established to provide up-to-date market information to producers and exporters. This is an on-going development at MOTIE.</i>							
The trade information system should be completed as soon as possible to aid potential exporters and producers.	X	X	X			TIS/MOTIE	GCCI/GIEPA/CBOS
<i>Strategy 2: Compliance with international standards should be improved through regional cooperation to meet the increasing standard requirements from importing countries.</i>							
The Gambian Standards Bureau to make the identification of international and regional standards a priority	X	X	X	X	X	TGSB/MOTIE	GCCI/GIEPA
<i>Strategy 3: Alternative international air and sea carriers should be encouraged to operate in The Gambia in order to ease the high cost of air freight by reducing airport and</i>							

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<i>fuel costs. This would benefit tourism as well as the export markets.</i>							
Fragile and perishable goods need to be exported using air cargo. More airlines would increase competition and is likely to reduce costs.	X	X	X	X	X	GIA/GIEPA	
<i>Strategy 4: MSME exporters should be encouraged to establish networks and marketing cooperatives to reduce the cost of raw materials and exporting.</i>							
GIEPA to initiate the development of networks and marketing cooperatives to assist would-be exporters to send their goods overseas.	X	X	X	X	X	GIEPA/GCCI	
<i>Strategy 5: Warehouse infrastructure should be enhanced and the port and airports to include cold chain operations for perishable goods</i>							
GIEPA to initiate talks with exporters to determine the needs at both the sea and air ports in terms of warehousing.	X	X	X	X	X	GIEPA/GCCI	

4.11 Policy Objective #11: Encourage the creation of new MSME products and services by using appropriate technology

Policy Elements:

- (a) Whilst the MSME sector is dynamic and competitive there is a need to improve both product and service quality.
- (b) Technological capacity is enterprise specific and therefore requires a coordinated approach to maximise benefits, reduce duplication and related costs. GIEPA in collaboration with key players in the MSME sector plan (such as the BDS network) and coordinate information exchange for the improvement of technical, managerial and institutional skills of various players.
- (c) The design of new products should be encouraged in all MSMEs and GIEPA should be at the forefront in recruiting consultant designers for specific MSME activities, including quality control.
- (d) It is important that products reach the market, whether domestic or international, without declining standards. A system of warehouses to store goods prior to sale should be developed. This is particularly the case for exports at the airport where refrigerated warehouses are required.
- (e) The monitoring of product quality should be given high priority by GIEPA in collaboration with The Gambia Standards Bureau (TGSB) and the MSME players to ensure participatory monitoring.

STRATEGY:

- (a) GIEPA together with FSQA, TGSB and GCCI should develop strategies to support MSMEs in order to ensure the delivery of quality goods and services at affordable prices.
- (b) The development of indigenous appropriate technology should be the task of technical and vocational institutes and other tertiary education units in The Gambia.
- (c) The establishment of private sector repair and maintenance services for existing technologies is essential.
- (d) Information regarding new technologies should be frequently disseminated to MSMEs.

- (e) Develop strategies for the effective and sustainable use of the VTC and IC.
- (f) GOTG to ensure that sufficient attention and resources are provided to innovation, technology transfer and research and development
- (g) Improving skills to efficiently produce goods of high quality and standards.
- (h) Promote creativity and innovation in the MSME sector through establishment of annual award schemes that recognize innovations and technology development within the sector;

ACTION PLAN TO IMPLEMENT THE NATIONAL MSME POLICY							
Policy/Strategy/Components	Year	Year	Year	Year	Year	Responsibility	
	1	2	3	4	5	Lead Institution	Support Institution
Policy Objective # 11: Encourage the creation of new MSME products and services by using appropriate technology.							
<i>Strategy 1: The purchase of simple but appropriate technologies should be financed with medium term loans from formal financial institutions.</i>							
Banks to be encouraged to provide medium term loans for amortising the purchase of machinery and equipment.	X	X	X	X	X	Bankers Association	GIEPA
<i>Strategy 2: Develop strategies to support MSMEs in order to ensure the delivery of quality goods and services at affordable prices for the home and overseas markets</i>							
GIEPA, GCCI and TGSB should encourage and provide support to MSMEs that are trying to improve the quality of the goods and services offered.	X	X	X	X	X	GiEPA/GCCI/GSB	
<i>Strategy 3: The development of indigenous appropriate technology should be the task of technical and vocational institutes and other tertiary education units in The Gambia.</i>							

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TVET and other partners should develop appropriate technology for use in MSMEs in The Gambia to avoid having to import expensive alternatives.	X	X	X			NTA/TVET/	GIEPA
<i>Strategy 4: The establishment of private sector repair and maintenance services for existing technologies is essential.</i>							
Maintenance of existing equipment and machinery is essential for future development. The private sector should be encouraged to establish such maintenance operations so that the MSMEs can continue operating.	X	X	X	X	X	NTA	
<i>Strategy 5: Information regarding new technologies should be disseminated from GIEPA electronically.</i>							
Information on new technologies either developed locally or imported should be available freely from GIEPA and disseminated on its BDS website.	X	X	X	X	X	GIEPA/GCCI/ICT	

4.12 Policy Objective #12: Encourage the construction of workplaces for the MSMEs that are rented at reasonable cost.

Policy Elements:

- (a) Currently the rent of work spaces for MSMEs is extremely high, and is a significant proportion of business costs, explained by the high cost of construction materials, labour and the requirement of landlords to obtain a quick return on their investment. The cost is more than MSMEs can afford if they are to be sustainable and many resort to loans to cover the cost which is self-defeating.
- (b) It is proposed to encourage a public-private-partnership (PPP) that will be allocated unused and unproductive land on which to build basic infrastructure for a business centre to which MSMEs can re-locate to undertake their business operations.
- (c) Long term fixed rentals will be granted so that the MSMEs feel secure in their new operation and no increases will be permitted. The overall aim is to reduce the rental to less than half the current costs.

STRATEGY

- (a) GIEPA to enter into discussion with relevant government departments to identify suitable land for the scheme.
- (b) GIEPA to enter into discussions with private sector developers and construction engineers to identify potential designs and to consider the financial viability of the scheme.
- (c) The returns are expected to be over a 10 year period and fixed at 10% per annum of the overall cost to the MSME to be based on the space rented. This should dramatically reduce the cost of the basic work space for the MSMEs.
- (d) After the 10 year period the building to be handed over to local government and the rental agreements will continue.
- (e) Purchase of the work space by the incumbent MSME will be permitted after the developer has relinquished the property.

ACTION PLAN TO IMPLEMENT THE NATIONAL MSME POLICY							
Policy/Strategy/Components	Year	Year	Year	Year	Year	Responsibility	
	1	2	3	4	5	Lead Institution	Support Institution
Policy Objective # 12: Encourage the construction of workplaces for the MSMEs that are rented at reasonable cost.							
<i>Strategy 1: Relevant government departments to identify suitable land for the scheme.</i>							
GIEPA to enter into discussions with relevant government departments to allocate suitable land for the location of the workplaces.	X	X	X	X	X	MOLG/GIEPA	GCCI/MOTIE
<i>Strategy 2: Private sector developers and construction engineers to identify potential designs and to consider the financial viability of the scheme.</i>							
GIEPA to enter into discussions with private sector players to identify appropriate designs and to consider the cost and financial viability of the scheme to be paid for on a BOOT scheme.	X	X	X	X	X	GiEPA/GCCI	MOTIE
<i>Strategy 3: The returns are expected to be over a 10 year period and fixed at 10% per annum of the overall cost to the MSME to</i>							

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<i>be based on the space rented. This should dramatically reduce the cost of the basic work space for the MSMEs.</i>							
Agree the BOOT terms and conditions with the developers but it is expected that the returns from rentals shall be over a 10 year period.	X	X	X	X	X	GIEPA/GCCI	MOTIE
<i>Strategy 4: After the 10 year period the building to be handed over to local government and the rental agreements will continue.</i>							
After the ten year period the structure will BE handed over to the local government in order to continue the operation.	X	X	X	X	X	GIEPA/GCCI	MOTIE
<i>Strategy 5: Purchase of the work space by the incumbent MSME will be permitted after the developer has relinquished the property.</i>							
After the 10 year period the incumbent tenants may purchase the work space if required.	X	X	X	X	X	GIEPA/MOTIE/GCCI	

ANNEX 1: Definitions of MSMEs Worldwide

1. WORLD BANK GROUP

Definition used by World Bank Group is as follows:

Micro enterprises: up to 10 employees; total assets/total annual sales of up to US\$100,000; turnover must be in excess of US\$400,000, and tangible assets in excess of US\$200,000;

Small enterprises: between 10 and 50 employees; total assets/total annual sales between US\$100,000 and US\$3 million;

Medium enterprises: between 50 and 300 employees; total assets/total annual sales between US\$3 million and US\$15 million.

2. EU definition

"SME" stands for small and medium-sized enterprises – as defined in EU law.

The main factors determining whether a company is an SME are:

1. **number of employees** and
2. Either **turnover** or **balance sheet total**.

Company category Employees Turnover or Balance sheet total

Medium-sized < 250 ≤ € 50 m ≤ € 43 m

Small < 50 ≤ € 10 m ≤ € 10 m

Micro < 10 ≤ € 2 m ≤ € 2 m

These ceilings apply to the figures for individual firms only. A firm which is part of larger grouping may need to include employee/turnover/balance sheet data from that grouping too.

3. Nigeria

The Central Bank of Nigeria defines small and medium enterprises in Nigeria according to asset base and number of staff employed. The criteria are an asset base between N5 million and N500 million, and a staff strength between 11 and 300 employees.

4. USA

Based on established criteria, the SBA has established the following common standards for a small business, depending on its North American Industry Classification System (NAICS) code:

- 500 employees for most manufacturing and mining industries, and
- \$7 million in average annual receipts for most non-manufacturing industries.

There are many exceptions, but these are the primary size standards for most industries. The definition varies with the type of business and it is very complex.

5. CANADA

Definition:

Small to Medium Enterprise (SME)

However, what exactly an SME or Small to Medium Enterprise is depends on who's doing the defining. Industry Canada uses the term SME to refer to businesses with fewer than 500 employees, while classifying firms with 500 or more employees as "large" businesses.

Breaking down the SME definition, Industry Canada defines a small business as one that has fewer than 100 employees (if the business is a goods-producing business) or fewer than 50 employees (if the business is a service-based business). A firm that has more employees than these cut-offs but fewer than 500 employees is classified as a medium-sized business.

Microbusiness is defined as a business with fewer than five employees.

6. Malaysia

- Malaysia adopted a common definition of SMEs to facilitate identification of SMEs in the various sectors and subsectors. This has facilitated the Government to formulate effective development policies, support programmes as well as provision of technical and financial assistance.

- An enterprise is considered an SME in each of the respective sectors based on the Annual Sales Turnover or Number of Full-Time Employees as shown in the table below.

	Micro-enterprise	Small enterprise	Medium enterprise
Manufacturing, Manufacturing-Related Services and Agro-based industries	Sales turnover of less than RM250,000 OR full time employees less than 5	Sales turnover between RM250,000 and less than RM10 million OR full time employees between 5 and 50	Sales turnover between RM10 million and RM25 million OR full time employees between 51 and 150
Services, Primary Agriculture and Information & Communication Technology (ICT)	Sales turnover of less than RM200,000 OR full time employees less than 5	Sales turnover between RM200,000 and less than RM1 million OR full time employees between 5 and 19	Sales turnover between RM1 million and RM5 million OR full time employees between 20 and 50

ANNEX 2: THE GAMBIA THE EASE OF DOING BUSINESS³

Reference the following website: www.doingbusiness.org

1. STARTING A BUSINESS

	The Gambia	Guinea	Guinea Bissau	Liberia	Mali	Senegal	Best performer
Starting a Business (Rank)	123	158	148	38	118	102	New Zealand
# procedures	8	8	9	4	4	3	NZ (1)
Time days	27	35	9	6	8	5	NZ (1)
Cost (% income per capita)	158.7	96.9	42.2	52.7	86.2	64.4	Slovenia (0.0)
Paid in Min capital (% income per capita)	0.0	324.7	338.0	0.0	331.9	192.3	91 countries (0.0)

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³This was taken from the Doing Business website and uses data from 2012.

Summary of procedures for starting a business in Gambia			
No.	Procedure	Time to complete	Cost to complete
1	<p>Search for company name</p> <p>The name search is conducted manually at the Commercial Registry.</p>	1-2 days	GMD 100
2	<p>Notarize company statutes</p> <p>Although there are no set notary fees, GMD 100-150 is commonly charged.</p>	1 day	GMD 150
3	<p>Obtain tax identification number (TIN) from the Gambia Revenue Authority</p> <p>All businesses must obtain a tax identification number (TIN) before paying company tax and stamp duty and registering with the Companies Registry. To obtain the identification number, the company must submit a form, the notarized articles and</p>	1 day	GMD 25

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	memorandum of association, and the founders' proof of identification.		
4	<p>Payment of stamp duty and deposit of corporate tax with Commissioner of Income Tax</p> <p>The fee for the incorporation certificate is about GMD 500. Stamp duty is GMD 1000 for 3 copies of the company incorporation documents, one of which must be deposited with Companies Registry and one with the Commissioner of Income Tax. The deposit of corporate tax with Commissioner of Income Tax varies, starting from about GMD 5,000, payable before incorporation at the Companies Registry.</p>	1 day	see comments
5	<p>Register employees with the Social Security and Housing Finance Corporation</p> <p>Employees pay 5% of their monthly salary to the social security department. The employer contributes 10% of the employees' salary. Depending on the number of employees, this process takes at most 7 days.</p>	2 days	no charge
6	Register with the Commercial Registry	2 days	6% of total

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	As of February 1st, 2011 registration fees have been set to 6% of total share capital.		share capital
7	Obtain operational license The standard fee is GMD 5,000 for the Banjul City Council and the largest municipality (Kinifing Municipality). This license must be renewed annually.	1 day	GMD 5000
8	Make a company seal Although company seals are usually made in the United Kingdom, not locally in Gambia, certain accountancy firms in Gambia can make the arrangements. The cost depends on the quality and size of the seal.	18 days	USD 200

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2 DEALING WITH CONSTRUCTION PERMITS

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	The Gambia	Guinea	Guinea Bissau	Liberia	Mali	Senegal	Best performer *
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Dealing with construction permits (Rank)	90	152	117	126	99	133	Hong Kong
# procedures	14	29	12	23	11	13	Hong Kong (6)
Time days	143	197	163	75	179	210	Singapore (26)
Cost (% income per capita)	124.7	94.8	785.2	559.7	418.6	529.1	Qatar (1.1)

Summary of procedures for dealing with construction permits in Gambia

N ^o .	Procedure	Time to complete	Cost to complete
1	Consult and Purchase the Application for Development Permit from Department of Physical Planning (Form 1) The application is requested by the Department of	1 day	no charge

	Physical Planning. Companies often consult with the authorities about the project.		
2	<p>Submit Development Permit Application</p> <p>The application for a development permit consists of: • Form 1 • Drawings (three sets) • Evidence of ownership The application must be submitted with three complete set of drawings. After the development permit is issued, one set of drawings will be returned to the owner, and this set of approved plans must be kept at the building site, open to inspection by the authorities. The owner must also show evidence of ownership (photocopy of the title deed lease document or certificate of occupancy), or land tax payment for land owners. The cost since January 2008 is $GMD\ 10.00 \times 1,300.6 = GMD\ 10,404.8.00 + GMD\ 15.00$ (fee for form) = $GMD\ 13,021.00$.</p>	1 day	GMD 13,021
3	<p>Obtain Development Permit from Development Control Unit (Form 2)</p> <p>Upon scrutinizing evidence of landownership, land use, and building plans, the Planning Authority approves the application, and the Development Control Unit issues a development permit, which consists</p>	28 days	no charge

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4	<p>Reeeive inspection</p> <p>The Department of State for Local Government has the right to inspect during construction. Inspections as a matter of fact should be phased after each major stage of construction. But the inspections practically turned into random ones and take a few hours. If they find a building without a building permit they make you get one afterwards. Often the inspection will occur if there is a problem reported or if the department suspects that the developer did not pay all the required fees. Build Co does not need to request the inspection.</p>	1 day	no charge
5	<p>Reeeive inspection</p> <p>The Department of State for Local Government has the right to inspect during construction. Inspections as a matter of fact should be phased after each major stage of construction. But the inspections practically turned into random ones and take a few hours. If they find a building without a building permit they make you get one afterwards. Often the inspection will occur if there is a problem reported or if the department suspects that the developer did not pay all the</p>	1 day	no charge

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	required fees. Build Co does not need to request the inspection.		
6	<p>Submit Form 9 to request the certificate of completion</p> <p>At the end of the construction works, the Planning Authority should be notified. The developer must fill out Form 9 and send it to the Development Control Unit. The Authority would then come out to the construction site to issue a Certificate of Completion. This step is widely not practiced; however some companies and foreigners do follow this requirement.</p>	1 day	no charge
7	Receive inspection	1 day	no charge
8	<p>Obtain Certificate of Completion</p> <p>The certificate of completion is needed to obtain a water and electricity connection. There is no need to update the property title for the inclusion of the building.</p>	35 days	no charge
9	Request water connection approval from NAWEC- Water Department	1 day	GMD 200

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	The developer must apply to the National Water and Electricity Company for the water and sewage connection. Moreover, the developer must complete the works down to, and including, a manhole within 3 meters of the plot boundary nearest to the sewer. After the application for the water and sewage connection, the water and electricity utility performs an inspection. Note that the application fee is deducted from the connection fee.		
10	* Receive inspection from NAWEC Water Department	1 day	no charge
11	* Receive connection to water services from NAWEC Water Department	72 days	GMD 8,200
12	* Request fixed telephone line approval and inspection The application is submitted to Gambia Telecommunications (GAMTEL), which upon review sends an inspector to the site.	1 day	GMD 850
13	* Receive on site visit from GAMTEL Ten working days after an application is	1 day	no charge

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	submitted, GAMTEL sends a site surveyor to inspect the property and determine any additional fees required for installation.		
14	* Receive connection to telephone	40 days	No charge

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3. OBTAINING ELECTRICITY

	The Gambia	Guinea	Guinea-Bissau	Liberia	Mali	Senegal	Best performer #
Obtaining electricity (Rank)	119	88	182	145	115	180	Iceland
# procedures	5	4	7	4	4	8	Germany (3)
Time days	78	69	455	465	120	125	Germany (17)
Cost (% income per capita)	3,976.9	8,377.7	1,737.2	3,528.6	4,187.8	5,624.9	Japan (0.0)

Summary of procedures for getting electricity in The Gambia, and the time and cost

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No.	Procedure	Time to complete	Cost to complete
1	<p>Submit application to National Water and Electricity Company (NAWEC) and await site inspection</p> <p>NAWEC's headquarter is in Kanifing itself (where the warehouse would also be built)—Customer has to fill out an application and attach a copy of the business registration, a location plan of the property (can be sketched by self) and indicate the number of the pole nearest to the premises—an initial deposit has to be made but will be deducted from the total connection cost—NAWEC will then carry out a survey to do a feasibility study.</p>	11 calendar days	GMD 200.0
2	<p>Customer hires NAWEC pre-qualified electrical contractor for conducting external connection works</p> <p>When customers apply for a service that would require an extension of poles or transformer, NAWEC provides them the list of Prequalified electrical contractors and they would contact them directly. Usually, customers contact more than one contractor for a quotation and in most cases, they go for the lowest price.</p>	1 calendar day	no charge

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3	<p>Receive site and internal wiring inspection from NAWEC and await estimate</p> <p>This is the survey done by NAWEC to conduct a feasibility study. The Survey usually involves that someone will come and visit the premise and make an estimate. Someone from the applicant's party has to be present at the time of the inspection.</p>	14 calendar days	no charge
4	<p>Customer's pre-qualified contractor conducts external connection works</p> <p>The pre-qualified contractor hired by customer conducts all external connection works. He also purchases all materials. When being hired, he gives a quotation to the customer with all costs included.</p>	45 calendar days	GMD 709,800 .0
5	<p>NAWEC conducts site inspection for meter installation, installs the meter and electricity starts flowing</p> <p>Getting the meter in the past was sometimes a problem, but NAWEC claims that they have this size on store. NAWEC's Business Unit will request the material. Once the meter has been installed, electricity starts flowing right away. The customer's</p>	7 calendar days	No charge

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electrician takes care of the electricity to start flowing by connecting internal and external wiring.		
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4 REGISTERING A PROPERTY

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	The Gambia	Guinea	Guinea	Liberia	Mali	Senegal	Best performer
Registering a property (Rank)	120	151	180	178	91	173	Georgia
# procedures	5	6	8	19	5	6	Georgia (1)
Time days	66	59	210	50	29	122	Portugal (1)

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Cost (% of property value)	7.6	14.2	10.5	13.1	12.0	20.2	Belarus (0.0)
Summary of procedures for registering property in Gambia							
No.	Procedure	Time to complete	Cost to complete				
1	<p>* Application for Ministerial Consent to transfer leasehold property</p> <p>Because the State owns most of the land in Banjul, the property is technically leased (land in Banjul can be freehold or leasehold). The vendor buys and submits the Application form for Permission at the Department of Lands and Surveys. The Lands Department conducts an internal search for other files connected with the property. These files need to be attached to the application. The application then leaves the Lands Department and goes to a different office within the Department of State for Lands. The Secretary of State for Local Government and Land indicates approval and then the application is sent back to Lands Department. The Director of Lands issues the letter of consent for the transfer of the property.</p>	<p>1 to 3 months (simultaneous with Procedures 2 and 3)</p>	<p>D 200 for the Application form</p>				

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	<p>The lease is usually 99 years, with the option of another 99 years. The vendor also brings receipt showing that land rents have been paid up to date. The ministerial consent is required for leaseholds. With regular follow up it can be obtained in one to three months, but can take up to a year if there is no follow up and there are mortgages attached to the property.</p>		
2	<p>* Preparation of Transfer Deed by a lawyer</p> <p>The lawyer then prepares the transfer deed. Sometimes the lawyer prepares the sale-purchase agreement, if payment is by instalment.</p>	<p>2-7 days (simultaneous with Procedures 1 and 3)</p>	<p>2-3% of purchase price (lawyer's fees)</p>
3	<p>* Title search by lawyer at the Office of the Registrar of Deeds</p> <p>The purchaser's lawyer conducts a title search at the Office of the Registrar of Deeds within the Office of the Attorney General. The search costs about D 200-500, but this is usually included in the lawyer's fees. Sometimes, the lawyer may need to conduct an additional search at the Lands Department if files are missing at the Office of the Attorney General.</p>	<p>1-2 days (simultaneous with Procedures 1 and 2)</p>	<p>included in Procedure 2</p>

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5.2. OBTAINING CREDIT

	The Gambia	Guinea	Guinea-Bissau	Liberia	Mali	Senegal	Best performer
Obtaining Credit (Rank)	159	154	129	104	129	29102	UK
Strength of legal rights index (0–10)	5	6	6	7	6	6	Malaysia (10)
Depth of credit information index (0–10)	0	0	1	1	1	1	UK (6)

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6)							
Public registry coverage (% adults)	0	0	1.1	1.1	3.3	4.6	Portugal (90.7)
Private registry coverage (% adults)	0.0	0.0	0.0	0.0	0.0	0.0	UK (100)
Strength of legal rights index (0–10)						Index score:	5
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral?						Yes	
Does the law allow businesses to grant a non-possessory security right in a single category of movable assets, without requiring a specific description of collateral?						No	
Does the law allow businesses to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of collateral?						Yes	
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets?						Yes	

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<p>Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?</p>	<p>Yes</p>
<p>Is a collateral registry in operation, that is unified geographically and by asset type, with an electronic database indexed by debtor's names?</p>	<p>No</p>
<p>Are secured creditors paid first (i.e. before general tax claims and employee claims) when a debtor defaults outside an insolvency procedure?</p>	<p>No</p>
<p>Are secured creditors paid first (i.e. before general tax claims and employee claims) when a business is liquidated?</p>	<p>No</p>
<p>Are secured creditors either not subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure, or the law provides secured creditors with grounds for relief from an automatic stay or</p>	<p>No</p>
<p>Does the law allow parties to agree in a collateral agreement that the lender may enforce its security right out of court, at the time a security interest is created?</p>	<p>Yes</p>

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Depth of credit information index (0–6)	Private credit bureau	Public credit registry	Index score: 0
Are data on both firms and individuals distributed?	No	No	0
Are both positive and negative data distributed?	No	No	0
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	No	No	0
Is data on all loans below 1% of income per capita distributed?	No	No	0
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
Coverage	Private credit bureau	Public credit registry	
Number of firms	0	0	
Number of individuals	0	0	

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6. PROTECTING INVESTORS

	The Gambia	Guinea	Guinea-Bissau	Liberia	Mali	Senegal	Best performer
Protecting Investors (rank)	177	177	139	150	150	169	New Zealand
Extent of disclosure index (0-10)	2	6	6	4	6	6	Hong Kong (10)
Extent of director liability index (0-10)	1	1	1	1	1	1	Singapore (9)
Ease of shareholder suits index (0-10)	5	1	5	6	4	2	NZ (10)
Strength of investor protection	2.7	2.7	4.0	3.7	3.7	3.0	NZ (9.7)

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index (0-10)							
Score	Score description						
Extent of disclosure index (0-10)	2						
What corporate body provides legally sufficient approval for the transaction?	1	Board of directors is allowed to vote					
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	1	Existence of a conflict without any specifics					
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0	No disclosure obligation					
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	0	No disclosure obligation					
Whether an external body must review the terms of the transaction before it takes place?	0	No					
Extent of director liability index (0-10)	1						

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Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1	Yes
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	0	Not liable
Whether shareholders can hold members of the approving body liable for the damage that the Buyer-Seller transaction causes to the company?	0	Not liable
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0	Not possible or only in case of Seller's fraud or bad faith
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	0	No
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0	No
Whether fines and imprisonment can be applied against Mr. James?	0	No
Ease of shareholder suits index (0-10)	5	

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Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0	No
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1	Yes
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	1	Information that the defendant has indicated he intends to rely on for his defence
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0	No
Whether the plaintiff can directly question the defendant and witnesses during trial?	2	Yes, without approval from the judge
Whether the level of proof required for civil suits is lower than that of criminal cases?	1	Yes
Strength of investor protection index (0-10)	2.7	

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7. RESOLVING INSOLVENCY

	The Gambia	Guinea	Guinea-Bissau	Liberia	Mali	Senegal	Best performer
Resolving Insolvency (Rank)	108	141	185	159	120	90	Japan
Time (years)	2.0	3.8	No practice	3.0	3.6	3.0	Ireland (0.4)
Cost (% of estate)	15	8	No practice	43	18	7	Singapore (1)
Outcome (0 as piecemeal & 1 as going concern)	0	0	No practice	0	0	0	Slovenia (0.0)

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The Gambia National Policy for MSMEs

Recovery rate (cents on the dollar)	27.8	17.1	0.0	8.5	25.0	32.0	Japan (92.8)
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8. PAYING TAXES⁴

	The Gambia	Guinea	Guinea Bissau	Liberia	Mali	Senegal	Best performer
Paying taxes (Rank)	179	183	146	45	166	178	UAE
# Payments per year	50	58	46	33	45	59	Hong Kong (3)
Time (hours per year)	376	416	208	158	270	666	UAE (12)
Summary of tax rates and administrative burden in Gambia							
Indicator	Gambia, The		Sub-Saharan Africa average		OECD high income average		

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⁴Changes are in place for registering a business that involves a one-stop-shop (single window).

Payments (number per year)	50	39	12				
Time (hours per year)	376	319	176				
Profit tax (%)	6.1	19.0	15.2				
Labour tax and contributions (%)	12.8	13.3	23.8				
Other taxes (%)	264.6	25.5	3.7				
Total tax rate (% profit)	283.5	57.8	42.7				
Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Sales Tax	12		240	15%	Domestic purchases	221	
Minimum	1	Final payment	0	2%	turnover	26.5	

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income tax							
Social security contributions	12		96	10%	gross salaries	11.3	
National Education Levy	1		0	between GMD 30,000 and GMD 50,000	depend s-on turnover (in excess of GMD 5 million)	10.1	
Capital gains tax				higher-of 10% of sale price and 25% of gain	capital gains	6.1	
Municipal business license	1			varies by industry		6	
Contribution to injuries	0	paid jointly	0	1% with-a max of GMD 15	gross salaries	1.1	

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compensation fund				per month per employee			
Fringe benefits tax provided to employees	1		0	35%	benefit	0.4	
Property tax	1	0		0%	assessed property value	0.3	
Vehicle tax	1		0		tonnage of vehicle	0.3	
Fuel tax	1		0		included in fuel price	0.2	
Business registration	1		0		fixed fee	0.1	

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The Gambia National Policy for MSMEs

Environmental tax	12		0	GMD-1 per employee per month		0.1	
Corporate income tax	4	Advance payment(s)	40	33%	taxable profit	0	
Stamp duty on contracts	1		0	2.5%-10%	contract value	0	small amount
Totals	50			376		283.5	

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9. TRADING ACROSS BORDERS

	The Gambia	Guinea	Guinea	Liberia	Mali	Senegal	Best performer
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Trading across borders (Rank)	87	133	116	137	152	67	Singapore
# documents to export	6	7	6	10	6	6	France (2)
Time to export days	23	35	23	15	26	11	Singapore (5)
Cost to export (US\$ per container)	1,180	855	1,448	1,220	2,202	1,098	Malaysia (435)
# documents to import	7	9	6	11	9	5	France (2)
Time to import days	21	32	22	28	31	14	Singapore (4)
Cost to import (US\$ per container)	885	1,391	2,006	1,320	3,067	1,740	Malaysia (420)

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Summary of procedures and documents for trading across borders in Gambia			
Indicator	Gambia, The	Sub-Saharan Africa average	OECD high income average
Documents to export (number)	6	8	4
Time to export (days)	23	31	10
Cost to export (US\$ per container)	1,180	1,990	1,028
Documents to import (number)	7	9	5
Time to import (days)	21	37	10
Cost to import (US\$ per container)	885	2,567	1,080

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Procedures to export	Time (days)	Cost (US\$)
Documents preparation	9	380
Customs clearance and technical control	2	365

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Ports and terminal handling	10	140
Inland transportation and handling	2	295
Totals	23	1,180
Procedures to import	Time (days)	Cost (US\$)
Documents preparation	8	250
Customs clearance and technical control	3	135
Ports and terminal handling	8	190
Inland transportation and handling	2	310
Totals	21	885

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Documents to export
Bill of lading
Certificate of origin
Commercial Invoice

Customs export declaration
Packing List
Technical standard/health certificate

Documents to import
Bill of lading
Certificate of origin
Commercial invoice
Customs import declaration
Gate Pass
Packing list
Technical standard/health certificate

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10. ENFORCING CONTRACTS

	The Gambia	Guinea	Guinea	Liberia	Mali	Senegal	Best performer
Enforcing contracts (Rank)	65	131	142	163	133	148	Luxembourg
Time days	407	276	1,715	1,280	620	780	Singapore (150)

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Cost (% of claim)	37.9	45.0	25.0	35.0	52.0	26.5	Bhutan (0.1)
Procedures (#)	33	49	40	40	36	43	Ireland (21)
No.	Procedure						
Filing and service:							
1	Plaintiff requests payment: Plaintiff or his lawyer asks Defendant orally or in writing to comply with the contract.						
2	Plaintiff's hiring of lawyer: Plaintiff hires a lawyer to represent him before the court.						
3	Plaintiff's filing of summons and complaint: Plaintiff files his summons and complaint with the court, orally or in writing.						
4	Plaintiff's payment of court fees: Plaintiff pays court duties, stamp duties, or any other type of court fee.						
5	Registration of court case: The court administration registers the lawsuit or court case. This includes assigning a reference number to the lawsuit or court case.						
6	Assignment of court case to a judge: The court case is assigned to a specific judge through a random procedure, automated system, ruling of an administrative judge, court officer, etc.						

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4	Court scrutiny of summons and complaint: A judge examines Plaintiff's summons and complaint for formal requirements.	Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers
*	Judge admits summons and complaint: After verifying the formal requirements, the judge decides to admit Plaintiff's summons and complaint.	Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers
5	Delivery of summons and complaint to person authorized to perform service of process on Defendant: The judge or a court officer delivers the summons to a summoning office, officer, or authorized person (including Plaintiff), for service of process on Defendant.	Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers
6	First attempt at physical delivery: A first attempt to physically deliver summons and complaint to Defendant is successful in the majority of cases.	Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers
*	Proof of service: Plaintiff submits proof of service to court.	Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers
*	Application for pre-judgment attachment: Plaintiff submits an application in writing for the attachment of Defendant's property prior to judgment. (see assumption 5)	Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers
*	Decision on pre-judgment attachment: The judge decides whether to grant Plaintiff's request for pre-judgment attachment of Defendant's property and notifies Plaintiff and Defendant of the decision. This step may include requesting that Plaintiff submit guarantees or bonds to secure Defendant	Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers
7	Pre-judgment attachment. Defendant's property is attached prior to judgment. Attachment is either physical or achieved by registering, marking, debiting or separating assets. (see assumption 5)	Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers
8	Report on pre-judgment attachment: Court enforcement officer or (private)	Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers

	bailiff issues and delivers a report on the attachment of Defendant's property to the judge. (see assumption 5)
9	Hearing on pre-judgment attachment: A hearing takes place to resolve the question of whether Defendant's assets can be attached prior to judgment. This process may include the submission of separate summons and petitions. (see assumption 5)
Trial and judgment:	
10	Defendant's filing of defence or answer to Plaintiff's claim: Defendant files a written pleading which includes his defence or answer on the merits of the case. Defendant's written answer may or may not include witness statements, expert statements, the documents Defendant relies on as evidence and the legal authority
11	Adjournments: Court procedure is delayed because one or both parties request and obtain an adjournment to submit written pleadings.
*	Request for interlocutory order: Defendant raises preliminary issues, such as jurisdiction, statute of limitation, etc.
*	Court's issuance of interlocutory order: Court decides the preliminary issues the Defendant raised by issuing an interlocutory order.
12	Plaintiff's appeal of court's interlocutory order: Plaintiff appeals the court's interlocutory order, which suspends the court proceedings.
13	Request for oral hearing or trial: Plaintiff applies for the date(s) for the oral hearing or trial.
*	Setting of date(s) for oral hearing or trial: The judge sets the date(s) for the

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	oral hearing or trial.
14	Trial (prevalent in common law): The parties argue the merits of the case at (an) oral session(s) before the court. Witnesses and expert witnesses are questioned and cross-examined during trial.
15	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment during the oral hearing or trial, resulting in an additional or later trial or hearing date.
16	Order for submission of final arguments: The judge sets the deadline for the submission of final factual and legal arguments.
*	Final arguments: The parties present their final factual and legal arguments to the court either by oral presentation or by a written submission.
17	Notification of judgment in court: The parties are notified of the judgment at a court hearing.
18	Writing of judgment: The judge produces a written copy of the judgment.
19	Registration of judgment: The court office registers the judgment after receiving a written copy of the judgment.
20	Plaintiff's receipt of a copy of written judgment: Plaintiff receives a copy of the written judgment.
21	Notification of Defendant of judgment: Plaintiff or court formally notifies the Defendant of the judgment. The appeal period starts to run the day the Defendant is formally notified of the judgment.

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22	<p>Appeal period: By law, Defendant has the opportunity to appeal the judgment during a period specified in the law. Defendant decides not to appeal. Judgment becomes final the day the appeal period ends.</p>	<p>Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers</p>
23	<p>Reimbursement by Defendant of Plaintiff's court fees: The judgment obliges Defendant to reimburse Plaintiff for the court fees Plaintiff has advanced, because Defendant has lost the case.</p>	<p>Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers</p>
<p>Enforcement of judgment:</p>		<p>Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers</p>
※	<p>Plaintiff's hiring of lawyer: Plaintiff hires a lawyer to enforce the judgment or continues to be represented by a lawyer during the enforcement of judgment phase.</p>	<p>Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers</p>
24	<p>Plaintiff's approaching of court enforcement officer or (private) bailiff to enforce the judgment: To enforce the judgment, Plaintiff approaches a court enforcement officer such as a court bailiff or sheriff, or a private bailiff.</p>	<p>Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers</p>
※	<p>Plaintiff's request for enforcement order: Plaintiff applies to the court to obtain the enforcement order ('seal' on judgment).</p>	<p>Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers</p>
25	<p>Plaintiff's advancement of enforcement fees: Plaintiff pays the fees related to the enforcement of the judgment.</p>	<p>Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers</p>
26	<p>Attachment of enforcement order to judgment: The judge attaches the enforcement order ('seal') to the judgment.</p>	<p>Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers</p>
※	<p>Delivery of enforcement order: The court's enforcement order is delivered to a court enforcement officer or a (private) bailiff.</p>	<p>Formatted: Heading 1, Left, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers</p>

27	Plaintiff's identification of Defendant's assets for attachment: Plaintiff identifies Defendant's assets for attachment.
28	Attachment: Defendant's movable goods are attached (physically or by registering, marking or separating assets).
29	Report on execution of attachment: A court enforcement officer or private process server delivers a report on the attachment of Defendant's movable goods to the judge.
30	Call for public auction: The judge calls a public auction by, for example, advertising or publication in the newspapers.
31	Sale through public auction: The Defendant's movable property is sold at public auction.
*	Direct sale: Defendant's property is sold but not through a public auction. (assumption 9 is disregarded here)
32	Reimbursement of Plaintiff's enforcement fees: Defendant reimburses Plaintiff's enforcement fees which Plaintiff had advanced previously.
33	Payment: Court orders that the proceeds of the public auction or the direct sale be delivered to Plaintiff.

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~~ANNEX 3: KEY ISSUES FOR DESIGNING A SMALL BUSINESS TAX SYSTEM⁵~~

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~~VOLUNTARY TAX COMPLIANCE OF SMALL BUSINESSES~~

~~● Setting the base for small business tax reform requires analysing the level of compliance of small businesses with tax obligations.~~

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~~● The main reasons for small business to operate in the informal economy need to be determined. The key question is:~~

~~To what extent do tax policy and tax administration drive informality?~~

~~● Design of a small business tax system should not be based on unfounded guesswork. It requires solid data analysis.~~

~~● As in many countries, reliable data are not readily available, substantial data collection efforts will need to be made.~~

~~● Basing tax system design on reliable data analysis not only increases the fairness of the system, but is also essential to promoting broad acceptance of the system.~~

⁵IFC, Designing a Tax System, A Practitioners Guide. 2007 Annex 1.

• Ideally, studies should be undertaken to analyse the characteristics of the small business segment of the taxpayer population (average annual turnover, profit margins, sector of output—tradable or not, final or intermediate sales, average lifespan, number of salaried employees and gross salaries paid; percentage of small (micro) businesses operating at pure subsistence level; compliance capacity—literacy rate, use of cash accounting; compliance costs—main issues contributing to compliance costs).

• On-going data collection should be initiated. Of crucial importance is the preparation of taxpayer feedback surveys, which should be carried out on a regular basis (e.g. every two years).

Selecting the target group

SELECTING THE TARGET GROUP

• There is no universally applicable definition of “small taxpayers”. The borderline between small, medium, and large taxpayers depends on the level of economic development, the size of the country and the structure of the economy. It thus has to be determined in a country-specific way.

• Small businesses in most countries account for more than 90% of the taxpayer population. Policymakers must be aware that the small business segment is not a homogeneous group and therefore should not be treated uniformly.

• At a minimum, three sub-groups need to be distinguished: subsistence level businesses, micro businesses above the subsistence level; and small businesses with a more stable and extensive level of business activity and growth potential and expectation. Different tax policy approaches are required for these sub-groups.

Reform areas

REFORM AREAS

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~~• Small business taxation frequently is associated with the operation of a presumptive tax system. However, while presumptive taxation could be the core element of a small business tax system, reforms should not be limited to presumptive taxation. It is equally important to address compliance problems in direct and indirect taxation.~~

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~~• A good small business tax system that is not administered properly can have as bad an impact on the business environment as a badly designed system. Enabling tax administration to respond to specific small business compliance problems and service needs therefore is as important as the system design.~~

~~• Small business tax reform is also likely to have a subnational dimension, as in many countries local governments levy taxes on MSEs, which could create greater compliance problems than central government taxes.~~

~~VAT~~

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~~VAT~~

~~• Many small businesses consider compliance with VAT particularly burdensome and costly. It therefore is important to set the threshold for compulsory VAT registration at a reasonably high level, balancing the objective to reduce compliance and administration costs with the objective to limit considerable reductions in the potential VAT yield.~~

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~~• Voluntary registration should be introduced for small businesses with a turnover below the registration threshold.~~

~~• However, at the same time safeguards against fraudulent registration of “fly-by-night” traders must be introduced.~~

~~• Filing frequency is one of the main reasons for high VAT compliance costs. Reducing the filing frequency therefore can be an important simplification measure.~~

~~• VAT is generally based on accrual accounting. This can create payment problems for small businesses. Small businesses should therefore get the option of paying VAT on a cash accounting basis.~~

~~• Simplified schemes for VAT calculations can substantially reduce the compliance burden. A possible approach is to calculate the VAT liability as a simple percentage of business turnover.~~

~~• Income tax~~

~~INCOME TAX~~

~~• Tax holidays generally are not an appropriate tool to support MSE development. Better targeted incentives should be used to promote specific investment decisions. Key examples are simplified and attractive depreciation rules, additional incentives to promote investments in R&D, and tax exemptions for re-invested profits.~~

~~• A number of countries have introduced lower income tax rates for small businesses to compensate for higher compliance costs. However, due to the risk of abuse and reduction in the tax yield, measures aiming at directly reducing actual compliance costs are preferable to a tax rate reduction.~~

~~• Presumptive ion~~

~~PRESUMPTIVE TAX SYSTEM~~

~~• A presumptive tax system is not necessarily the best option to improve small business taxation. The need to move beyond simplifications in compliance with standard direct taxes and increase the VAT threshold to a sufficiently high level depends on tax administration capacity and the ability of taxpayers to comply with simplified income tax filing and self-assessment requirements.~~

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~~• Efforts to broaden the tax net should be limited to businesses operating above the subsistence level. Micro-businesses at the subsistence level should be tax exempt for (i) poverty reduction reasons, and (ii) a disproportion in the relationship between potential revenue collection and administration, plus compliance costs.~~

~~• For micro-businesses above the subsistence level (mainly owner-operated small businesses in the retail sector), a simple lump-sum patent generally is the most cost-efficient approach. The patent approach also reduces corruption and harassment risks.~~

~~• For small businesses above the micro level, several alternative approaches to presumptive taxation are available.~~

~~• Main alternatives are turnover-based systems; systems based on objective business indicators; and agreed systems.~~

~~• For reasons of accuracy, transparency, and coordination with the standard tax regime, turnover-based systems generally should be preferred over indicator-based or agreed systems.~~

~~• Key objective of a presumptive system is compliance simplification and not tax burden reduction. The tax burden under the presumptive system should roughly equal the tax burden under the standard regime to avoid discouraging businesses to grow and migrate from the presumptive into the standard regime.~~

~~• Ideally presumptive taxes should not only substitute income tax, but replace a broader range of direct and indirect central and possibly also local taxes. An exception applies to social security contributions and employee income withholding taxes.~~

~~• A presumptive system should include incentives to promote maintaining simplified books and records (in particular a cash book). Such incentive could be in the form of a rate reduction, more flexible payment options, and loss carry forward opportunities.~~

~~•— Retroactive taxation for businesses that move from the informal into the formal economy should be avoided. Enterprises will be discouraged to formalize if this results in the obligation to pay huge tax arrears, interests and penalties.~~

~~Tax administration~~

~~TAX ADMINISTRATION~~

~~•— Tax administration reform must accompany tax policy reforms.~~

~~•— Given the special compliance problems and service needs of small taxpayers, creating dedicated administrative structures in the tax administration to manage small taxpayer compliance and satisfy service needs could be a promising reform option. Similar to the operation of large taxpayer offices existing in many countries, specialized small taxpayer offices could be created.~~

~~•— In a number of countries the registration of businesses for tax purposes still is a slow, cumbersome and often costly process. Streamlining taxpayer registration is an important administrative reform. It should be linked to the reform of business registration requirements on a broader base. Ideally a one-stop shop approach to registration should be introduced.~~

~~•— Small taxpayers have special service and information needs. This concerns both the content and delivery mode of services. As the use of modern technology (internet, mobile phones) is becoming more widespread in the small business community, it should also be considered for service and information purposes and to facilitate compliance (e.g. e-filing and payment).~~

~~•— Cooperation with the private sector, in particular small business associations, is important for successful compliance management. Consideration could be given to introducing some elements of associational taxation and involving small business associations in the tax collection process.~~

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~~• A close cooperation with local governments (in particular information sharing) should be established.~~

~~• Fiscal federalism~~

~~FISCAL FEDERALISM~~

~~• Little consideration has been given to the devolution of small business tax collection. However, any small business tax reform should take into consideration its impact on the fiscal federalism system.~~

~~• For micro business patents, there is a clear possibility to be turned into a true local tax with local governments having discretion over setting the tax rate, collection responsibility and revenues going to the local budget.~~

~~• Devolution is less obvious in case of small business taxes, as these require greater tax administration capacity and better taxpayer services than many local governments can provide. In addition, problems may arise of proper transfer of small businesses to the central tax administration in case these businesses show a turnover above the small business tax threshold.~~

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