



Entreprenant Evaluation Results

May 2019



1. Introduction

1. Entrepreneur theory of change
2. Evaluation questions and methodology

2. Findings

1. Question 1: Who are the Entrepreneurs?
2. Question 2: What is the Entrepreneur status?
3. Question 3: How do Entrepreneurs interact with the status?

3. Conclusions

1. Conclusions against each research question
2. Recommendations

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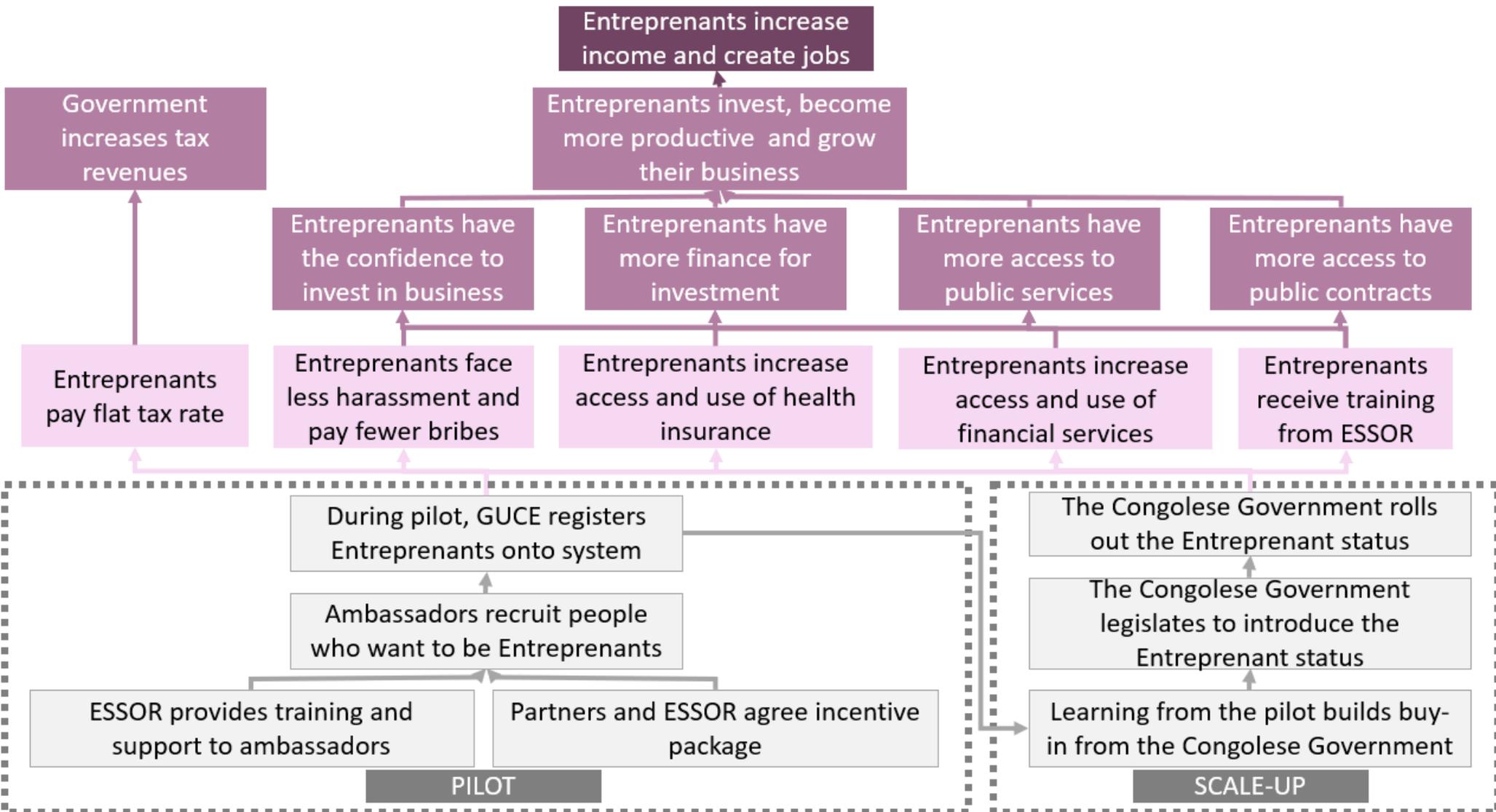
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Introduced to OHADA law in 2010, Entrepreneur is a formal legal status for vulnerable self-employed sole traders and people that fall out of the legal definition of an enterprise. Introduction of the status aims to reduce the size of the informal economy. Essor's pilot seeks to promote the Entrepreneur status by registering a small number of Entrepreneurs, testing the initial concept, testing incentives for sign-up and report on lessons learned to the Government of DRC on how to define and implement the Entrepreneur status.





1. Who are the Entrepreneurs?

What is their business status and history?

b. Do they pay tax, access financial services, and experience harassment?

c. Why did they become entrepreneurs?

d. What are their attitudes to formalisation?

2. What is the Entrepreneur status?

What are the fiscal and legal implications of becoming an Entrepreneur?

b. What are the incentives for different service providers to sustainably participate?

c. To what extent does the Entrepreneur status differ to other statuses available to the target group?

3. How do Entrepreneurs interact with the status?

How many target group members choose to sign up?

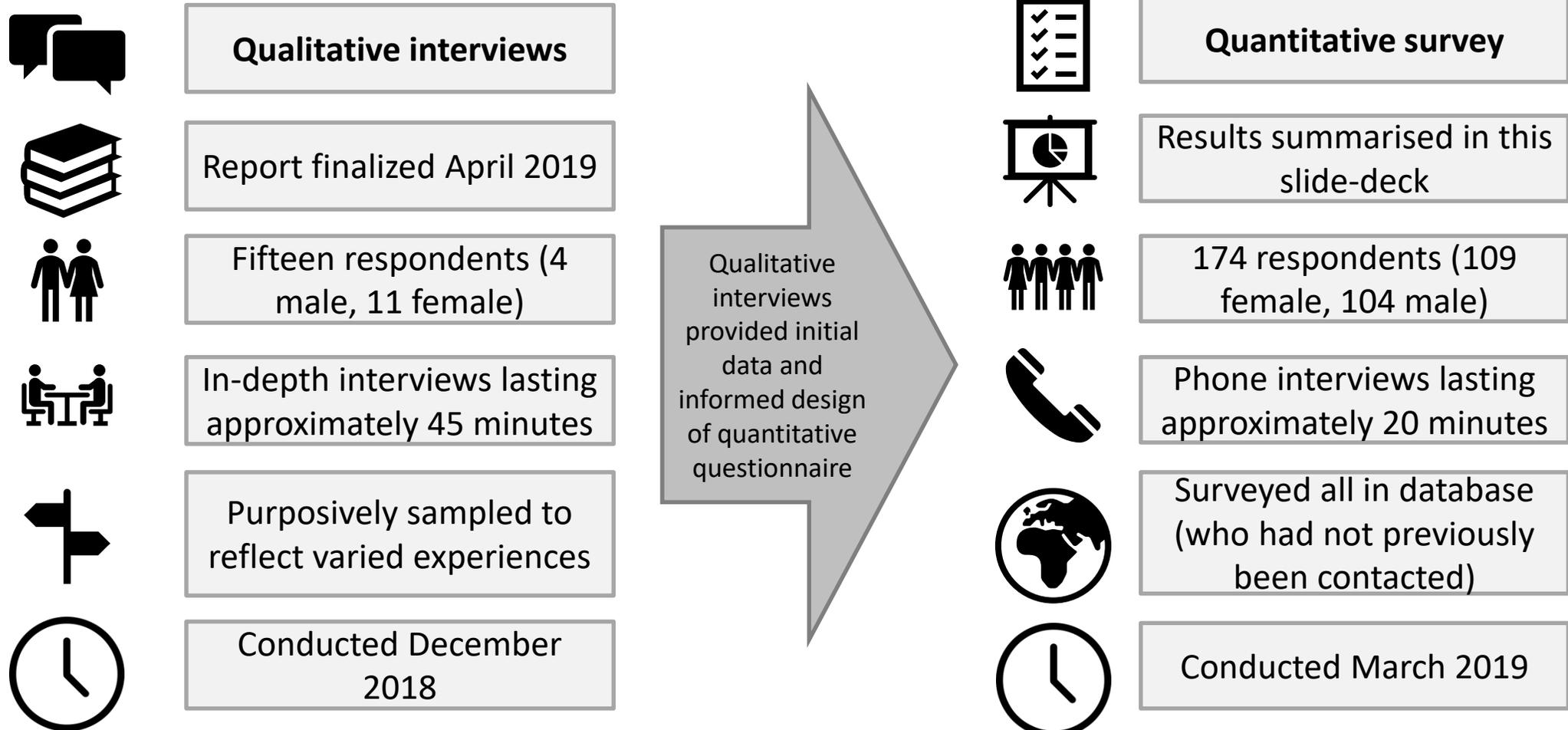
b. Why do they choose to sign up, or not?

c. To what extent do they use the services on offer, and why?

d. What benefits or costs do they experience?

e. How do answers vary by type of enterprise?

Mixed methods methodology with two sections



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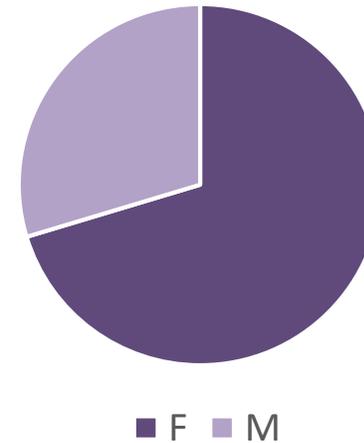
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The average age of Entrepreneurs was 44

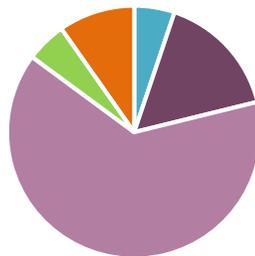
Women are slightly older, with an average age of 45 (vs 40 for male)

Age group	Female	Male	Total
< 20	1%	3%	2%
< 30	16%	26%	19%
< 40	20%	24%	21%
< 50	22%	21%	22%
< 60	22%	10%	19%
60 +	19%	16%	18%

70% of Entrepreneurs were female

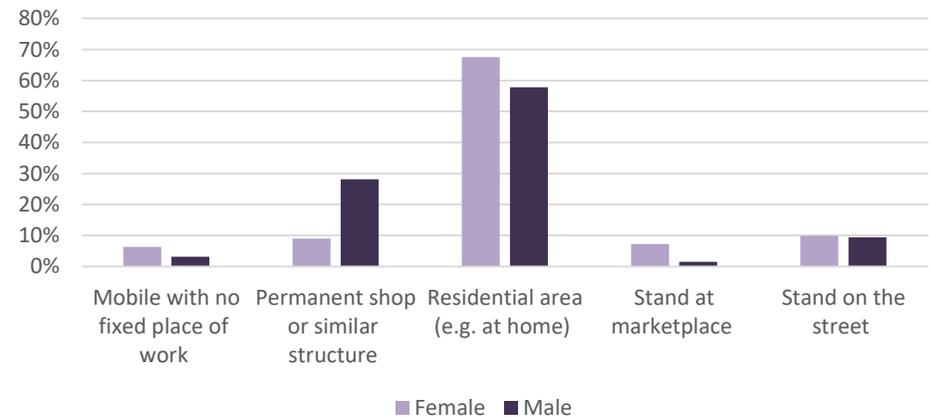


Most respondents worked in their residential area



- Mobile with no fixed place of work
- Permanent shop or similar structure
- Residential area
- Stand at marketplace
- Stand on the street

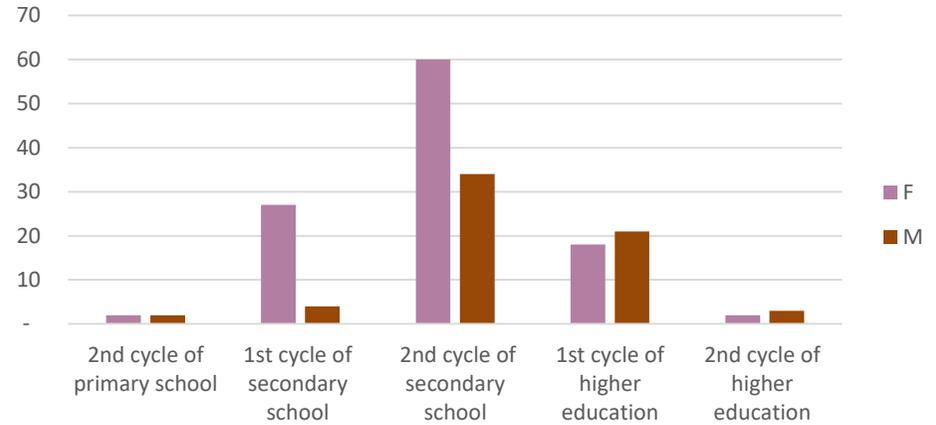
Women work more from their residential areas and at marketplaces



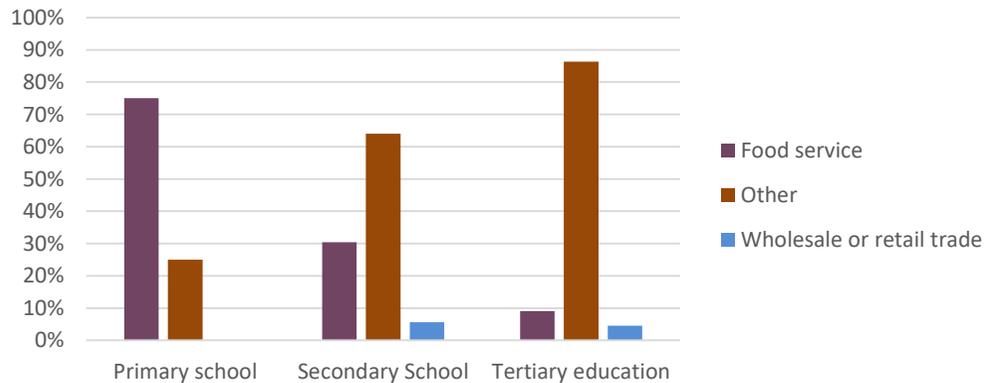
Most Entrepreneurs started their business in the last five years.



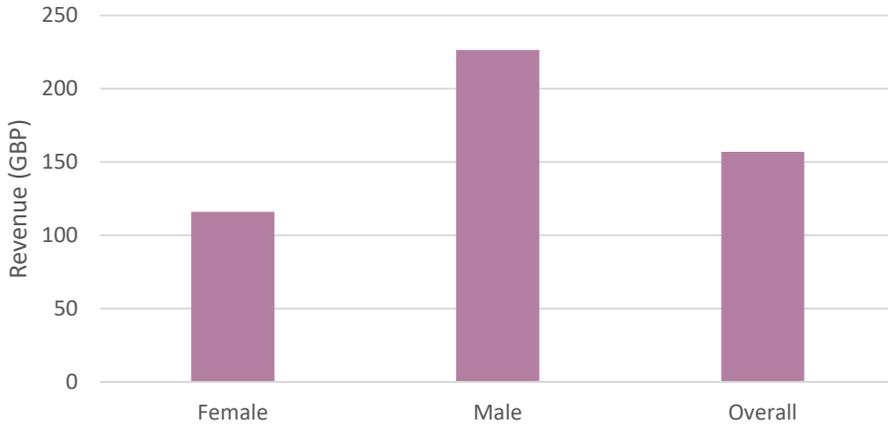
Male Entrepreneurs are better educated than female



The better educated, male Entrepreneurs are less likely to be working in food services



Average monthly revenue is higher for men than women



Women are more likely to work in the food service business*

Row Labels	Female	Male	Total
Food service	50%	10%	38%
Maintenance	0%	4%	1%
Manufacturing	8%	10%	8%
Other	2%	18%	7%
Other services	5%	20%	9%
Wholesale or retail trade	35%	37%	36%
Grand Total	100%	100%	100%

Respondents are optimistic. 90% expect their revenue to increase over the next three years

Reported monthly revenue has almost doubled since the original registration., from £73 to £155. This might be due to the impact of the elections, which took place in December 2018, or due to differences in wording between the two surveys.

Entrepreneurs have more unpaid than paid employees; but there is a large gender divide



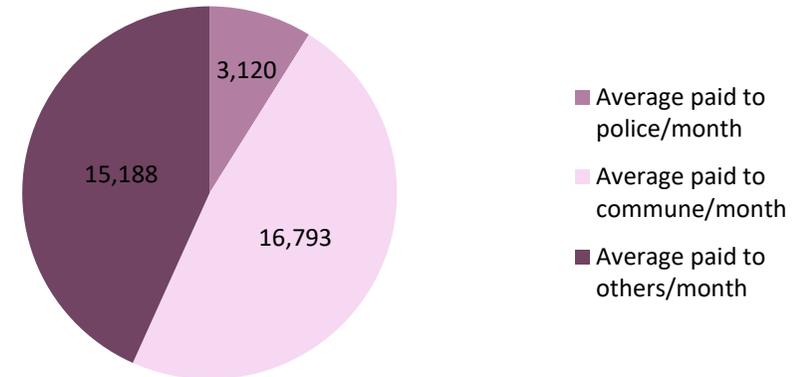
* From Entrepreneur Registration Database. N = 300

Informal taxation:

- Only 25% of respondents reported paying any informal taxes or bribes.
- As the below shows, this may be because most people work in a mobile or informal location.
- From those who work in a fixed location, 64% pay regular bribes or informal taxes.

Place of work	No.	Average times/month they pay informal taxes	Average amount paid (CDF)
Mobile with no fixed place of work	9	0	0
Permanent shop or similar structure	28	1.7	18,232
Informal business in residential area	110	0.2	2,136
Stand at marketplace or street	26	2.4	2,403

Amount paid to authorities in informal taxes



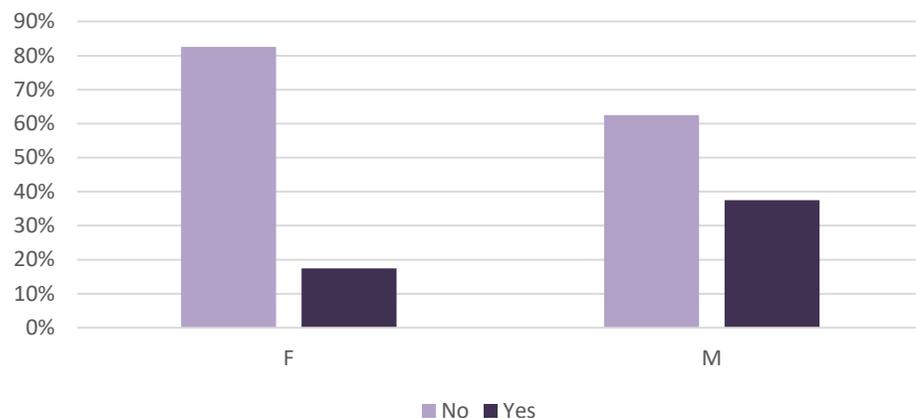
Bribes:

9 people (5% of sample, 6m, 3f) paid a bribe in 2018 due to working without official documentation.

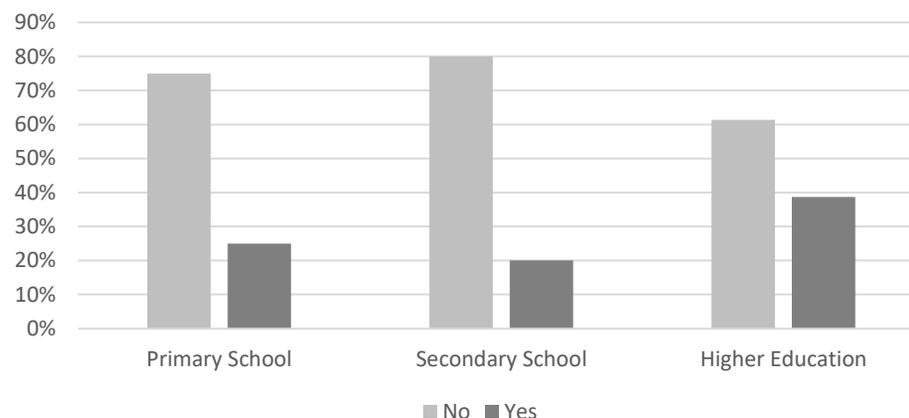
Formal taxation:

Only 4 people (2% of sample, all male) paid any formal tax in 2018. The average amount was CDF 40,375, and ranged from CDF 16,500 to 85,000. All these four worked in a permanent shop.

Men are more likely to pay formal or informal tax than women



The more educated are more likely to pay formal or informal tax



This is a lower reported rate of informal taxation than the qualitative interviews, which found 64% of respondents paying informal or formal taxes. It is also lower than would be expected in the DRC context, given anecdotal evidence of wide-spread informal taxation. This may reflect under-reporting in this survey, although the question was asked in several different ways, designed to pick up informal taxes, formal taxes, and bribes paid to various sources.

- Low income entrepreneurs in three communes of Kinshasa were provided the opportunity to formally declare their business at "Declaration Days," which tested a set of incentives encouraging Entreprenants to participate. These incentives were a bank account, health insurance, training, and an ID card indicating their Entreprenant status.
- The status is not yet fully defined. As yet, the DRC has not passed national legislation or regulation that would define important aspects of the status. For example, the maximum allowable turnover for Entreprenant is undefined, so it is unclear what enterprises it applies to. Moreover, the level of national taxation for Entreprenants is not yet fixed. These questions may not be answered until 2020.
- As well as the Entreprenant status, an enterprise could register for the personnes physique (suitable for small businesses) and the personnes morales (suitable for larger companies). The table on the next slide compares the statuses to show how Entreprenant fits into the broader business landscape. The personnes morale and personnes physique status are legally and practically clear. The table highlights where key decisions are yet to be made. It is an extract from a longer table provided in the report from the qualitative research.

DEVLEARN How does Entreprenant compare to other statuses?

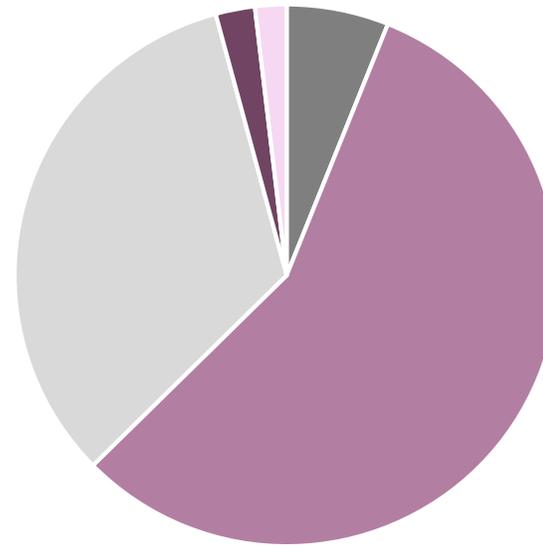
Question 2. What is the Entreprenant status?

	Informal (fixed location)	Entreprenant Status	Individual enterprises Personnes physiques	Limited Liability Company Personnes morales
Cost of the status	N/A	Free (per OHADA law)	30 USD	70-80 USD
Time to register	N/A	Currently takes 1-2 hours. The Guichet Unique might change this as the status is better defined.	3 days	> 3 days
Minimum turnover	N/A	None	No minimum turnover	Depends on type of ownership
Maximum turnover	N/A	To be defined by the Guichet Unique in 2019.	No maximum turnover	Depends on type of ownership
Number of employees	N/A	Cannot have long-term contracted employees.	No limit.	No limit.
Level of taxation	The Patente tax (but this is seldom levied). Instead, vendors make informal payments to local authorities, police, etc.	Currently the Patente applies. Eventually want a single flat tax. Aiming to have this defined by mid-2020.	Environment Tax, IPB,	IPB, IPR, IM, IERE
Open business bank account	Can open personal but not business bank account. This limits access to credit.	Business account available through Equity Bank	Not an obligation	It is an obligation
Social security obligations	N/A	Not eligible but special offers from private health insurance	Yes	Yes
Apply for a bank loan	Very unlikely to get bank loans without collateral. Access to microcredit only through equity.	Equity bank offered a group micro-credit as part of this pilot.	Yes, if they have bank account	yes

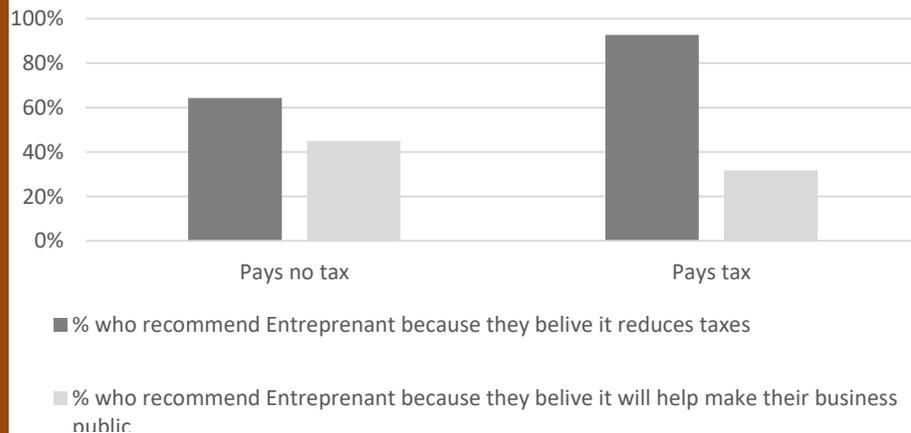
98% of respondents would recommend Entrepreneur

2% of respondents have concerns about Entrepreneur, because the card isn't accepted by state and communal agents.

The most important reason why respondents would recommend Entrepreneur is to reduce their taxes



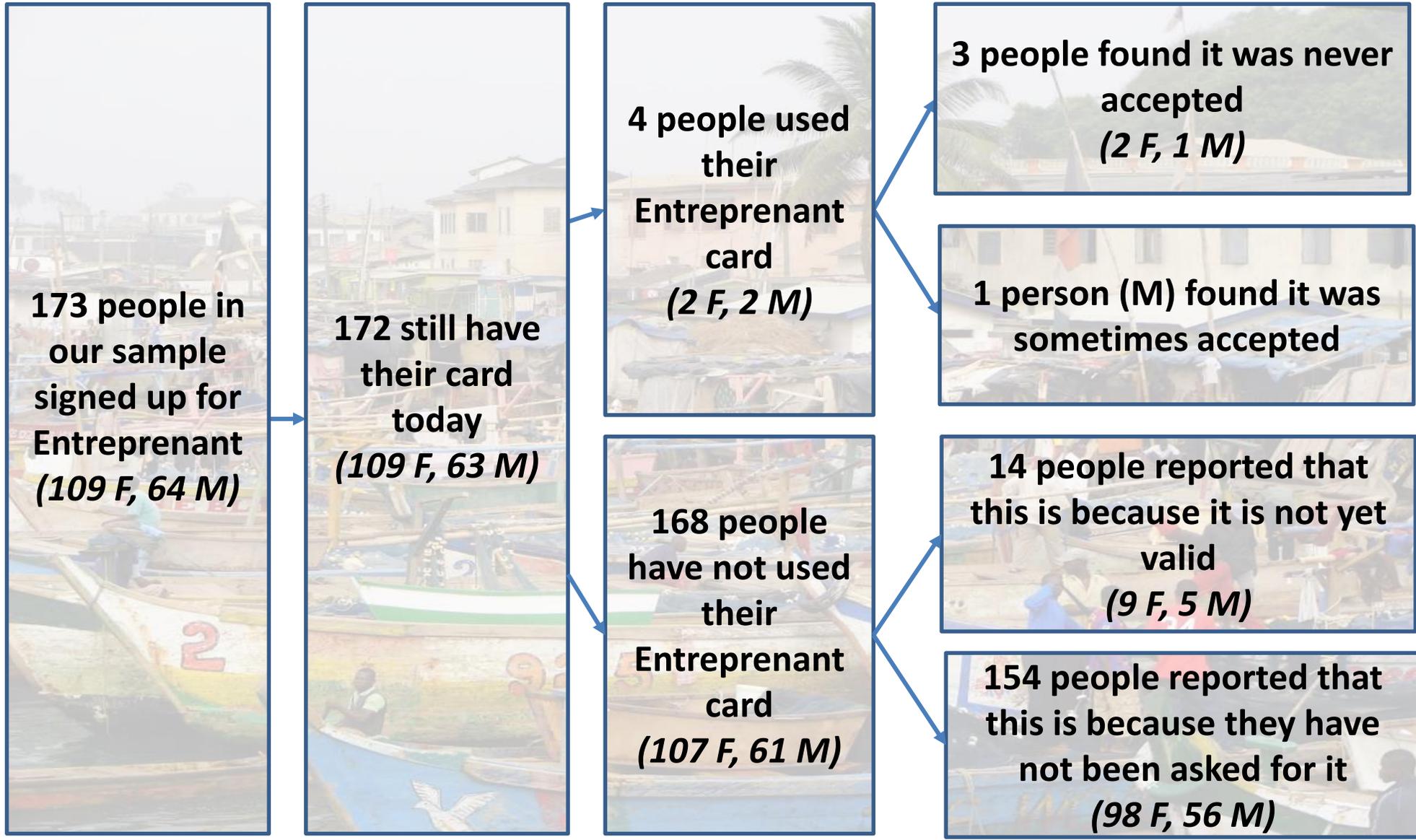
Taxation levels is still important to Entrepreneurs who don't pay tax



- To reduce harassment and corruption
- To reduce the cost of taxes
- To be able to make known my company
- Access to services (banking, health, or training)
- Other

Use of Entreprenant Status

Question 3. How do Entreprenants interact with the status?



0

people reported experiencing changes in overall levels of harassment after signing up for Entrepreneant

0

people reported experiencing changes in overall levels of fees paid after signing up for Entrepreneant

Although there have been no reports of overall changes in harassment or fees, two respondents gave specific examples of times when they have used the card.



Koffi has been selling drinks since 2013 at his home. He has used the Entrepreneant card three times to escape harassment.



Fabrice operates a pharmacy in a permanent location. He has also used the Entrepreneant card three times to escape harassment.

Note: The graph on slide 9 suggested one person had used the Entrepreneant card successfully, while here it suggests two people. This question was asked in two ways during the survey, which may have led to this inconsistency. The names are fictional to protect respondent identities.

Question 3. How do Entrepreneurs interact with the status?





Women are less likely than men to have banking services before ESSOR (6% vs 19%). Men and women are equally likely to sign up, but women are less likely to use the services (1% vs 11%)

Those with higher education are more likely to have banking services before ESSOR (27%). They are slightly more likely to sign up in the pilot, and much more likely to use the services (19% vs 5%)



Men and women are equally likely to have health insurance before ESSOR, equally likely to sign up in the pilot, and slightly more likely to retain health insurance (75% vs 68%).

Those with higher education are more likely to have health insurance before ESSOR (41% vs 14%), less likely to sign up in the pilot (30% vs 58%) and equally likely to retain health insurance (77% vs 71%)



Women are more likely to take up training. 88% of women take up training, compared to 42% of men.

Those with higher education are more likely to take up the offer of free trainings. 34% of them take up training, compared to 19% of those with secondary school education.

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- **About 70% of Entrepreneurs are female, and most started their business in the last five years.** Male Entrepreneurs are better educated than female Entrepreneurs, and typically earn more money and are less likely to work in food services. Respondents are optimistic about the future, with 90% expecting their revenue to increase over the next three years
- **Most respondents don't pay tax.** At the moment, just 25% of respondents reported paying any tax, whether formal or informal. Male, more educated respondents are more likely to pay tax than women and the less educated. This is a lower reported rate of informal taxation than the qualitative interviews, which found 64% of respondents paying informal or formal taxes. This may reflect under-reporting in this survey.
- **Tax payments are lowest among respondents who work in a mobile or informal location.** Tax payment is concentrated among those who work in a marketplace or other permanent location. The remainder are mobile, work from home, or work locally, and pay very little tax.

- **Introduced to OHADA law in 2010, Entreprenant is a formal legal status for vulnerable self-employed sole traders that fall out of the legal definition of an enterprise.** Introduction of the status aims to reduce the size of the informal economy.
- **The Entreprenant status is not yet fully defined.** While the Entreprenant status is open to registration and has 432 registered Entreprenants, it is not yet fully defined. Key features such as the target group and tax liabilities may not be agreed until 2020.
- **As well as the Entreprenant status, an enterprise could register for the personnes physique (suitable for small businesses) and the personnes morales (suitable for larger companies).** The personnes morale and personnes physique status are legally and practically clearer. For the Entreprenant status, key aspects are currently awaiting clarification.

Question 3: How do Entreprenants interact with the status?

- **Registration was driven by both short-term and long-term interests.** Entreprenants were offered free training, access to a bank account, and health insurance. Consequently, it is not surprising that entrepreneurs were tempted to register. Entreprenants are, however, also interested in the longer-term benefits. 98% would recommend Entreprenant to a friend. When asked why, 71% of respondents answered that they believe that it will reduce their taxes. The second most common reason, (42%), was to make their company known.
- **Respondents who work from home may hope that the Entreprenant status enables them to expand to a fixed location.** The results present a seeming contradiction; among respondents who don't pay tax, 63% still recommend Entreprenant because they believe it will reduce tax. It may be that these people wish to move to a market stall or permanent location, and believe that Entreprenant will enable them to do so without facing additional taxes or harassment.

Question 3: How do Entrepreneurs interact with the status?

- **Entrepreneur is not currently preventing harassment or reducing taxes.** Nobody has experienced changes in overall levels of taxation or harassment. Only four people have used their cards at all, and only two people have found that it enabled them to escape from taxation or harassment.
- **This may reflect a lack of information among Entrepreneurs and authorities.** When asked why they had not used their card, 92% of respondents said they had not been asked for it, and the remainder said it was not valid. This suggests that the Entrepreneur status is not institutionalised.
- **Level of uptake of services was good, but usage is currently low.** About fifty percent of Entrepreneurs signed up to health insurance or banking services, but few of them have used the services to date, and there has been a high level of drop-out from health insurance services.
- **Health insurance may be particularly important for women.** Banking services were used more by men and the better educated respondents. Health insurance, by contrast, had a higher retention rate for women, suggesting the service has greater value for them.
- **Entrepreneur has not yet had an impact.** While the pilot established that entrepreneurs are willing to sign up for Entrepreneur, it has not had any obvious benefit for them, beyond the small number who are actively using a new service.

- **Clarification of the status is required to avoid negative impact.** Reducing taxation is a clear priority for respondents. However, the majority of them do not pay taxes. If the Entrepreneur status increases taxation for them, by exposing them to the relevant authorities, it risks having a negative impact for the people who it aimed to support.
- **The Entrepreneur status needs institutional and individual recognition.** The assessment clearly shows that the Entrepreneur status is not widely recognised to date. Until the Entrepreneur card has widespread awareness and acceptance, it is difficult to see how it can have an impact. Recognition is needed at three different levels. Firstly, the legal and institutional framework underpinning the status needs to be clarified. Secondly, relevant officials need to be aware of the status, and incentivised to recognise it. Finally, the Entrepreneurs themselves need to be aware of how they should be using the status, and confident to produce it.
- **Future impact assessment should seek to understand whether respondents have moved location.** The biggest potential impact of the Entrepreneur card is in enabling users to move to fixed locations, which offer greater opportunities but also greater exposure to formal and informal taxation and harassment. Future studies should examine whether this is taking place, and the potential impact of the Entrepreneur status on this.