Impact Evaluation of the "*Entreprenant*" Status in Cotonou

PRE-ANALYSIS PLAN
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1. Introduction

In developing countries a large majority of small and medium firms operate in the informal sector. In Benin, this is particularly the case and the national statistics agency estimated that the informal sector represented in 2009 up to 70% of the GDP and 95% of employment. This evaluation takes advantage of the creation of the *Entreprenant* status, a new legal status for small firms by the Government of Benin to study the impact of three different packages of formalization incentives on formalization rate and firm performances. To do so, the evaluation uses a randomized control trial (RCT) methodology with a randomization at the firm level.

This pre-analysis plan outlines the hypotheses to be tested and specifications to be used in the analysis of the impact of the project. Since the authors completed the plan before the follow-up data was collected and analyzed, the plan can serve as a commitment and marker of the key outcomes to be examined, and help guard against the risks of data mining and multiple hypothesis testing.

The plan is outlined as follows: Section 2 reviews the motivation for the study, the sample selection and data sources; Section 3 outlines the theory of change; Section 4 enumerates the hypotheses to be tested as part of the study; Section 5 outlines the specifications to be used in analyzing the data; and Section 6 details the updated power calculation.

2. Overview of the study

2.1. Motivation and Program Description

OHADA member countries (Organisation pour l'Harmonisation en Afrique du Droit des Affaires) have adopted a revised General Commercial Law in December 2010, which came into force in May 2011. Among other provisions, the new law introduced the legal framework for the *Entreprenant* status, a simplified legal regime for small entrepreneurs that aims at facilitating the migration of businesses operating in the informal sector into the formal sector. However, the law did not explicit how the *Entreprenant* status would practically function, nor the specific combination of incentives that it would include, allowing instead each country to fill in the vacuum through ad-hoc secondary legislation. Benin, a member of OHADA, is currently implementing the legal and administrative regulation that will define the *Entreprenant* status.

The *Entreprenant* status can be considered as a package of incentives to formalization that the Government offers to small business. The ongoing implementation of the *Entreprenant* status in Cotonou offers the ideal conditions to study the impact of different packages of incentives on formalization decisions, the legal environment in which firms operate, and how businesses interact with public authorities. Also, it can show the impact of different firms and entrepreneur characteristics as determinants of formalization, and whether specific incentives carry any tangible benefits for the firm and its growth prospects.

The impact evaluation of the *Entreprenant* status tests the three following packages of formalization incentives:

Package A of incentives includes the following components:
• Regulatory simplification: a streamlined business registration process, including a reduction in number of steps, time and cost to register;
• Provision of information on the new registration system: information on the new system is given in-person to business owners;
• Provision of tax information: information and clarification on the existing tax regimes applicable to the *Entreprenants*.

Package B of incentives includes the following components:
• Services and training: services include support to entrepreneurs in the formalization process and, for example, help in drafting financial statements and business plans; support in bookkeeping; training include basic accounting and business management, initiation to legal and tax obligations;
• Support with bank services: creation of a bank account (checking or saving) with a commercial bank.

Package C of incentives includes the following components:
• Provision of tax returns certification and tax mediation/counseling services: support on preparing and certifying the tax declarations; provision of safeguards against arbitrary practices from the tax administration through mediation services between *Entreprenants* and the tax authority.

2.2. Sample selection

In order to select the study population, a listing survey was conducted in Cotonou in March-April 2014. This survey was designed in order to get a representative sample of all businesses operating in Cotonou including Dantokpa market (the largest market in Benin and one of the largest in West Africa). All businesses with fixed location excepting international and nationwide companies were targeted.

Sampling protocols for inside and outside the market were different:
• *Sampling framework for Danktopa market:* we used a precise map of the market made by SOGEMA (*Société de Gestion des Marchés Autonomes*), the public company managing markets in Benin. This map allowed us to divide geographically the market in small areas. We have then randomly selected areas in the markets in which 50% of the businesses (with fixed location) where sampled for the survey.
• *Sampling framework for other neighborhoods of Cotonou:* We were able to get maps of each of the 144 neighborhoods in Cotonou. Those maps are very detailed and allow identifying easily the *ilots* (blocks): the official administrative unit below the

neighborhoods. We used this administrative unit as a reference for the listing survey sampling. We then used information given by the tax administration (and confirmed by the survey company) in order to characterize neighborhoods as high or low firm density areas. We randomly sampled 38% of *ilots* in high density neighborhoods and 10% of the *ilots* in low density neighborhoods. In each *ilots* 68% of businesses where sampled for the survey in average.

Overall, 19,246 businesses were listed by surveyors. Among those businesses, 9,938 businesses were randomly selected to be surveyed. The results were the following:
- ***7,945 (80%) businesses were successfully surveyed***;
- 1,000 (10%) businesses refused to be surveyed;
- 995 (10%) businesses were dropped because the business owner was not available or not reached after 4 attempts.

From the 7,945 businesses surveyed, a population of **3,600 businesses** was then selected to participate to the study based on the following goals:
- Drop businesses already formal.
- Drop businesses that will probably not cooperate in the future or which will be probably difficult to find.
- Trim the database from (a) businesses very close to formalization who would have formalized anyway and (b) businesses very far from formalization which would not be interested by the program.
- Remove businesses that will most probably not been interested.
- Reduce the standard deviation of the main outcomes (profit and sales).

Table 1 below shows descriptive statistics for businesses selected in the sample and businesses not selected. Businesses selected for the study have very similar characteristics to the other informal businesses not selected. It means that even with these selection criteria, the study kept a good external validity.

Table 1: Descriptive statistics on selected sample

	(1)	(2)	(3)	(4)	(5)	(6)
	All informal firms		SELECTED Sample		Already formal	
	Mean [SD]	N	Mean [SD]	N	Mean [SD]	N
Firm owner characteristics						
Female owner	0.576	7215	0.629	3600	0.347	608
	[0.494]		[0.483]		[0.476]	
Age of the owner	39.343	7072	39.454	3561	43.582	589
	[11.203]		[10.386]		[10.581]	
Firm owner has at least some formal education	0.715	7206	0.712	3595	0.9	606
	[0.451]		[0.453]		[0.3]	
Firm characteristics						
Trade	0.463	7216	0.549	3600	0.534	608
	[0.499]		[0.498]		[0.499]	
Services	0.311	7216	0.262	3600	0.287	608
	[0.463]		[0.44]		[0.453]	
Craft	0.184	7216	0.16	3600	0.106	608
	[0.388]		[0.367]		[0.308]	
Business created less than one year ago	0.201	7215	0.144	3600	0.148	606
	[0.401]		[0.351]		[0.355]	
Firm area in m²	20.117	7203	18.72	3594	59.237	606
	[55.398]		[43.479]		[111.074]	
Number of employee	1.102	7215	1.176	3600	3.229	608
	[1.687]		[1.687]		[5.073]	
The firm does any form of accounting	0.153	7211	0.179	3598	0.644	604
	[0.36]		[0.383]		[0.479]	
Total amount of sales in an average week	72962.24	6736	60553.35	3600	457216.6	528
	[274532.1]		[56492.2]		[3474582]	
Amount of profit in the last month	43315.24	6438	46671.9	3600	212615.9	490
	[108199.1]		[46558.47]		[630401.8]	
Firm owner owns a bank account	0.208	7010	0.222	3517	0.807	582
	[0.406]		[0.416]		[0.395]	
Firm owner ever went to a bank to apply for a loan	0.023	6985	0.011	3501	0.167	548
	[0.151]		[0.106]		[0.373]	
Firm owner ever went to a microfinance institution to apply for a loan	0.209	7009	0.235	3517	0.248	546
	[0.407]		[0.424]		[0.432]	
Taxes						
Firm pays taxes	0.444	7109	0.547	3564	0.846	597
	[0.497]		[0.498]		[0.361]	
Amount of taxes paid in the previous year	42530.11	3133	34883.34	1873	301443.9	435
	[40723.19]		[28646.3]		[2000564]	
Thinks that it's difficult or very difficult to know in advance how much taxes he/she will have to pay	0.737	5001	0.744	2669	0.703	520
	[0.44]		[0.436]		[0.457]	

Notes: For colomns (1) and (5), means and standard deviations are calculated using sampling weights (to be representative of all businesses in Cotonou)

2.3. Study design and assignment to treatment

The 3,600 businesses were randomly allocated into three treatment groups and one control group. The first group of informal businesses will receive package A of incentives, the second group packages A and B of incentives, and the third group packages A, B and C. Figure 1 below describes the organizational chart of the interventions.

The randomization was done in office using STATA. The following methodology was used for stratification:

(1) 16 strata were created using the variables: business owner gender, business operating in Dantokpa market, trader and business owner a bank account.

(2) Inside each stratum a Z-score was created as the average of standardized profit, sale and number of employee. Based on this Z-score, triplets of businesses were created and inside each triplet, businesses were randomly allocated to 3 groups: group 0, group "1&2", and group3. Each group included 1,200 firms.

(3) The 1,200 businesses in group "1&2" were randomly allocated into group 1 with 300 businesses and group 2 with 900 businesses.
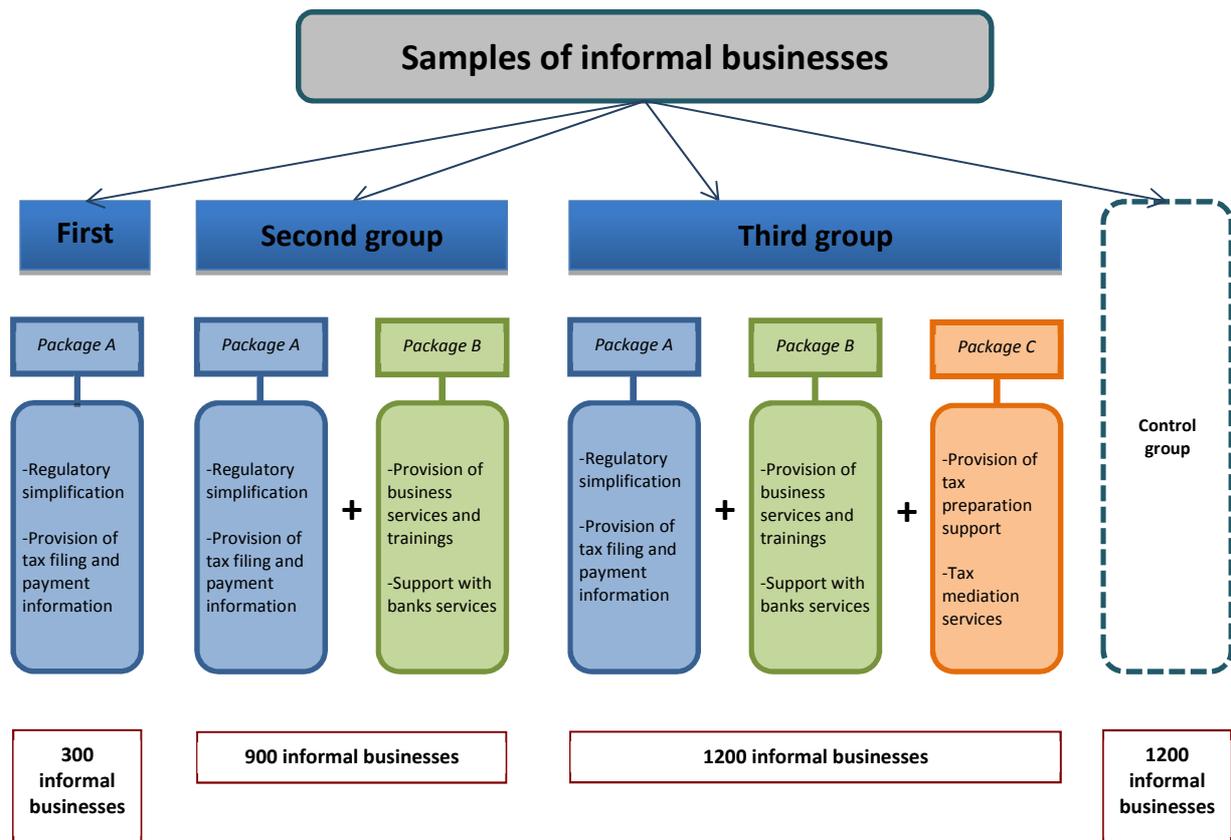
Figure 1: Impact Evaluation design

Table 2 below presents the results of balance checks of baseline characteristics across the different treatment groups and control group. Overall, it shows that all groups are well balanced.

Table 2: balance check

Firm owner characteristics	Mean [SD] in Control Group	Difference between […] and Control group Group 1	Group 2	Group 3	N	P-values of joint test group1=group2 =group3=0
Female owner	0.629	0	-0.001	-0.002	3600	0.584
	[0.483]	(0.003)	(0.002)	(0.002)		
Age of the owner	39.237	1.179	0.594	-0.172	3561	0.102
	[10.743]	(0.731)	(0.455)	(0.405)		
Firm owner has at least some formal education	0.707	-0.034	-0.002	0.026	3595	0.161
	[0.456]	(0.032)	(0.02)	(0.018)		
Firm characteristics						
Trade	0.55	-0.003	0.001	0.002	3600	0.561
	[0.498]	(0.003)	(0.002)	(0.002)		
Services	0.259	0.004	-0.002	0.006	3600	0.95
	[0.438]	(0.023)	(0.014)	(0.013)		
Craft	0.166	-0.008	-0.01	-0.009	3600	0.872
	[0.372]	(0.023)	(0.014)	(0.013)		
Firm area in m²	19.017	5.957	-0.209	-2.313	3594	0.056*
	[42.083]	(3.149)*	(1.957)	(1.751)		
Business connected to electricity network	0.618	-0.005	0.004	-0.001	3598	0.994
	[0.486]	(0.034)	(0.021)	(0.019)		
Number of employees	1.18	-0.044	-0.021	0.016	3600	0.86
	[1.681]	(0.092)	(0.057)	(0.051)		
The firm does any form of accounting	0.173	0.013	-0.001	0.015	3598	0.677
	[0.378]	(0.027)	(0.017)	(0.015)		
Amount of sales in an average week	60822.03	103.944	308.831	-1036.824	3600	0.753
	[57009.83]	(2258.173)	(1402.742)	(1254.206)		
Amount of profit in the last month	46195.02	105.283	295.626	1146.513	3600	0.791
	[44824.93]	(2136.986)	(1327.462)	(1186.897)		
Firm owner owns a bank account	0.22	0	0.003	0.004	3517	0.087*
	[0.414]	(0.003)	(0.002)*	(0.001)**		
Firm pays taxes	0.561	-0.011	-0.016	-0.022	3564	0.7
	[0.496]	(0.033)	(0.021)	(0.018)		

Notes: Column 1: Standard deviations presented in brackets. Columns 2-4: coefficients and standard errors (in parentheses) from an OLS regression of the firm owner/firm characteristic on treatment dummies, controlling for strata dummies. ***, **, * indicate significance at 1, 5 and 10%.

2.4. Key data sources

The primary sources of data are:
(1) Data from the Listing/baseline survey conducted prior to program implementation. This contains basic information on businesses, including variables used to form randomization strata.

(2) Data from a first follow-up survey (currently scheduled to begin March 2015, corresponding to one year since the program began); and from a second follow-up survey (currently scheduled to begin March 2016).

This will be supplemented by i) administrative data on Formalization; ii) data from agencies in charge of implementing the program; iii) data on program cost and iii) data from qualitative interviews with implementing agencies and program beneficiaries.

2.5. Program implementation

The three packages of formalization incentives are delivered by the following institutions:
- The CGA ("*Centre de Gestion Agrées*"), a non-profit based in Cotonou whose mission is to provide small and medium enterprises with business management, accounting, and tax consulting services.
- The GUFE ("*Guichet Unique de Formalisation des Entreprises*"), the one-stop shop in charge of firm formalization.
- Two commercial Banks (*BOA* and *ORABank*) partners on the project.

For each business selected to participate into the program, we can identify four different steps:

Step 1, first visit to the business: a CGA advisor is send to each business to explain program components (specific by group), to convince business owners of its benefits, and to distribute program leaflets. If a given business is not present on the day of the visit, the CGA advisor tries to call the owner. If the owner cannot be reached, the CGA advisor tries to visit the business three times at different times during the day. If it is still not possible to reach out with the business, the CGA advisor stops the visit for that business.

Step 2, second visit to the business (only for group 2 and 3): the same CGA advisor comes back to the business around two weeks after the first visit and provides a 1-2 hours one-on-one personalized training. During the visit 1, the business owner and the CGA advisor agree on topic such as accounting, inventory management, how to deal with employees, how to get a loan... Before the visit 2, the CGA advisor prepares the personalized training to adapt it to the sector of activity and context of the business. Formalizing is not mandatory to be eligible to this second visit. For group 3, some additional time is spent on tax mediation and tax calculation with the business owner.

Step 3, formalization decision: business owners have to decide whether to formalize or not.

Step 4, formal businesses can benefit of other program components (only groups 2 and 3): business can freely register to the CGA and receive counselling and business training. Business trainings are given in group sessions (of around 20 firms) organized at CGA on different topics like accounting, inventory management, how to deal with employees, how to

calculate taxes… Training session last 2 days (6 hours per day) and each business owner can attend to several training sessions.

Businesses in group 3 can benefit from tax mediation services with CGA. If business owners in group 3 have any problem with the tax administration they can ask their CGA advisor to serve as an intermediary to help to find a solution that satisfy both the owner and the tax administration. These services can also include some help to fill tax declarations.

Businesses can open a bank account with conditions better that what can be found in the market at BOA or ORABANK (at a cost of FCFA 1000 per month whereas the typical cost of a bank account is FCFA 2000 per month).

All components of the intervention are described in detail in Annex 1.

3. Theory of change

A firm owner will formalize if the expected discounted value of the net benefits from doing so exceeds the upfront costs. That is, if :

$$\sum_{t=1}^{T}\beta\delta^{t}EU\left(\pi_{F,t}-\pi_{I,t}\right) > C_{Money}+C_{Time}+C_{Information}+\lambda_{liquidity} \tag{2}$$

where $\pi_{F,t}$ denotes the firm's profits if it is formally registered at time t, and $\pi_{I,t}$ denotes the firm's profits if it is not formally registered at time t. C_{Money}, C_{Time}, and $C_{Information}$ denote the monetary, time, and information costs from registering. The shadow value of capital for liquidity-constrained firms is given by $\lambda_{liquidity}$.

This framework can be used to capture several competing, although not necessarily mutually exclusive, reasons as to why firms are informal.

1. *The Exclusion/De Soto/Doing Business Hypothesis:* the viewpoint underlying the De Soto and Doing Business view of informality is that the left-hand side of equation (2) is (strongly) positive, and it is only the presence of the monetary, time, and information costs of registering which prevent firms from becoming formal. Under this viewpoint we should see that simply reducing the monetary, information and time costs of registering through introducing the *Entreprenant* status and facilitating the process of registration should lead many firms to register.

2. *The Exit Hypothesis:* an alternative viewpoint is that firms rationally chose not to become formal because they don't see the benefits from registering. The left-hand side of equation (2) might be negative—that is, (after tax) profits may fall with registration, or $\pi_{F,t} - \pi_{I,t}$ may be negative. Under this viewpoint we should expect to see firms register only if the benefits of formality are increased.

3. *Other Legal Barriers:* Firms may be informal because other legal barriers prevent them registering. The result is that full costs of registration may remain high even after

simplification of the registration process, because of these other legal barriers. In particular, two barriers may play a role. The first is lack of personal identification such as birth certificates or other legal IDs, which can prevent individuals who want to register from doing so. The second may be lack of legal title to operate in the location where their business is located.

Recent information campaigns following simplification of registration requirements have resulted in very few informal firms registering, suggesting that in many countries few firms are at the De Soto/Doing Business margin at which the upfront costs of registering are the main barrier to becoming formal. Interventions B and C then examine the extent to which complementary services to increase the net value of being formal can change this formalization decision.

Bank financing is often hypothesized as one of the major channels through which formalization can improve firm performance, yet randomized experiments measuring formalization in Sri Lanka and Brazil have recorded no significant increase in the number of bank credit awarded to firms becoming formal. One possible reason is that newly formalized firms require more than just their formal certification, but also facilitation and access to banks. Package B aims to enhance this benefit of formalizing through offering firms more hands-on support in accessing bank financing.

The training offered along with package B can also be thought of as increasing the benefits and/or reducing the ongoing costs of formalization. Training on accounting and managing legal obligations may help reduce the paperwork costs of being formal, as well as providing the necessary skills needed for businesses to use their new formal status to achieve firm growth. Since this is a training package that is linked to formalization, it also gets at another hypothesized benefit of formalizing, which is access to government programs intended to help business growth.

The main drawback firms typically see from formalizing is the taxes they expect they will have to pay. In most countries, informal firms view tax revenues as minimally beneficial to themselves, their families or their community. They also worry about the risks of harassment from inspectors. To our knowledge, there is no empirical evidence of the effect of tax mediation/protection that would directly address these issues. These features of package C in *Entreprenant* program will explicitly test this question of tax mediation/protection.

While formalization itself is an outcome of interest, this study will attempt to uncover the channels by which formalization may improve firm performance. In addition to the mechanisms discussed above (access to finance, payment of taxes, access to government programs, reduction in tax uncertainty), there are several other channels through which becoming formal may affect firm profitability.
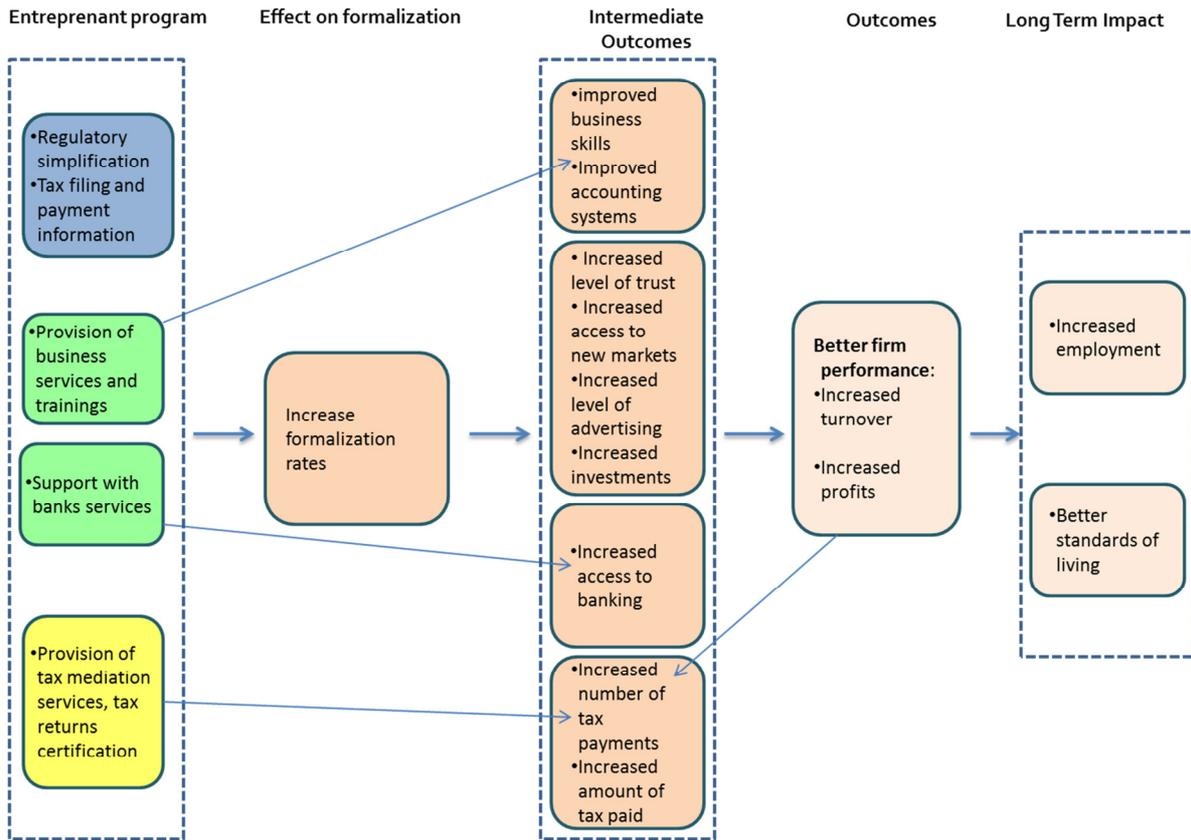
Formality may offer small firms the ability to pool risk, thus attracting more educated workers who engage in longer term relationships with the firm. This, in turn, makes training and capital acquisition more profitable. Additionally, formalization may incentivize businesses to invest in a fixed locale, permitting expansion of capital and employment. Fajnzylber et al.

(2011) examine these channels in an evaluation of Brazil's formalization program, SIMPLES. They find that the large increases observed in firm performance due to formality may indeed be driven by these factors. They find that formality increases firm employment by 40-50% and increases the probability of having a fixed location by a 30-50%, leading to large increases in revenues and profits. Similarly, in Viet Nam, firms that decided to formalize in the period 2007-2009 saw an increase in their profits and investments compared to similar firms that remained informal. McKenzie and Sakho (2010) find evidence in Bolivia that firms that become formal issue more tax receipts and have greater sales. De Mel et al. (2013) find that firms in Sri Lanka are more likely to advertise while Bruhn and McKenzie (2013) highlight that the literature shows that formalizing may help firms to expand their customer base. These studies underline the fact that these and other important channels may exist by which firms interact with formalized status to attain higher performance.

In addition, formalization may have a gender dimension worth being explored, the evaluation aims at looking whether or the *Entreprenant* program is more effective for women. In order to do so, the team has stratified the randomization by gender of the firm owner. These gender differences may arise because either the constraints to becoming formal in the first place differ by gender, or because the net benefits of being formal do. For example, if women are more likely to be running small businesses as a way of working while also taking care of family responsibilities, they may have fewer plans to grow their business to the size where many of the benefits of being formal attain. This would suggest lower responsiveness to incentives to formalize. In contrast, if women are more like to face harassment from inspectors when they are informal, this could result in greater formalization responses.

Finally, one important limitation in the existing literature on both the effect of entry regulation on formalization, and the effect of formalization on performance, is its focus on evidence from Latin America and Southeast Asia. The impact evaluation of the *Entreprenant* status in Benin will provide rigorous evidence on the impacts of formalization in an African context.

The program theory of change can be summarized by the following chart:

Entreprenant program   Effect on formalization   Intermediate Outcomes   Outcomes   Long Term Impact

- Regulatory simplification
- Tax filing and payment information

- Provision of business services and trainings

- Support with banks services

- Provision of tax mediation services, tax returns certification

Increase formalization rates

- improved business skills
- Improved accounting systems

- Increased level of trust
- Increased access to new markets
- Increased level of advertising
- Increased investments

- Increased access to banking

- Increased number of tax payments
- Increased amount of tax paid

Better firm performance:
- Increased turnover
- Increased profits

- Increased employment

- Better standards of living

4. Hypothesis to be tested

We will test this theory of change through a set of hypotheses, which are presented in groups, summarized in the table below.

Hypothesis Groups

A.	**Impact of the program on formalization:**
	- **A1: Formalization will increase:** the treatments will result in an increase in individuals formalizing under the *entreprenant status,* as well as an increase in overall formalization under any status.
	- **A2: This Impact will be different by group:** the impact on formalization should be higher for businesses in treatment group 3 followed by businesses in treatment group 2 and finally businesses in treatment group 1.
	- **A3**: The **Characteristics of businesses formalizing should be different under the different treatments.**

B.	**Impact of formalization on businesses performance:** - **B1: Impact of formalization on main outcomes:** business formalization should have positive average impact on business performances measured by profitability, sales, employment and business survivorship. - **B2: Impact at the upper tail:** business formalization will increase performance for firms at the upper tail of the business performance distribution in terms of profitability and sales. - **B3: Impact of formalization on secondary outcomes:** business formalization should have positive effects on level of trust in institutions, reduce harassment, and increase subjective well-being.

C.	**Causal Chain of Process and Mechanisms:**
	- **C1: Process**: The *Entreprenant* program should have more effect if it is implemented correctly and if business owners are taking up on at least some aspect of the program.
	
	- **C2: Chain of impact of formalization:**
	   o The program may lead to increases in formalization and these will potentially operate to increase business performances through the following mechanisms: increased investment, increased marketing, greater access to finance, and access to new markets.
	   o Formalization may increase the amount of tax that firms will have to pay. This could impact negatively business performances and profit.
	
	- **C3:** For firms who decided to formalize and also received package B or C of incentives, **channels of impact may be different:**
	   o The business training and business counselling components of package B may translate into increases in business knowledge and in more deployment of business practices. These will potentially operate to increase business performances through increased marketing, greater access to finance, increase investment, better inventory management, better avoidance of household demands, increased self-confidence and attitudes and higher social capital.
	   o The access to banking components of package B may translate in better business performance of businesses formalizing through increase access to banking, increase access to finance and better avoidance of household demands.
	   o Tax mediation services (package C) to businesses who decided to formalize may translate into better business performances through less tax harassment and increased tax predictability.

D.	**Heterogeneity of Impacts:** The *Entreprenant* program impact and the effect of formalization on business outcomes may be different for female business owners, for businesses operating in Dantokpa market, for bigger businesses (measured with an

| index of business size), and for businesses that look more like formal business owners to begin with (based on species classification techniques). The effects may also differ for traders compared to manufacturers and service firms. |

We now describe these hypotheses in more detail, along with the key outcomes being used to measure each one.

Hypothesis A: Impact of the program on formalization

A1: **The *Entreprenant* program will impact formalization rates of businesses receiving the treatment (all types).**

A2: The impact on formalization will be larger for businesses also receiving packages B of incentives, and larger still for those receiving package C of incentives.

We will consider two measures of being formal:
- Formally registered with the *Entreprenant* status
- Formally registered with any legal firm status – this will include *Entreprenant*, but also registered company, or other legal forms.

Formalization rates will be measured through two different sources of data:

(a) <u>Data from the GUFE</u> (the one-stop shop for formalization):

This database includes the exhaustive list of all newly formalized businesses for all type of status. The list is then matched with the list of business owners who participates in the study. So for each business in the study population we know the current status in term of formalization and the type of formal status chosen if any. Note that matching businesses in GUFE database with businesses in study database is not a perfect process: we will uses variables such as business owner names, business address, gender of the owner and type of activity, but in some case spellings of names are quite different in both databases and most of the time addresses are not precise.

A match between the two databases is defined by two businesses with a close surname, at least one close first name, the same sector of activity and an address in the same neighborhood. This is a conservative definition and therefore the likelihood that we considered a business in the study database as formal whereas this firm is in reality not formal is very low. The opposite case (ie. a business that we consider as informal whereas it is in fact formal) is however more likely and for this reason this measure of formalization most probably underestimates the actual number of businesses which formalized in all groups. Note that it doesn't mean that the measure of program impact is bias but that formalization rates in both treatment and control groups are underestimated by the same percentage.

In order to assess the quality of this measure of formalization, we will use information collected by the CGA on the businesses in treatment group 2 and 3 which formalized and

registered to the CGA. This information is not collected for group 1 and for the control group so it cannot be used for the impact assessment, but it can be used to double check our other measure of formalization.

(b) <u>Data from follow up survey:</u>

During business follow up surveys, questions will be asked on formalization. We will use the following variables:

- The business owner declared that his or her business has the entreprenant status
- The business owner declared that his/her business has some type of formal status.
- The business owner declared that his/her business is formal and was able to show an official document to prove it.

A2: Characteristics of businesses formalizing will be different under the different treatments.

If we consider the formalization decision set out above, the treatment effect will result in firms which were almost at the margin of formalizing without the treatment to now formalize. These firms should differ in characteristics from the firms formalizing in the control group, while the different packages of interventions may induce different types of firms to formalize. To examine this we will compare the baseline characteristics of the four treatment groups according to key variables described below.

A2a: Lowering the costs of formalization (package A) will draw in more marginal firms,.

Business marginality will be measured in two ways:

- With an index of firm size based on baseline profits, sales and number of employees (see below for a description of index creation).
- The predicted probability of being a formal firm, obtained from a baseline species classification exercise (see hypothesis D below for a description of how the species classification will be done).

A2b: Providing business training, counselling and bank services (package B) should bring into formalization more credit constrained firms and firm owners with more education

Business credit constraint will be measured with the baseline question "Is the business owner ever received a loan from a microfinance institution or bank (at baseline, 0% ever had a loan from a commercial bank (E37), and 21% ever had a loan from a microfinance institution (E39))

Business owner level of education will be measured using baseline questions:

- E14: "what is the highest level of education you ever attended?" (E14=5, 27% never went to school and E14=1 or 5, 57% never went to school or only to primary school), coded in terms of years of education
- E15: "have you done an apprenticeship?" (E15=2, 53% did not).

Our hypothesis is that the training will be complementary to existing human capital, since it is taught at a level which will be difficult for illiterate individuals with little existing business experience to understand or gain from.

A2c: Providing tax mediation services (package C) should bring into formalization Businesses more worried about tax uncertainty and harassment.

Tax uncertainty will be measured with the baseline questions:
- E46: "Do you think it is easy to know in advance how much tax you are going to pay every year?" (E46=4, 40% thinks that it is very difficult or E56=3 or 4, 55% thinks that it is difficult or very difficult).
- E43: "Do you think that you paid more taxes than what you should have paid according to the law?" (E43==1 & E40==1, 75% of those paying taxes said yes, it corresponds to 41% of the total).

Tax harassment will be measured with:

- The baseline question E44: how many times your business was visited by a tax inspector in the previous year (E44: 35% had no visit, 45% had 1 visit and 20% had more than one visit).

Hypothesis B: Impact of formalization on businesses performance:

B1: Impact of formalization on main outcomes: business formalization will have positive average impact on business performances measured by profitability, sales, employment and business survivorship.

B1a: Formalization will have positive impact on business survivorship.

It will be measured with the following:
- Business is still operating at the time of the survey. This will be measured directly for those answering the follow-up survey, and assessed via interviewer observation and third-party reporting for those unable to be re-interviewed. Since all firms were in existence at baseline, the baseline value of the dependent variable will not be included here.

B1b: Formalization will have positive impact on businesses profits and sales.

This will be measured as the following set of outcomes:
- Total sales in the last day, truncated at the 99th percentile.
- Total sales in the last week, truncated at the 99th percentile.

- Last month profit, truncated at the 99th percentile.
- A standardized profits and sales impact will be obtained by aggregating these different effects as described below in our methods section as a standardized z-score.

The baseline survey only included two questions on profits and sales. So baseline question E33 "what is the total amount of your sales in an average week?" will be use as control for outcomes related to sales. Question E34 "what was the total amount of your profits last month?" will be us as control for outcomes related to profit.

Measurement of sales and profits in small firms is difficult, and there are several issues that we will need to deal with. Our planned approach to deal with several key issues is as follows:

1. Large heterogeneity across firms: the initial sample was screened and selected to be relatively homogenous in terms of weekly sales and monthly profits. Given this, and the likely non-trivial number of firms earning zero sales or profits in a particular month or week, we will use levels rather than logs. Nevertheless, as a robustness check, we will also examine the impact of treatment on the inverse hyperbolic since transformation of total profits in the last month, and total sales in the last week: $\log(y+(y2+1)1/2)$ – which is similar to the log transformation, but can deal with zeros.

2. Item non-response: businesses who did not answered to the profits or sales questions at baseline were excluded from the initial sample. The likelihood of non-response during follow up survey is therefore much lower than for a typical firm survey. However, it still represents a potential risk that will be addressed in several ways. First, enumerators training will stress techniques for better eliciting such information. Second, for those individuals refusing to give point estimates, range questions will be used. For businesses not answering the exact answer, but answer the range question, the midpoint of the range will be used. For firms in the top range, a value equal to the median of firms with sales in this top range will be used. Missing baseline values will be then dummied out in ANCOVA specifications. Finally, our field team suggested that business owners in Cotonou will find it easier to report on the last month profits, so we will use this time frame.

3. Dealing with firms which close down: Since formalization may affect both the proportion of firms which shut down, as well as the selectivity of which firms close down, simply comparing profits or sales for surviving firms may be biased. Our primary approach will therefore be to record profits and sales as zero for firms which are closed. If we find no significant impacts of treatment on either the rate or selectivity of survivorship, we will also conduct exploratory analysis which looks at impacts of treatment conditional on surviving.

B1c: *Treatment does not affect reporting errors*

There are two concerns here. The first is that with any program involving business training (for firms in group 2 or 3) or improvements in record-keeping (formal firms are required to keep some accounting, but in practice it is not really enforce), it may lead to changes in the accuracy of the information being reported, even if the underlying business financial position does not change. If businesses systematically under- or over-state sales and profits, this will lead to a bias in the measured treatment effect. A second concern is that participants may wish to show gratitude for being given the program, and exhibit desirability bias, giving biased responses they think that interviewers wish to hear.

We will address this issue in a couple of ways. A first step will be to examine whether the program had any impact on record-keeping practices (baseline E28).
Second, as a robustness check, we will examine how sensitive the impact of treatment on truncated total profits in the last month, and truncated total sales in the last week, is to controlling for the record-keeping score from our business practices (E28, 17% of businesses at baseline were doing any form of accounting).

B1d: *Formalization will have positive impact on the number of business employees.*

This will be measured as the following set of outcomes:
- Total number of employees (baseline E17+E18+E19+E20)
- Total number of permanent employees (baseline E17)
- Hired someone in the last 6 months (not measured at baseline)
- Own labor supply will be measured by number of hours worked in the business in the last week (truncated at the 99th percentile). (not measured at baseline)

B2: Impact at the upper tail: business formalization will increase performance for firms at the upper tail of the business performance distribution in terms of profitability and sales.

De Mel et al. (2013) find that the main impact of formalization on firm profitability in Sri Lanka occurs at the upper tail. To examine this hypothesis, we will do the following:
1. Compare CDFs of the distributions of profits and sales for the different treatment groups to understand how impacts vary over the distribution.
2. Calculate the impact on the upper tail by the following:
- A binary variable of being above the 95th percentile of the control group profit distribution
- A binary variable of being above the 95th percentile of the control group sales distribution

B3: Impact of formalization on secondary outcomes: business formalization will have positive effects on level of trust in government institution, reduce harassment, and increase subjective well-being.

B3a: Formalization will have positive impact on the level of trust in government institutions.

This will be measured using a standardized index of trust in the institution. The index will be obtained by aggregating the following questions as described below in our methods section as a standardized z-score:
- The respondent completely or in general trusts the national government;
- The respondent completely or in general trusts the national assembly;
- The respondent completely or in general trusts Cotonou municipality;
- The respondent completely or in general trusts the tax administration.

B3b: Formalization will reduce harassment by tax inspectors

This will be measured as the following set of outcomes:
- Was asked to pay a bribe by a tax inspector in the last 6 months
- Received a sexual suggestion or other inappropriate request from a tax inspector in the last 6 months
- Was threatened with business closure by a tax inspector in the last 6 months
- Received more than 1 visit by an inspector in the last 6 months
- Feel that they paid more taxes than they should have paid according to the law.

B3c: Formalization will have positive impact on business owners' subjective well-being.

This will be measured as the following set of outcomes:
- Subjective standard of living as measured by a standard Cantril ladder of life question (not measured at baseline).
- Anticipated Subjective standard of living in 5 years on Cantril ladder (not measured at baseline).

Hypothesis C: Causal Chain of Process and Mechanisms:

C1: Process: The *Entreprenant* program will have more effect if it is implemented correctly and if business owners are taking up on at least some aspects of the program.

Take-up of businesses on all aspects of the project will be measured using administrative data from implementing organizations. In particular, data on attendance at group training sessions, and data from commercial banks on bank accounts.

C2: Chain of impact of formalization:
- The program may lead to increases in formalization and these will potentially operate to increase business performances through the following mechanisms: increased investment, increased marketing, greater access to finance, and access to new markets.

- Formalization may increase the amount of tax that firms will have to pay. This could impact negatively business performances and profit.

C2a: *Formalization may imply less fear from public institutions and businesses owners may in response increase marketing and investment in stocks and productive assets.*

This will be measured via the following set of outcomes:

- Standardized index of trust in institution directly in contact with the firm (not measured at baseline). The index will be obtained by aggregating the following questions as described below in our methods section as a standardized z-score:
  - The respondent completely or in general trusts the police;
  - The respondent completely or in general trusts courts;
  - The respondent completely or in general trusts Cotonou municipality;
  - The respondent completely or in general trusts the tax administration.
- Have done any type of advertising in the last 6 months (E31 at baseline, 5% of businesses did).
- The business has an outside signboard announcing its activity (B7 at baseline, 12% had one).
- Value of inventories and raw materials, truncated at the 99th percentile (not measured at baseline).
- Total value of business tools, machinery, equipment, furniture, and vehicles (capital stock excluding land and buildings), truncated at 99th percentile (not measured at baseline).

C2b: *Formalization may allow businesses to obtain more financing from banks and microfinance organizations, and build up higher levels of inventories and capital stock.*

This will be measured as the following set of outcomes:
- The business owner has a loan from a commercial bank or a microfinance institution (at baseline, 0% ever had a loan from a commercial bank (E37), and 21% ever had a loan from a microfinance institution (E39)).
- Value of inventories and raw materials, truncated at the 99th percentile (not measured at baseline).
- Total value of business tools, machinery, equipment, furniture, and vehicles (capital stock excluding land and buildings), truncated at 99th percentile (not measured at baseline).

C2e: *Formalization may allow businesses to access to new markets.*

This will be measured as the following set of outcomes:
- Number of customers in a typical week (not measured at baseline). This will be top-coded at the 99th percentile of the overall distribution to account for outliers.

- Have gained a new regular customer in the past three months who previously did not shop at your business (not measured at baseline)
- Has sold goods to the public administration or to a large company with 50 or more workers in the last three months (not measured at baseline).
- In the last month, at least one client asked for a receipt (E32 at baseline, 15% did).

C2f: *Formalization may increase the amount of tax that businesses will have to pay. This could impact negatively business performances and profit.*

This will be measured as the following set of outcomes:
- The business owner is paying any tax for its activity (E40 at baseline, 54% did)
- The sum of all taxes paid in 2014 (E42 at baseline)
- The number of different taxes paid in 2014 (E41 at baseline)

C3: For firms who decided to formalize and also received package B or C of incentives (group 2 and 3), channels of impact may be different:
- The business training and business counselling components of package B may translate into increases in business knowledge and in more deployment of business practices. These will potentially operate to increase business performances through increased marketing, greater access to finance, increase investment, better inventory management, better staff management, better avoidance of household demands, increased self-confidence and attitudes and higher social capital.

- The access to banking components of package B may translate in better business performance of businesses formalizing through increase access to banking, increase access to finance and better avoidance of household demands.

- Tax mediation services (package C) to businesses who decided to formalize may translate into better business performances through less tax harassment and increased tax predictability.

C3a: *Formalization under Package B should lead to increases in business knowledge and more deployment of business practices.*

This will be measured via the following outcomes:

- The business owner has attended business training in the past year
- Number of Business Knowledge Questions Correct: out of 7 questions to be asked on follow-up survey (not asked at baseline)
- An index of business practices constructed with the same questions and coding as in McKenzie and Woodruff 2015.

C3b*: Formalization under Package B should lead to increase marketing and better presentation of the business. This should leads treated businesses to gain more customers.*

This will be measured via the following outcomes:

- Have done any type of advertising in the last 6 months (E31 at baseline, 5% of businesses did).
- Standardized index of business presentation (not measured at baseline). This will be measured only for traders (55% of total). The index will be obtained by aggregating the following questions as described below in our methods section as a standardized z-score:
  o Prices of products are visible.
  o Goods are grouped by type of products.
  o There are some posters or stickers advertising some particular product in the shop.
  o The shop and the products are clean without dust.
- Number of customers in a typical week (not measured at baseline). This will be top-coded at the 99th percentile of the overall distribution to account for outliers.
- Have gained a new regular customer in the past three months who previously did not shop at your business (not measured at baseline)

C3c: *Formalization under Package B should lead to better record-keeping and enables businesses to keep better track of business conditions and react more quickly to down periods.*

This will be measured via the following outcomes:
- Ratio of business profits in worst month in the last 12 months to business profits in last month (not measured at baseline).
- Business regularly uses business records to know how sales of a particular product are increasing or decreasing from one month to another (not measured at baseline).

C3e: *Formalization under Package B should allow treated businesses to obtain more access to banking. This should allow them to obtain more financing from banks and microfinance organizations.*

This will be measured via the following outcomes:
- The business owner has a bank account of any type (E35 at baseline, 22% had one at baseline).
- The business owner has a bank account on business name (not measured at baseline).
- The business owner has a loan from a commercial bank or a microfinance institution (at baseline, 0% ever had a loan from a commercial bank (E37), and 21% ever had a loan from a microfinance institution).

Hypothesis D: Heterogeneity of Impacts:

The *Entreprenant* program impact and the effect of formalization on business outcomes may be different for female business owners (63% of business owners are woman), for businesses operating in Dantokpa market (22% of the business operate in the market), for bigger businesses, and for firms that look more like formal business owners to begin with (based on species classification techniques).

Business size will be measured with an index based on baseline profits, sales and number of employees (see below for a description of index creation).

Looking like a formal business owner will be based on the predicted probability of being formal from a logit of formality status on baseline characteristics. This logit uses the data collected during the listing/baseline survey on 7,829 businesses who accepted the survey. Among them, 608 (7.8%) were formal at the time of the survey. We use the following baseline characteristics in the logit: operating in TOKPA market, gender, age, only primary education, only JHS or SHS level, higher level of education, operating in services, craftsman, business created less than 1 year ago, firm connected to electricity network, total number of employees, firm is doing some accounting, have done any advertising in the last 6 months, log of total amount of sales in an average week, log amount of last month profit, firm owner owns a bank account, the firm pays taxes, have done any advertising in the last 6 months (and controls for missing levels of these variables).

Using the "predict" command in *STATA*, we end up classifying as "looking more like formal" 654 (18.2%) businesses out of the 3,600 in the study sample.

5. Estimation methodology

5.1. Estimation specification

Our estimation will be at the business level, and involve the following ANCOVA specification for business *i*:

$$Y_{i,t=1} = \beta_0 + \beta_1 T1_i + \beta_2 T2_i + \beta_3 T3_i + \pi Y_{i,t=0} + \gamma M_{i,t=0} + X'_{k,i} + \varepsilon_{i,t=1} \quad \text{(M1)}$$

Where $Y_{i,t=1}$ is the given outcome variable measured post-treatment, $Y_{i,t=0}$ is its baseline value and $M_{i,t=0}$ a dummy variable indicating whether or not this baseline value is missing, $T1_i$ is an indicator for being assigned to treatment group 1, $T2_i$ an indicator for being assigned to treatment group 2 and $T3_i$ an indicator for being assigned to treatment group 3. X_k is a vector of strata dummy variables (one dummy variable for each triplet of businesses) and $\varepsilon_{i,t}$ is the error term. β_1, β_2 and β_3 will provide the intent-to-treat effect of been assigned

to group 1, 2 and 3. This is the effect of being a business assigned to treatment 1, 2 or 3 relative to being a business in the control group.

In order to estimate the effect of formalization on business performance and behavior, we will use the following specification:

$$Y_{i,t=1} = \alpha_0 + \alpha_1 FORMAL_i + \pi Y_{i,t=0} + \gamma M_{i,t=0} + X'_{k,i} + \varepsilon_{i,t=1} \quad (M2)$$

Where $FORMAL$ is an indicator for being formal, which is instrumented respectively by assignment to treatment groups $T1_i$, $T2_i$ and $T3_i$.

In cases where an outcome variable was not collected at baseline, these same specifications will be estimated without the control for baseline outcome.

5.2. Procedure for utilizing multiple measurement

The specifications above are intended for use with the first follow-up survey. When multiple measures of follow-up outcomes are available after additional surveys are taken, we will test to see whether the treatment effects vary with time. If we cannot reject equality of treatment effects over time, the multiple measurements will be combined to increase power following the procedures set out in McKenzie (2012).

5.3. Estimation of Heterogeneous Treatment Effects

Heterogeneous treatment effects will be estimated by interacting treatment status and the lagged dependent variable in (M1) or (M2) with the variable of interest Z.

5.4. Procedures for Dealing with Testing for Multiple Outcomes

We have a relatively rich set of outcome measures. To deal with multiple hypothesis testing we employ several approaches.
1) We specify a set of primary outcomes (Hypothesis A1 and B1), which we see as the main outcomes of the study, and distinguish these from impacts on the other outcomes (groups A2, B2, C and D hypotheses).
2) We will look at standardized treatment effects within domains where it makes sense to combine measures into a single aggregate. To do this we follow the approach of Kling, Katz and Liebman to create a standardized treatment effect via the following steps: i) sign all outcomes in the domain so the hypothesized effects go in the same direction; ii) standardize each variable as a z-score by subtracting the control group mean and dividing by the control group standard deviation; and then iii) averaging these z-scores.

3) To control for multiple hypothesis testing with respect to the heterogeneity of treatment effects, we will follow the recommendations of Fink, McConnell and Vollmer (2010) and employ the Benjamini and Hochberg (1995) method to minimize the false non-discovery rate (FNR). We will also limit our examination of treatment effect heterogeneity to select outcomes identified in the hypotheses above.

5.5. Survey attrition

Depending on response rates and budget, the follow-up survey will potentially use more expensive methods to try and get a subsample of the individuals who can be obtained through the standard survey to respond. If this is done, all data will be probability-reweighted to reflect this.

Let A_i be an indicator of whether business i attrits from the study by not responding to or being able to be contacted for a follow-up survey. We will first estimate whether attrition is related to treatment status by means of the following regression:

$$A_i = \beta_0 + \beta_1 T1_i + \beta_2 T2_i + \beta_3 T3_i + X_i'\delta + \varepsilon_i$$

Where X_i are dummy variables for randomization strata (triplet indicator). We will test $\beta_1 = \beta_2 = \beta_3 = 0$ to determine whether attrition from the survey is related to treatment status in general. We will also test separately $\beta_1 = 0$, $\beta_2 = 0$ and $\beta_3 = 0$ to determine whether attrition from the survey is related to treatment status in a particular treatment group.

If treatment status is found not to significantly affect attrition at the 5 percent significance level in general and in any treatment group, then all estimation will proceed without any adjustment for attrition. If attrition is found to be related to treatment status, we postulate that attrition will be higher for the control group. We will then employ two bounding approaches to test robustness to attrition:

(i)   Lee bounds: the group with lower attrition will have either the top or the bottom tail of responses trimming following the Lee method. For continuous outcomes robustness to assuming that the attrited observations were at the 95th, 90th, and 75th percentiles will be used for the lower bound, and 5th, 10th, 25th percentiles for the upper bound.

(ii)   Behaghel et al bounds: we will use the number of attempts it took to contact respondents to form bounds following the approach set out in their paper.

5.6. Missing data from item non-response

No imputation for missing data from item non-response at follow-up will be performed. Missing data on baseline variables will be dummied out of the ANCOVA specifications, as detailed above. We will check whether item non-response is correlated with treatment status following the same procedures as for survey attrition, and if it is, construct bounds for our treatment estimates that are robust to this.

5.7. *Questions with Limited Variation*

In order to limit noise caused by variables with minimal variation, questions for which 95 percent of observations have the same value within the relevant sample will be omitted from the construction of any aggregate index.

5.8. *Inflation*

Once multiple rounds of survey data are available, nominal values will be converted to real Franc CFA using the monthly Beninese consumer price index from the National Statistics agency of Benin (INSAE).

6. Updated Power Calculations

The sample size of 3,600 firms has been calculated to meet two goals:
- High statistical power to detect small changes in formalization rates;
- Sufficient statistical power to analyze the effect of being formal on firm performances, assuming that the program has an effect on formalization (i.e., formal businesses increase at least by 25 percentage point).

Our original proposal estimated statistical power based on assumptions about the coefficient of variation and the take-up rate on formalization. For the main outcomes of interest (profit and sales), the assumption was of a coefficient of variation equal to 1.

As we can see in the Table 1 presented in section 2.2 this assumption is verified with the baseline data for both measures of profit and sale (standard deviations are equal to the means). For the assumption on take-up rate on formalization (25%), it is too early to measure this assumption since we don't have yet the administrative data on formalization and because all components of the program were yet not implemented completely.

Actual power will be greater once we allow for i) the use of randomization strata fixed effects (Bruhn and McKenzie, 2009); and ii) control for the lagged dependent variable (McKenzie, 2012). As a result, we are confident that the study has sufficient power as implemented to detect effects that are of economically meaningful size, and in particular, are of the size seen in other studies in the literature (Bruhn and McKenzie, 2013).

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Annex 1: Description of the intervention

Package A – Provision of information on (i) the new registration system and (ii) tax filing and payment (Implementation entity: CGA)

CGA advisors visit each business selected and explain the benefits of becoming an *entreprenant*. Different leaflets are given and explained to business owners: one leaflet describes the *entreprenant* status, its advantages and requirements, one leaflet explains the registration process at GUFE, and one leaflet explains the tax regime applicable to *entreprenants*. In fact, four different tax regimes may apply to *entreprenants* in Cotonou, depending on the economic activity, and they all have different tax bases. The third leaflet specifically reviews how to calculate the tax owed in each regime[1].

One regime, likely the most commonly applicable to *entreprenants* in within the Cotonou jurisdiction, is the *Taxe Professionnelle Unique* (TPU), which is calculated based on the rental value of the business premises. In the majority of cases, taxpayers do not have a lease contract, which is the only official and opposable proof of rental value. As a result, the law provides for the tax administration to be responsible for assessing the rental value. This assessment leaves a door open for discretion, and it cannot be explained or clarified using the informational leaflet only. For a large majority of businesses formalizing with the *entreprenant* status, the way taxes are calculated does not change.

Package A - Regulatory simplification (Implementing entity: GUFE)

The informal businesses that decide to formalize will submit an application to obtain the *entreprenant* card at the GUFE. As per an inter-ministerial decree, the Government has removed all direct costs of formalization and the *entreprenant* card is free.

The process of formalization at GUFE includes the following steps:
- The entrepreneur files at GUFE the declaration form, duly completed and signed, as well as the required documents:
  - Copy of the identity card or passport;
  - Copy of the extract of birth certificate;
  - The "*extrait de casier judiciaire*". In the absence of this document, the business can sign an affidavit attesting that the applicant has not been banned by any Court to engage in commercial activities. The affidavit will be available at the GUFE;

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[1] The four tax regimes are the "*Taxe Professionnelle Unique*" (TPU), the "*Taxe Unique sur les Transports Routiers*" (TUTR), the "*Régime du forfait des revendeurs de tissus et divers*", and the "*Régime du bénéfice réel simplifié*".

- Photo ID.

- GUFE officials validate the declaration and the supporting documents, process the registration with the Company Registry (*Registre du Commerce et du Crédit Mobilier*, RCCM) and the Tax authority (DGID), and share information with the Department of Labor (*Direction Générale du Travail*).

- The procedure will conclude when the entrepreneur goes back to the GUFE, less than a day later, to receive the *entreprenant* card and an acknowledgment statement containing the RCCM and IFU numbers.

Package B - Provision of business services and trainings (Implementing entity: CGA)

CGA advisors may help the *entreprenant* with the formalization process at GUFE, including filling in the declarations and preparing all the required accompanying documents. See Annex 1 for a description of the protocol followed by CGA advisors.

CGA advisors deliver the business trainings and services via a dedicated "*entreprenant* Unit," using modules customized and developed with WBG support. Following the first visit to each business, CGA advisors organize a second visit to deliver a 1-2 hours personalized training session. In addition to the business training, the purpose of this visit is to incentivize and nudge business owners to participate to the *entreprenant* program.

Once the informal business registers at GUFE and receives the *entreprenant* card, it agrees with the CGA advisors on additional specific trainings that it may need according to its business needs.

The advisory services and trainings will be carried out on a one-on-one basis with the businesses at their workplaces and during group sessions organized at CGA. They may include:
- Basic accounting (cash book, billing, pro-forma preparation, using and analyzing financial statements);
- Basic of micro-enterprise management (working with budget, controlling cost, cash flow management, stock management);
- Initiation to legal and tax obligations;
- Financial education and awareness (products and services offered by commercial credit and microfinance institutions—where and how to obtain financial services, requirements for creating a bank account);
- Basic of business plan development (preparation of bankable proposals, new business, expanding business);
- Initiation to activity structuring and growing strategy (including small business development and strengthening, access to market, dealing/negotiation with suppliers).

Once the business owner completes a certain number of training sessions with CGA, he/she will receive an official diploma, and a sticker acknowledging that he/she received the training.

Package B - Support with bank services (Implementation entities: CGA, Orabank and Bank of Africa)

In addition to registration simplification, provision of information on the *entreprenant* status, and provision of training and services, businesses in groups 2 and 3 also receive support from CGA in opening a bank account.

This support is not mandatory and the *entreprenant* may decide to open a bank account autonomously. The bank account is directly linked to the *entreprenant* activity and it is not a personal account.

The banks partners of the IE (Orabank and Bank of Africa) designed a specific product for the *entreprenant*, with dedicated services and simplified access conditions, including:
- Debit card
- Bank account consultation with mobile phone
- Cash transfers
- SMS-banking
- Internet Banking
- Mobile money

CGA advisors assist the *entreprenant* in presenting the information needed to open a bank account and give the necessary training to the entrepreneur on how to use the account.

Package C – Provision of tax preparation support and tax mediation services (Implementing entity: CGA)

The CGA tax advisors provide (a) tax preparation support and (b) protection in case tax inspectors abuse their power when assessing and collecting taxes owed.

The advisors are assigned to those businesses who formalize under the third group, and they support them in preparing the tax forms (including returns and supporting documentation). The advisors will also leave their contact information in case the *entreprenant* have any complaints about future tax payments and inspections.

Advisors will take action when an *entreprenant* asks for help in interacting with the tax administration, and they will serve as intermediary between the tax administration and the *entreprenant* in order to provide solutions that satisfy both parties, in case of complaints.