

Public-Private Dialogue

Private Sector Development Public Private Dialogue for SMEs in Senegal

by

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1- Background and Context

In Senegal, there are about 300 000 Small and Medium-sized Enterprises (SMEs) which constitute 90 % of the total number of companies, contribute 33 % of value added and 42 % of employment. However, this contribution remains weak.

SMEs face a number of constraints due to several factors:

- A very difficult environment in which basic conditions are not fulfilled (no access to land, limited funding opportunities, little market access etc.).
- Very weak organizational capacities in terms of management, human resources, financial management and production management.

The Federal Republic of Germany supports the Republic of Senegal in its policy to promote and develop the small and medium-sized enterprises. As such, the German Republic set up within GIZ Senegal a program the objective of which is to promote and strengthen the growth and competitiveness of Senegalese SMEs through:

- Support for the implementation of national policies for promotion of SMEs;
- Support for the implementation and the monitoring systems of the LPS/PME (Lettre de Politique Sectorielle des Petites et Moyennes Entreprises);
- Support for the removal of the specific constraints facing SMEs which impact the business climate at the national level (Dakar) and regional level (Kaolack, Saint Louis and Thiès);
- Support for the implementation of frameworks of dialogue (DPP) and for the elaboration of proposals aiming at the improvement of the business climate for

SMEs. This is the first time that a dialogue mechanism focused on SMEs is being established.

Hence, the main problem the Program addresses is to provide Senegalese SMEs and employers organizations in particular, with the necessary capacities for collective leadership for sustainability by raising their self-awareness about the constraints they face in their enterprises and enhancing their capacities to influence national policies to address these constraints.

2- Partnership, Structure and Processes

At the national level, various entities were established to support the mechanisms and activities of the PPD process:

- **High level Group:** constituted by CEOs and Presidents or Directors of private structures and public institutions which are partners of the Program; this group plays a role of sponsorship and problem solving if the issues faced are too critical to be handled by the taskforce or its secretariat. It took some convincing of the public sector to trust this dialogue process
- **PPD Task Force:** constituted by general secretaries, deputy directors or deputy executive directors of employers' organizations and experts, technical advisors of public institutions; its main role is to validate the strategy for the setting of the PPD mechanism, the major themes for the working groups to address and specific reform proposals.
- **Secretariat of the PPD Task Force:** members of the former ad hoc working group. This group prepares and organizes the meetings, ensures the implementation of planned activities, carries out analysis, disseminates information to participants and monitors the entire process. The Secretariat is located in the GIZ offices and members of the Secretariat rotate by party

The Presidential Investment Council (PIC) consists only of representatives of large businesses hence a gap exists in terms of SME engagement. A key champion for this SME dialogue is the Director of the SME Department in the Ministry of Commerce.

At the national level, the main partners come from employers' organizations and chambers of commerce, chambers of crafts as well as from national institutions which support and promote the private sector. We ensured the balance of stakeholders by having the same number of public and private partners.

The private sector side included: UFCE (Union des Femmes Chefs d'Entreprises), UNACOIS (Union Nationale des Commerçants et Industriels du Sénégal), CNES (Confédération Nationale des Employeurs du Sénégal), OPTIC / CNP (Organisation des

Professionnels des Technologies de l'Information et de la Communication/ Conseil National du Patronat), National Union of Chambers of Commerce and National Union of Chambers.

The public sector side included: the SME Directorate, ADEPME (Agence de Développement et d'Encadrement des PME), SP/SCA (Secrétariat Permanent de la Stratégie de Croissance Accélérée), DASP (Direction de l'Appui au Secteur Privé), Department of Taxation and Estate and Customs Department were involved.

This process took place from September 2010 to February 2011.

At the regional level, we work mainly with the Chambers of commerce, Chambers of Crafts and the Regional Development Agency of each region. The coordination of the whole process is usually ensured by the Chambers of Commerce. They identify the relevant stakeholders to be involved in the PPD process and work with them to identify the constraints and formulate reform proposals.

In Saint Louis and Kaolack, regional PPD Tasks Force and their secretariats were set up in May, 2012. Two working groups have also been established for each region. In Thiès, the establishment of the PPD Task Force and its secretariat took place in December 2012. Two working groups were also set up. The duration of the various PPD processes vary from 7-15 months. This depends on the complexity of subjects treated and participants' involvement.

3- Results so far

National level:

Regular coordination meetings have addressed 7 themes in Dakar (taxes, customs duties, access to financial services, acquisition of the SME in the formal economy, involvement of SMEs to public procurement) and 2 major themes at the regional level (professionalization of SMEs and the competitiveness of local products).

The negotiation meetings with the tax authorities led to the examination of 8 proposals as part of fiscal reform. Six of these proposals have been integrated into the new General Code of Taxes (January 1st, 2012): a new fiscal plan called CGU (Contribution Globale Unique) has been established which is better adapted to the economic realities of small and medium-sized enterprises; payment of VAT is now required quarterly instead of monthly; there are VAT exemptions for the editors of electronic books; there was a review of tax allowances for the managers of gas stations; there is now an exemption from the franchise in tax the first year if a company is overdrawn with decreasing taxation in the two subsequent years; and fiscal amnesty is guaranteed for entrepreneurs who wish to formalize their activities.

During the negotiation sessions with the Customs Administration, 7 of the 10 proposals related to customs regulation were agreed and integrated into the new Customs Code that was promulgated on January, 2014.

Regional level:

Kaolack: The region now a platform for local economic development aid and which includes entrepreneurs, structures of support for the private sector including from the technical and financial partner. This platform allows for the harmonizing of different interventions of the various partners which support SMEs and also to allow for dialogue between all the actors to identify challenges and find solutions to the constraints of SMEs related to the business climate.

SME level

- At least 300 000 SMEs now face a tax regime more in compliance with their economic realities and which can encourage their development;
- 10 other proposals related to custom procedures have been submitted to the Customs Administration with the objective relieving procedures for SMEs. The work is in progress and if the proposals are approved, it will have an impact on both formal and informal enterprises.

4- Expected Results

- Five proposals to support the access by SMEs to procurement contracts were developed and are currently with the Authority of Regulation of Procurement Contracts.
- In Saint Louis: A document recommending for greater facilitation of SMEs for enter the formal economy and be more professional in their operations was developed. The validation of this document by all stakeholders is expected by April 2014.
- For the next 2 years we expect an institutionalization of our different PPD mechanisms in order to ensure the sustainability of the dialogue processes. Each sectorial partner will be in charge of a thematic related to its core activity.

Key Success Factors

The idea to bring various actors with divergent interests, different experiences and different conceptions of partnership around a common goal is not easy. To build a common vision, it was necessary at first to:

- Build trust among stakeholders so that they agree to work together through the regular holding of dialogue meetings, this in a rotating way (1 time at the private sector level, 1 time at the public sector level);
- Develop their sense of collective leadership and responsibility while implementing activities;
- Make the process transparent to all the actors involved;
- Balance the number of public and private sector partners involved in the process.
- Transfer responsibility from development partners to national stakeholders to facilitate ownership and buy-in.

Biggest challenges:

- By identifying a restricted number of partners to benefit from international trainings at the beginning of the Program, this aroused a certain embarrassment on behalf of the other partners who accused GIZ of granting privileges to certain partners compared to others. However, as part of the dialogue process it is important to ensure a balance among all participating stakeholders.
- By working with the representatives of different institutions comprising the PPD Task Force, we realized that the information about our activities was not being disseminated within their respective organizations and transferred to the top management level. Hence, the difficulties we faced did not receive the required support from the High Level Group because of this lack of information.
- There is a need for greater Outreach in support of the PPD's activities.
- While the right partners have been identified, there can be conflicting positions and priorities among private sector actors.
- While the focus to date has been on low hanging fruits, addressing the challenges of SMEs is not easy.
- Issues brought to the PPD from the private sector lack the needed data and evidence to be credible.

Biographies of Authors:

Christine Ndiaye SENE is an economist. Work for more than 15 years in the private sector development. She is a specialist of questions related to investment promotion and stakeholders' dialogue. Has joined GIZ Senegal in 2008 and is responsible for the Business Climate.

Dr Susanne GEIPERT is an agricultural engineer. She capitalizes more than 10 years within GIZ programs in particular in the management of natural resources and sustainable development in North Africa, Afghanistan and now in Senegal. She was also entrepreneur during 10 years in the German private sector. She leads the Program for Sustainable Development in Senegal since 2012.

Judith BLANK is an economist. Having studied in Tübingen, Germany and Paris, France, she worked for the International Trade Centre (WTO/UNCTAD) for a year before joining GIZ (GTZ) in 2010. Until the end of 2013, she worked for the Sector Project on Trade Policy, Trade and Investment Promotion. Since 2014 she joined the PACC Team in Senegal as technical advisor.