

Doing Business Better

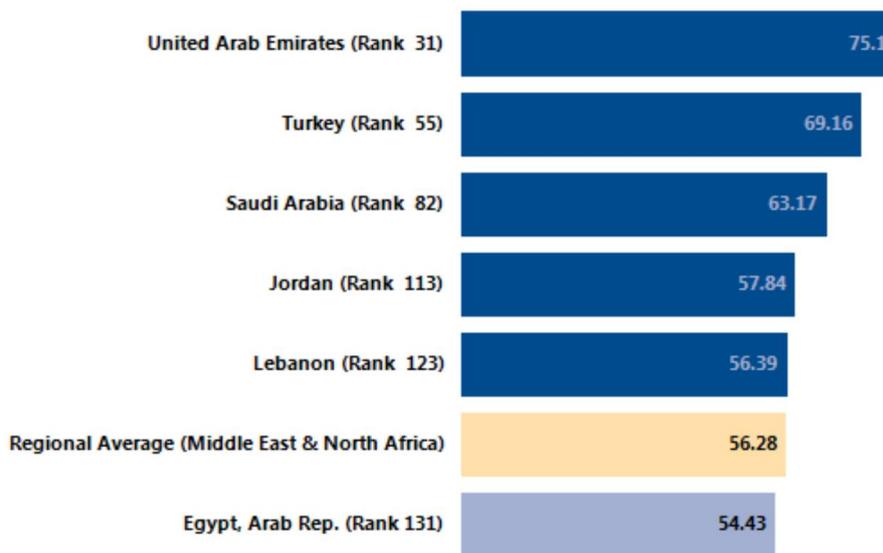
Doing Business is a World Bank publication that sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations.

It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business:



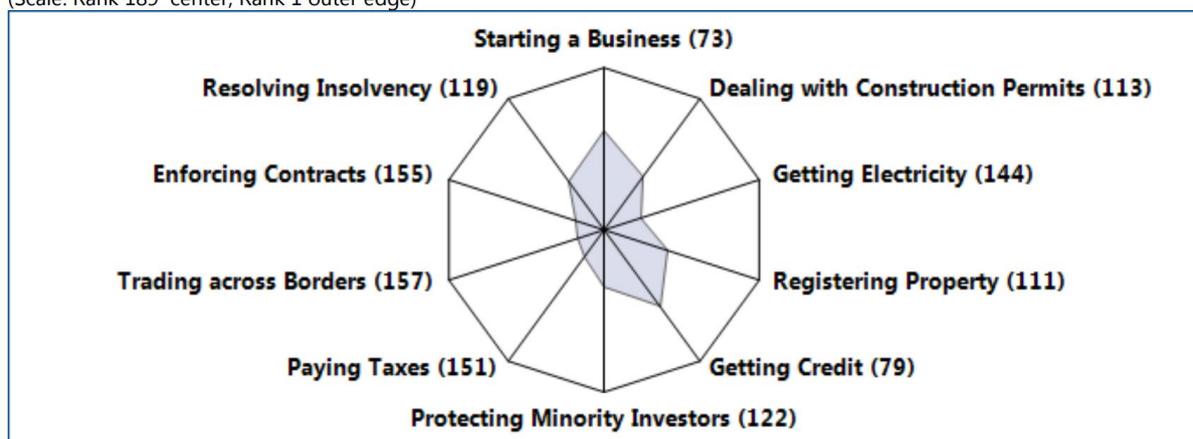
The Doing Business methodology was structured to account for the majority of business related aspects and the World Bank has put in considerable effort to evolve the report year on year. Despite these efforts, some limitations remain, areas important to business—such as an economy’s proximity to large markets or preferential access to these markets, the quality of its infrastructure services, the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by Doing Business.

Egypt has witnessed a slight decline in its rank in this year's report, yet when evaluating our progress, it is imperative to look at Egypt compared to its peers. The attractiveness of the various markets as destinations for Doing Business can be seen in the graph below. Where Egypt ranks 131 compared to the UAE which ranks 31st, Turkey at 55th and Jordan at 113th.



Egypt's performance is also tracked across each of the 11 parameters of doing business:

(Scale: Rank 189 center, Rank 1 outer edge)



Accordingly, for this month's newsletter we will address the three aspects of Doing Business in which Egypt's rank vis-a-vie other countries is the worst; namely: Trading Across Borders, Enforcing Contracts & Paying Taxes.

PAYING TAXES

This parameter addresses the following key components:

- ☉ Tax payments for a manufacturing company in 2014 (number of taxes and contributions paid, as well as the methodology and frequency of filing and payment).
- ☉ Time required to comply with 3 major taxes (collecting information, completing the forms, filing, arranging payments, preparing books and computing the tax payable).
- ☉ Total tax rates (profit of corporate income tax, social contributions, property taxes, dividends and capital gains, waste collection & vehicle taxes, etc.)

On average, firms in Egypt make **29 tax payments** a year, spend **392 hours** a year filing, preparing and paying taxes and pay total taxes amounting to **45% of profit**.

In tracking progress from the 2011 Doing Business report to the 2016 Doing Business Report, the key change has been a 2014 policy whereby Egypt made paying taxes more costly for companies by increasing the corporate income tax rate.

Acumen Note:

These days the Value Added Tax is being studied by the people's assembly as an addendum to the current sales tax regime.

Further potential tax reforms and enhanced transparency regarding investment incentives are needed in order to make doing business in Egypt easier to potential and current investors.

TRADING ACROSS BORDERS

The Doing Business report records the time and cost associated with the logistical process of exporting and importing goods. Under the new methodology introduced this year, Doing Business measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and

domestic transport—within the overall process of exporting or importing a shipment of goods.

How has Egypt made trading across borders easier—or not? In the Doing Business report of 2011 Egypt made trading easier by introducing an electronic system for submitting export and import documents.

Acumen Note:

Further automation and more widespread usage of electronic payment platforms by the government will facilitate the process and improve our overall score.

ENFORCING CONTRACTS

The Doing Business report measures the time and cost of resolving a standardized commercial dispute through a local first-instance court. In addition, this year it introduces a new measure, the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. This new index replaces the indicator on procedures, which was eliminated this year.

According to data collected by Doing Business, contract enforcement in Egypt takes 1010 days and costs 26.20% of the value of the claim.

Indicator	Egypt, Arab Rep.	Middle East & North Africa average
Time (days)	1,010	653
Filing and service	20	
Trial and judgment	720	
Enforcement of judgment	270	

Acumen Note:

Effective commercial dispute resolution is essential for entrepreneurs because the commercial courts interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay.

Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

If you are interested in learning more about the other aspects of Doing Business and other areas where the Egyptian business environment is undergoing reforms, please check out the full report here:

<http://www.doingbusiness.org/reports/global-reports/doing-business-2016>