

## Terms of Reference for a Study entitled Towards a Competitive Tax Regime for MSMEs

*“Strengthening the Enabling Business Environment to Enhance the Competitiveness of Small and Medium Enterprises (SMEs) through Evidence-Based Policy Advocacy: Tax Policies for SMEs”*

### I. *Period of Performance: May1, 2018 to September 1, 2018 (4 months).* **Introduction about the Project**

The project entitled **“Strengthening the Enabling Business Environment to Enhance the Competitiveness of Small and Medium Businesses (SMEs) through Evidence-based Policy Advocacy: SMEs Tax Policies”** is funded by USAID’s-SEED project (Strengthening Entrepreneurship and Enterprise Development) in cooperation with the Ministry of Trade and Industry (MTI).

The overall objective of the project is to enhance sustainably the inclusive competitiveness of SMEs in Egypt through a bottom up approach to reforms. The **strategic objective of the project** is to strengthen SME competitiveness through enhancing the enabling environment by (1) institutionalizing a participatory multi-stakeholder public private dialogue approach to tax policies and reforms impacting SMEs - that include but are not limited to value added tax reforms; (2) identifying regulatory and policy reforms needed, (3) creating ownership of change, while building the capacity of the Business Advisory Council (BAC) and the relevant Government agencies: Ministry of Finance (MOF), Ministry of Trade and Industry and Egyptian Regulatory Reform and Development Activity (MTI-ERRADA), to develop a research/evidence-based reform agenda to be presented to the policy makers in these ministries.

The project attempts to address two interrelated problems: (i) the burden of tax regulations on MSMEs; (ii) reactivating and building the capacity of the (BAC) and the identified stakeholders to develop a reform agenda to address this burden **through (a) a public private dialogue and a bottom-up methodology to address issues constraining the development of SMEs; (b) that promotes evidence-based policy advocacy; (c) in a pilot economic impact assessment study.** The study will come up with a set of policy changes based on international best practices and the survey that will be conducted.

### II. **Background on Purpose and Description of the Proposed Activity: A study that includes Survey of MSMEs, Analysis of Findings and Recommendations**

The research under this activity will support (1) the overall objective of the project which is to provide the decision makers with the necessary evidence to make informed decisions about the needed tax regime changes, as well as (2) ENCC’s approach to conduct **evidence-based** multi-stakeholder consultations that lead to consensus on the required actions, and the development of an evidence-based reform agenda, thus and contributing to sustainable reforms.

The field survey results will be extrapolated from a previously conducted survey by MTI, in addition to carrying out focus group discussions to complement additional data and information.

The research team must ensure that their inquiry, findings, and conclusions are directly related to the objectives of the project and support implementation of the required changes within the time-frame of the project.

### III. Proposed Outline for the study

1. Executive Summary
2. Introduction on the Egyptian context. The Egyptian Case: MSME tax issues and reforms trends are to be tracked to date,
3. Methodology: statement of research tools that will include:
  - A literature review section that will include international definitions for MSMEs as well as definitions for tax purposes and best practices in MSMEs tax regimes.
  - Selection and Analysis of the survey data/information of 300 establishments from a previous conducted survey by MTI covering MSMEs to study the impact of tax regime for the analysis phase. The Selection of the survey data should be carried out in close collaboration with MTI, where the consultant is expected to use MTI's survey data and information output in the study. The analysis will also cover the impact of taxes on other variables affecting the competitiveness of the firms e.g. electricity.
  - Focus group discussions will be carried out, to capture more data and information necessary to conduct the study.
4. Defining an Operational definition for tax purposes.
5. Issues and Recommendations for a simplified tax regime for MSMEs.

- IV. **Tasks and Deliverables:** All tasks and deliverables by the researcher are to be coordinated closely, approved and cleared by ENCC's Executive Director before being presented to the Tax Advisory Group (TAG). The researcher will be closely coordinating with the Egyptian National Competitiveness Council (ENCC), MTI and MoF to reflect and connect the results of the analysis with the competitiveness indicators.

**The following highlights the tasks and deliverables expected from the researcher.**

#### **Tasks:**

1. Develop a delivery Action Plan following discussions with the ENCC and SEED team. The Action Plan shall highlight the methodology, delivery mechanisms, and timeline.

2. Conduct a literature review on best country practices in MSME tax regimes and definitions, and integrate studies and research undertaken by the MOF and MTI (where applicable). The researcher will present the literature review in a power Point presentation to TAG and make adjustments as required from feedback. The presentation will be later integrated in the final paper
3. Researcher to work with MTI to review the data from the survey undertaken by MTI and select mutually the variables to be analyzed.
4. The Researcher is to conduct:
  - a. Analysis for 300 industrial MSMEs Groups in the sectors and governorates identified by the MTI from the previously conducted survey by MTI and
  - b. Focused Groups discussion in the sectors and governorates identified by the MTI.
6. The Researcher is expected to work closely with tax consultant to include feedback throughout the study including the outline, methodology and findings. The Researcher is expected to meet the TAG on regular basis to inform them about the progress of the study and take their feedback as well.

#### **Delievrables:**

*Deliverable 1:* Develop a comprehensive action plan with detailed activities, milestones and deliverables.

*Deliverable 2:* Present the literature review in a power Point presentation to TAG and make adjustments as required.

*Deliverable 3:* Present the analysis of 300 industrial MSMEs Groups derived from the previously conducted survey by MTI.

*Deliverable 4:* Present the results of focus group discussions.

*Deliverable 5:* Meet the TAG on monthly basis to share with them the findings of the survey and focused group analysis present a first draft of study findings, report the progress of the study and take feedback.

*Deliverable 6:* Present a final study paper including feedback and amendments.

*Deliverable 7:* A PowerPoint presentation of the findings, conclusions and recommendations resulting from this assignment. This will be presented to TAG and the senior management teams of MTI, ENCC, SEED and USAID through a conference inviting all stakeholders.

*Deliverable 8:* Deliver "End of Assignment Report" describing the methodology, observations, findings, lessons learnt, conclusions and resultant recommendations. The report should also include (as annexes) final version of all assignment deliverables listed above

#### **Considerations:**

- The Consultant is to provide regular updates on activities performed to be sent by email.
- Reports and presentation will be provided according to templates to be provided by USAID-SEED and all deliverables will be approved by Grants Manager.



## V. QUALIFICATIONS

- Egyptian consultants are welcome to apply;
- A PhD in economics, or statistics or related field;
- A minimum of 15 years' experience in the field of MSME, including prior experience in an Egyptian context, and strong familiarity with international best market practices and global trends;
- Knowledge of legal, regulatory and tax issues for MSMEs development in Egypt;
- Analytical and strong organizational skills;
- Ability to work in a team environment is vital;
- Proficiency with Excel and other Office and statistical analysis software packages;
- Excellent writing and presentation skills in both Arabic and English.

## VI. DEADLINE FOR RECEIVING APPLICATIONS IS COB of 30 April 2018

**HOW TO APPLY:** Interested applicants should submit their applications mentioning the consultancy name in the e-mail subject to e-mail address: [aghanem@encc.org.eg](mailto:aghanem@encc.org.eg) and [hzayed@encc.org.eg](mailto:hzayed@encc.org.eg)

### PLEASE NOTE:

- Only short-listed candidates will be contacted.
- Applications received after the closing date will not be considered.

All qualified applicants will receive consideration for recruitment without regard to race, color, religion or gender.