

Improving the Business Climate in the DRC, the Necessary First Step

The Democratic Republic of the Congo faces the long-lasting issue of its discouraging yet improvable business climate. Serious reforms are already taking place.

JOHANNESBURG, GAUTENG, SOUTH AFRICA, October 15, 2019 /EINPresswire.com/ -- Ranked 184th of 190 in the last World Bank's Doing Business report, the Democratic Republic of the Congo faces no other choice but to tackle the long-lasting issue of its discouraging yet improvable business climate. Serious reforms are already taking place.

It is hardly a secret; the DRC's business climate has long been considered the biggest thorn in the country's side in its quest for foreign direct investments. From cumbersome bureaucratic procedures to a heavy taxation, through conditions of entry and residence amongst the toughest on the continent, issues are many and well known. However, the election of Félix Tshisekedi, the most pro-business president the DRC has yet had, is triggering a whole new mindset. In order to attract foreign capital, Kinshasa first seeks to create a conducive macroeconomic environment by simplifying its administration, introducing fiscal incentives and looking to ensure the necessary legal and judicial protection of the investors.

Simple is Better

Logically, the first steps when looking to invest abroad inevitably involve actually getting there and, more often than not, starting up a business. Yet, in the DRC, those two trivial procedures are challenging and time-consuming. Getting a visa can take weeks. As for setting up a company, no less than four or five months could be lost in endless procedures. In both cases, significant reforms are underway.

First, the Congolese diaspora – estimated at 16 million people – benefits from a new regulation: all foreign citizen of Congolese descent can now automatically obtain an entry visa at border posts, provided they can prove their connection with the DRC. That reform paves the way for future success stories among investors from the diaspora. More generally, a simpler, cheaper and quicker e-visa online system shall be operative in 2020 for all investors to use.

Second, the conditions for registering a company have already been drastically improved thanks to a one-stop shop configuration – i.e. a single place where all the paperwork, including obtaining the national identification and income tax numbers or the various affiliations, can now be done. A similar system for the issue of construction permits is in the pipeline too. The cost of starting a business has also been reduced to \$90 this year from \$120 in 2018.

According to Anthony Nkinzo Kamole, CEO of the DR Congo National Agency for the Promotion of Investments (ANAPI), the results are already apparent. At least 40 new companies are emerging on a weekly basis and their registration takes between three and five days.

Taxation: Less is More

The IMF delegation's recommendations following its visit to the DR Congo earlier this year included a deep restructuring of the tax system. The core problems lie in the excessive number of the country's national (3) and provincial (26) tax authorities but also in the undue

multiplication of tax inspections, all perceived as potential sources of corruption.

No longer an elephant in the room, corruption is now being publicly designated as the demon to exorcize. President Félix Tshisekedi - [who will give the opening speech at the InvestDRC Forum](#) - has therefore vowed to get personally involved in the verification of the legality and the regularity of those controls, in order to “win the fierce battle against corruption and reassure the serious investors.” He will be able to rely on support from the United States whose Ambassador to DRC, Mike Hammer, has just signed an agreement letter allocating \$10 million in the fight against crime and corruption. For its part, Prime Minister Sylvestre Ilunga Ilunkamba have shown the way in the anti-corruption crusade by disclosing his assets to the country’s Constitutional Court and called for the ministers to follow his lead.

On a concrete level, Minister of Finance José Sélé Yalaghuli has launched the ambitious computerization of the tax authorities and the liberalization of the finance sector, while Minister of Industry Julien Paluku Kahongya - a confirmed speaker at the InvestDRC Forum - is working on the creation of Special Economic Zones like the one currently taking shape in Maluku. DRC-based companies can benefit from a reduced corporate income tax rate of 30% and an appreciable drop of the penalty rates from 16% per day to 2% per month. Lastly, small and middle-sized companies can now deal with a single desk regarding the treatment of their taxes, and an e-payment system of taxes shall be introduced next year for all companies, regardless of their size.

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