Understanding Regulations for Small and Medium-Size Enterprises

Doing Business in Egypt 2014

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What does Doing Business measure?

Doing Business indicators:

☑ Focus on regulations relevant to the life cycle of a small to medium-sized domestic business.

☑ Are built on standardized case scenarios.

☑ Are measured for the most populous city in each country.

☑ Are focused on the formal sector.

DO NOT measure all aspects of the business environment such as macroeconomic stability, corruption, level of labor skills, proximity to markets, or of regulation specific to foreign investment or financial markets.
Regulations as measured by Doing Business affect firms throughout their life cycle.

- **At start-up**
  - Starting a business
  - Employing workers

- **When things go wrong**
  - Enforcing contracts
  - Resolving insolvency

- **In daily operations**
  - Paying taxes
  - Trading across borders

- **In getting a location**
  - Dealing with construction permits
  - Getting electricity
  - Registering property

- **In getting financing**
  - Getting credit
  - Protecting investors
Low-income economies have narrowed the gap with the regulatory frontier the most since 2009.

Note: The distance to frontier measure shows how far on average an economy is at a point in time from the best performance achieved by any economy on each Doing Business indicator since 2003 or the first year in which data for the indicator were collected. The measure is normalized to range between 0 and 100, with 100 representing the frontier. The data refer to the 183 economies included in Doing Business 2010 (2009) and to the income group classifications for 2013. Six economies were added in subsequent years.

Source: Doing Business database.
What do Subnational reports add?

- Expand *Doing Business* indicators **beyond the largest business city** measured by the annual report.

- Include rules and regulations at **all levels of government**.

- Capture **local differences** in regulations or enforcement.

- Provide information on **good practices** within the same country that can be easily replicated.

- Provide a tool for **locations** to tell their story and **to compete globally**.

- Combine *Doing Business* media appeal with active **participation** of **subnational governments** in the reform process.
Subnational *Doing Business* finds that the cost to deal with construction permits varies widely across cities within the same country or region.

Dealing with Construction Permits

<table>
<thead>
<tr>
<th>Country</th>
<th>Cost (%) of income per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEE11</td>
<td>110</td>
</tr>
<tr>
<td>Nigeria10</td>
<td>95</td>
</tr>
<tr>
<td>Philippines11</td>
<td>94</td>
</tr>
<tr>
<td>Colombia13</td>
<td>68</td>
</tr>
<tr>
<td>Italy13</td>
<td>45</td>
</tr>
<tr>
<td>Russia12</td>
<td>40</td>
</tr>
<tr>
<td>Indonesia12</td>
<td>32</td>
</tr>
<tr>
<td>Mexico12</td>
<td>18</td>
</tr>
</tbody>
</table>

Source: *Doing Business* database

Comparisons across locations in the same country show potential of reforms.

Dealing with construction permits, Russia. What if the best regional practices were adopted in Moscow?

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**Procedures**
- Global DB Data for Russia: 181st
- Best practice in Russia: 16th
- Improvement: 103th

**Time**
- Global DB Data for Russia: 173th
- Best practice in Russia: 78th
- Improvement: 46th

**Cost**
- Global DB Data for Russia: 113th
- Best practice in Russia: 46th

*Data published in Doing Business 2012, as measured for Moscow by June 2012

** As % of income per capita
Spontaneous exchanges of good practices among states in Mexico between 2009 and 2012

Source: Doing Business in Mexico 2012
South East Europe improved business entry significantly from 2008 to 2011

Starting a business indicator, South East Europe (SEE), as measured in 2008 and 2011

Source: Doing Business in South East Europe 2011
Research on the effects of business regulations

Simpler entry regulations increase formalization and employment
  • E.g. Branstetter and others 2013, Bruhn 2013, 2011, Kaplan, Piedra and Seira 2011, Barseghyan 2008. Simplified business registration led informal firms to shift to the formal economy and increased employment.

Faster construction permits can increase construction spending and tax revenue
  • E.g. PricewaterhouseCoopers 2005

Efficient property registration can boost property values and investment
  • E.g. Burns, Anthony 2002, Galiani and Ernesto Schargrodsky 2010. Land titling projects led to an increase in property values and quality, reduced household size and enhanced education.

Improvements in trade facilitation stimulate exports
  • E.g. Freund and Rocha 2011, Djankov, Seker 2011, Freund and Pham 2010. Reduction in transport time leads to significant increases in the export volumes of economies.
Doing Business in Egypt 2014

Four indicators benchmarked in 15 locations:
✓ Starting a Business
✓ Dealing with Construction Permits
✓ Registering Property
✓ Enforcing Contracts

Trading Across Borders measured in 5 strategic ports:
✓ Alexandria
✓ Damietta
✓ Port Said East
✓ Port Said West
✓ Sokhna (Suez)

Project carried out in collaboration with the Ministry of Investment and the Ministry of Local Development of the Arab Republic of Egypt
Ease of access to information and fee schedules related to construction permits across 15 cities.

**Cities where it is easy**

- Application requirements
  - Available in print at agency office
  - Available online

**Cities where it is not easy**

- Application requirements
  - Available only upon request

- Fee schedules
  - Available in print at agency office
  - Available online
  - Available only upon request
Access to information is associated with greater trust in regulatory quality.
Key findings

1. The success of business start up one-stop shops proves that there is no need to come to Cairo to start a business

2. Despite a nationally unified construction law, there are large variations in requirements, time and cost across locations

3. Some court of first instance found successful ways to deal with high case loads

4. In property registration, better coordination between the real estate registry and surveying authority shortens processing delays

5. Exporters and importers spend most time on paperwork

6. No need to reinvent the wheel: successful examples of good regulatory practices can be found across Egypt
Success stories can be found across Egypt

<table>
<thead>
<tr>
<th>City</th>
<th>Ease of starting a business</th>
<th>Ease of dealing with construction permits</th>
<th>Ease of registering property</th>
<th>Ease of enforcing contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexandria, Alexandria</td>
<td>1</td>
<td>15</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Assuit, Assuit</td>
<td>4</td>
<td>7</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>Aswan, Aswan</td>
<td>15</td>
<td>14</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>Cairo, Cairo</td>
<td>1</td>
<td>12</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>Damietta, Damietta</td>
<td>10</td>
<td>5</td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td>Fayoum, Fayoum</td>
<td>6</td>
<td>13</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Giza, Giza</td>
<td>1</td>
<td>11</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Ismailia, Ismailia</td>
<td>4</td>
<td>3</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Kharga, New Valley</td>
<td>14</td>
<td>4</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Mansoura, Dakahlia</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>Port Said, Port Said</td>
<td>12</td>
<td>10</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Sohag, Sohag</td>
<td>12</td>
<td>9</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Suez, Suez</td>
<td>10</td>
<td>1</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Tanta, Gharbia</td>
<td>8</td>
<td>6</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Zagazig, Sharqia</td>
<td>8</td>
<td>7</td>
<td>11</td>
<td>13</td>
</tr>
</tbody>
</table>
Starting a business: one-stop shops are making it easier across cities

Source: Doing Business database.
Starting a Business across Egypt: as fast as in OECD High Income Economies

*MENA is the Middle East and North Africa regional average
Dealing with construction permits: wide variation in pre-construction approvals and inspections

- Suez: 6 preconstruction, 1 inspections during construction, 3 postconstruction, 3 utility connections, total 13 procedures
- Mansoura: 7 preconstruction, 1 inspections during construction, 4 postconstruction, 2 utility connections, total 14 procedures
- Assuit: 6 preconstruction, 3 inspections during construction, 3 postconstruction, 3 utility connections, total 15 procedures
- Port Said: 7 preconstruction, 3 inspections during construction, 3 postconstruction, 3 utility connections, total 16 procedures
- Zagazig: 10 preconstruction, 1 inspections during construction, 4 postconstruction, 2 utility connections, total 17 procedures
- Tanta: 7 preconstruction, 4 inspections during construction, 4 postconstruction, 2 utility connections, total 17 procedures
- Sohag: 7 preconstruction, 4 inspections during construction, 3 postconstruction, 3 utility connections, total 17 procedures
- Kharga: 8 preconstruction, 4 inspections during construction, 3 postconstruction, 2 utility connections, total 17 procedures
- Damietta: 6 preconstruction, 7 inspections during construction, 3 postconstruction, 2 utility connections, total 18 procedures
- Giza: 6 preconstruction, 7 inspections during construction, 4 postconstruction, 2 utility connections, total 19 procedures
- Aswan: 10 preconstruction, 3 inspections during construction, 4 postconstruction, 2 utility connections, total 19 procedures
- Alexandria: 11 preconstruction, 2 inspections during construction, 4 postconstruction, 2 utility connections, total 19 procedures
- Ismailia: 6 preconstruction, 7 inspections during construction, 4 postconstruction, 3 utility connections, total 20 procedures
- Cairo: 8 preconstruction, 7 inspections during construction, 4 postconstruction, 2 utility connections, total 21 procedures
- Fayoum: 12 preconstruction, 5 inspections during construction, 4 postconstruction, 2 utility connections, total 23 procedures
Registering property: time differences driven by the efficiency of local Real Estate Registries and coordination with Surveying Authority

<table>
<thead>
<tr>
<th>City</th>
<th>Property Tax Authority</th>
<th>Real Estate Registry</th>
<th>Total time (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sohag</td>
<td></td>
<td></td>
<td>18</td>
</tr>
<tr>
<td>Port Said</td>
<td></td>
<td></td>
<td>24</td>
</tr>
<tr>
<td>Kharga</td>
<td></td>
<td></td>
<td>28</td>
</tr>
<tr>
<td>Mansoura</td>
<td></td>
<td></td>
<td>29</td>
</tr>
<tr>
<td>Fayoum</td>
<td></td>
<td></td>
<td>35</td>
</tr>
<tr>
<td>Alexandria</td>
<td></td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>Suez</td>
<td></td>
<td></td>
<td>51</td>
</tr>
<tr>
<td>Assuit</td>
<td></td>
<td></td>
<td>52</td>
</tr>
<tr>
<td>Ismailia</td>
<td></td>
<td></td>
<td>52</td>
</tr>
<tr>
<td>Zagazig</td>
<td></td>
<td></td>
<td>56</td>
</tr>
<tr>
<td>Tanta</td>
<td></td>
<td></td>
<td>58</td>
</tr>
<tr>
<td>Aswan</td>
<td></td>
<td></td>
<td>62</td>
</tr>
<tr>
<td>Cairo</td>
<td></td>
<td></td>
<td>63</td>
</tr>
<tr>
<td>Giza</td>
<td></td>
<td></td>
<td>65</td>
</tr>
<tr>
<td>Damietta</td>
<td></td>
<td></td>
<td>130</td>
</tr>
</tbody>
</table>
**No need to reinvent the wheel: successful examples of good practices found across Egypt**

<table>
<thead>
<tr>
<th>Doing Business indicator</th>
<th>Best practices within Egypt</th>
<th>Egyptian best practices compared internationally (global rank)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealing with construction permits</td>
<td>13 procedures Suez</td>
<td>39 149</td>
</tr>
<tr>
<td></td>
<td>109 days Ismailia</td>
<td></td>
</tr>
<tr>
<td></td>
<td>58.9% of income per capita Suez</td>
<td></td>
</tr>
<tr>
<td>Registering property</td>
<td>7 procedures Alexandria, Fayoum, Giza, Ismailia, Kharga, Mansoura, Port Said, Sohag, Tanta, Zagazig</td>
<td>56 105</td>
</tr>
<tr>
<td></td>
<td>18 days Sohag</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.7% of property value Alexandria, Assuit, Aswan, Cairo, Damietta, Fayoum, Giza, Ismailia, Mansoura, Port Said, Suez</td>
<td></td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>42 procedures All cities</td>
<td>103 156</td>
</tr>
<tr>
<td></td>
<td>706 days Ismailia</td>
<td></td>
</tr>
<tr>
<td></td>
<td>18.2% of claim value Damietta and Fayoum</td>
<td></td>
</tr>
</tbody>
</table>

**Ease of doing business** 104 128