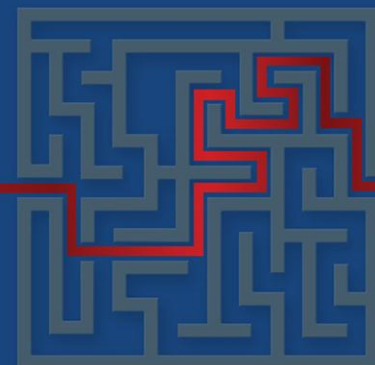


Understanding Regulations for  
Small and Medium-Size Enterprises

# Doing Business in Egypt 2014



**Najy Benhassine**

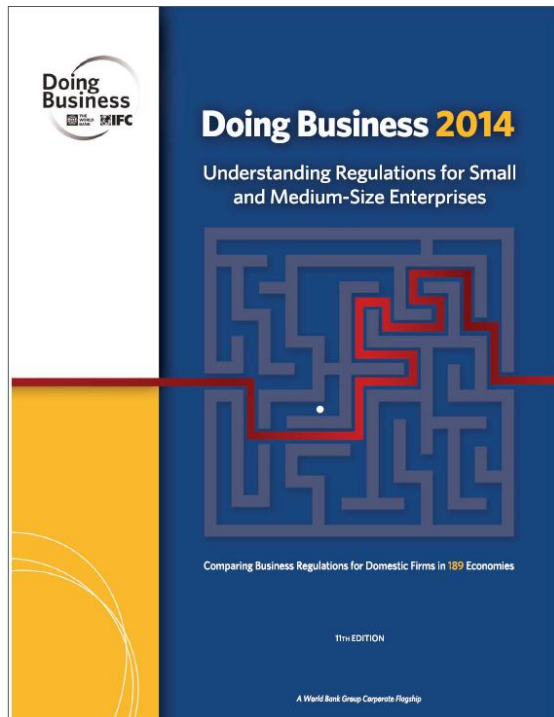
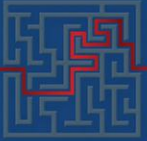
Manager, Business Regulation  
Investment Climate – World Bank Group

**Alessio Zanelli**

Private Sector Development Specialist  
Global Indicators Group – World Bank Group

Cairo, December 8, 2013

# What does *Doing Business* measure?

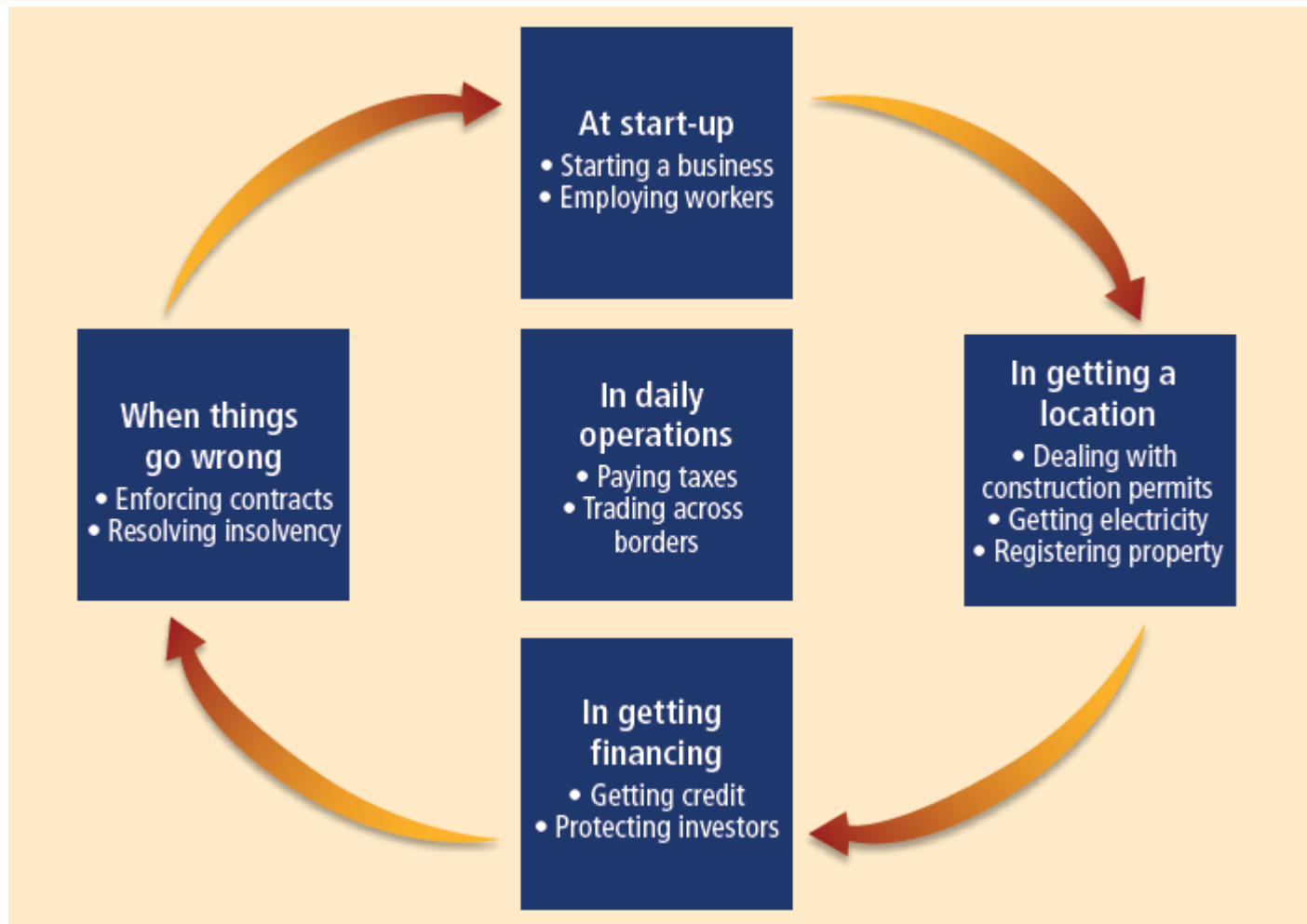
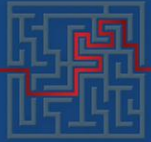


## Doing Business indicators:

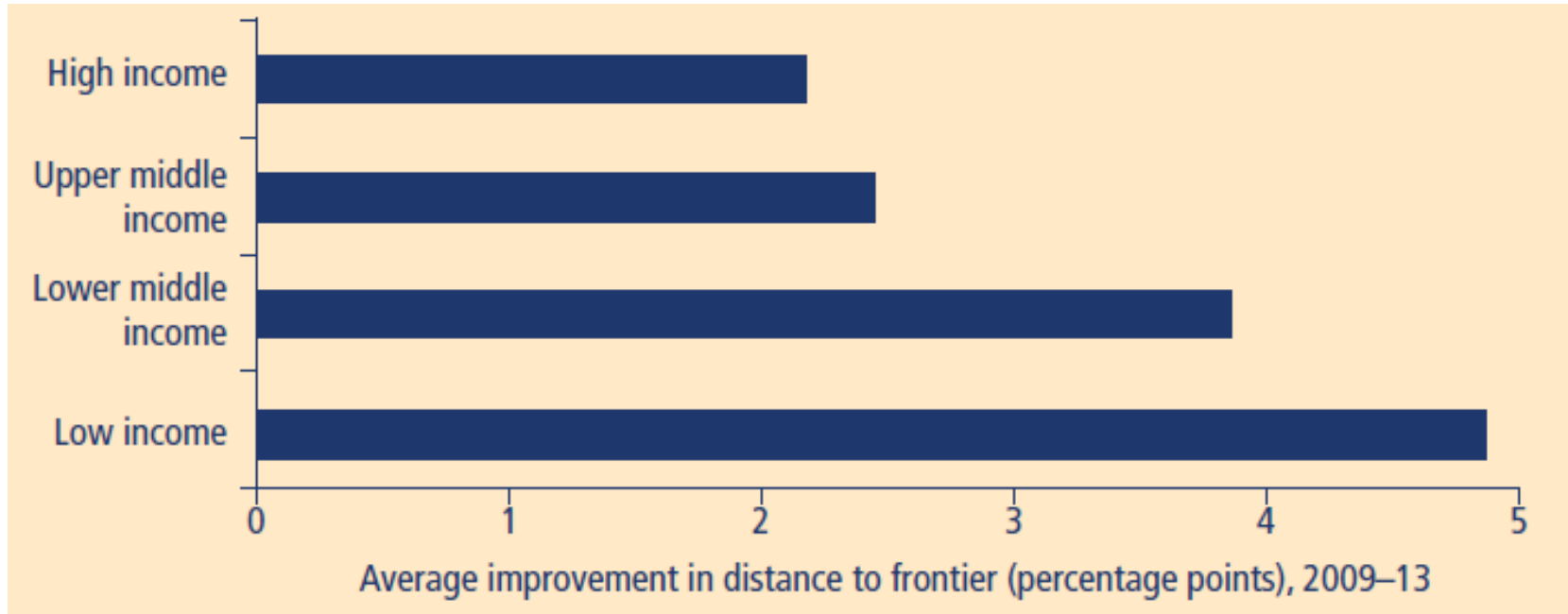
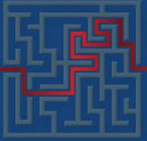
- ✓ Focus on regulations relevant to the life cycle of a small to medium-sized domestic business.
- ✓ Are built on standardized case scenarios.
- ✓ Are measured for the most populous city in each country.
- ✓ Are focused on the formal sector.

**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



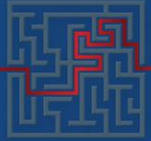
# Low-income economies have narrowed the gap with the regulatory frontier the most since 2009



*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.

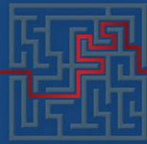
*Source:* Doing Business database.

## What do Subnational reports add?

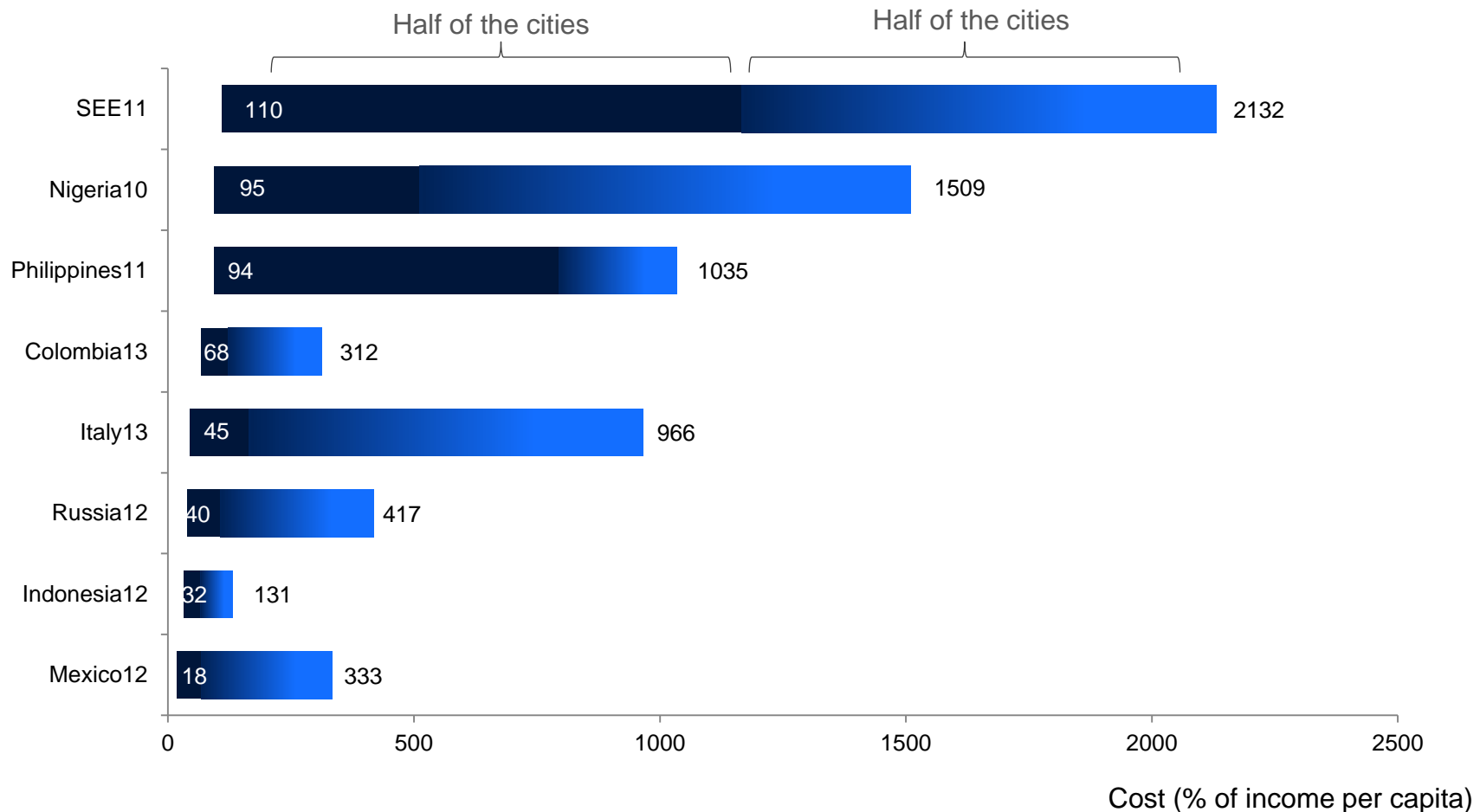


- Expand *Doing Business* indicators **beyond the largest business city** measured by the annual report
- Include rules and regulations at **all levels of government**
- Capture **local differences** in regulations or enforcement
- Provide information on **good practices** within the same country that 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



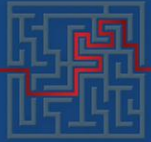
## Dealing with Construction Permits



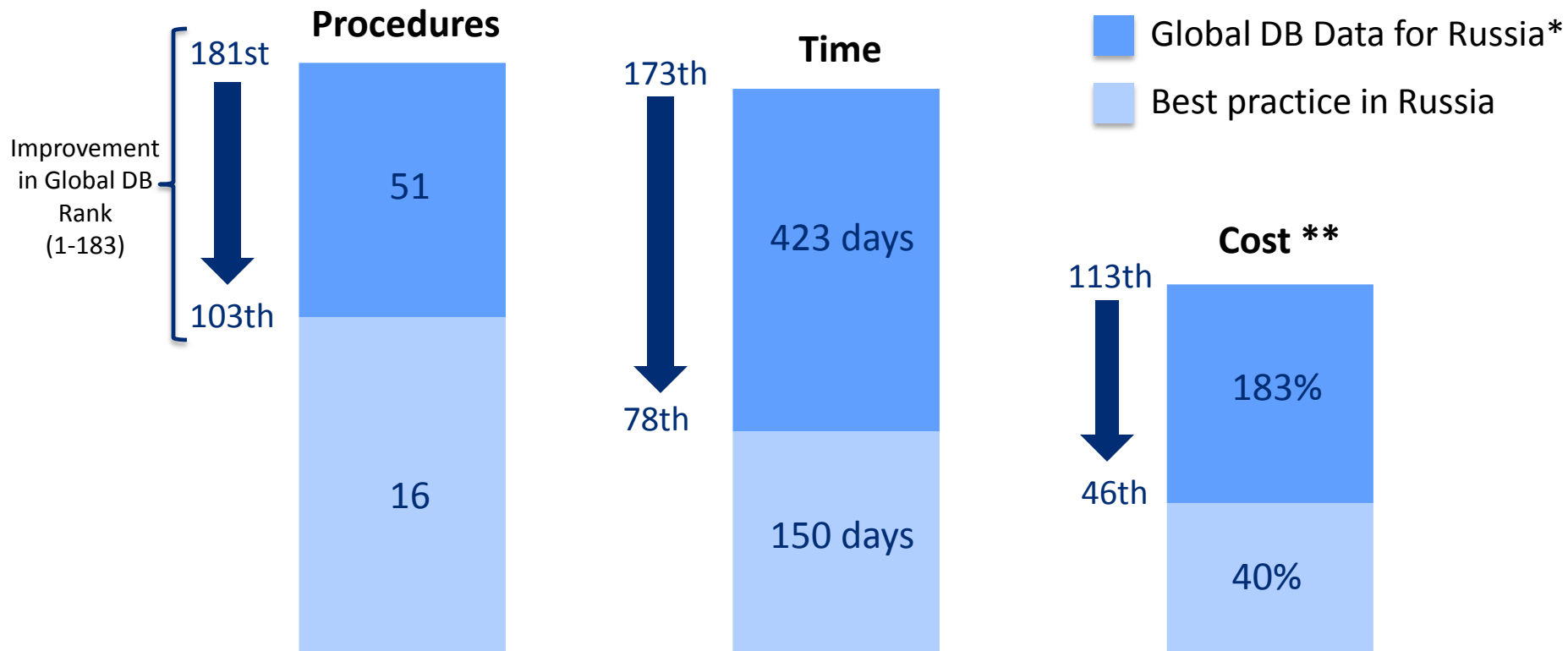
Source: *Doing Business* database

Note: Subnational *Doing Business* studies measured 23 cities in Colombia (2013), 13 in Italy (2013), 13 in Kenya (2012), 20 in Indonesia (2013), 30 in Russia (2012), 32 in Mexico (2012), 25 in Philippines (2011), 22 in in South East Europe (Albania, Bosnia and Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro, and Serbia- 2011) and 37 in Nigeria (2010)

## 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?



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

\*\* As % of income per capita

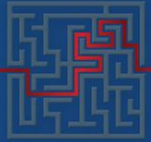


# Spontaneous exchanges of good practices among states in Mexico between 2009 and 2012

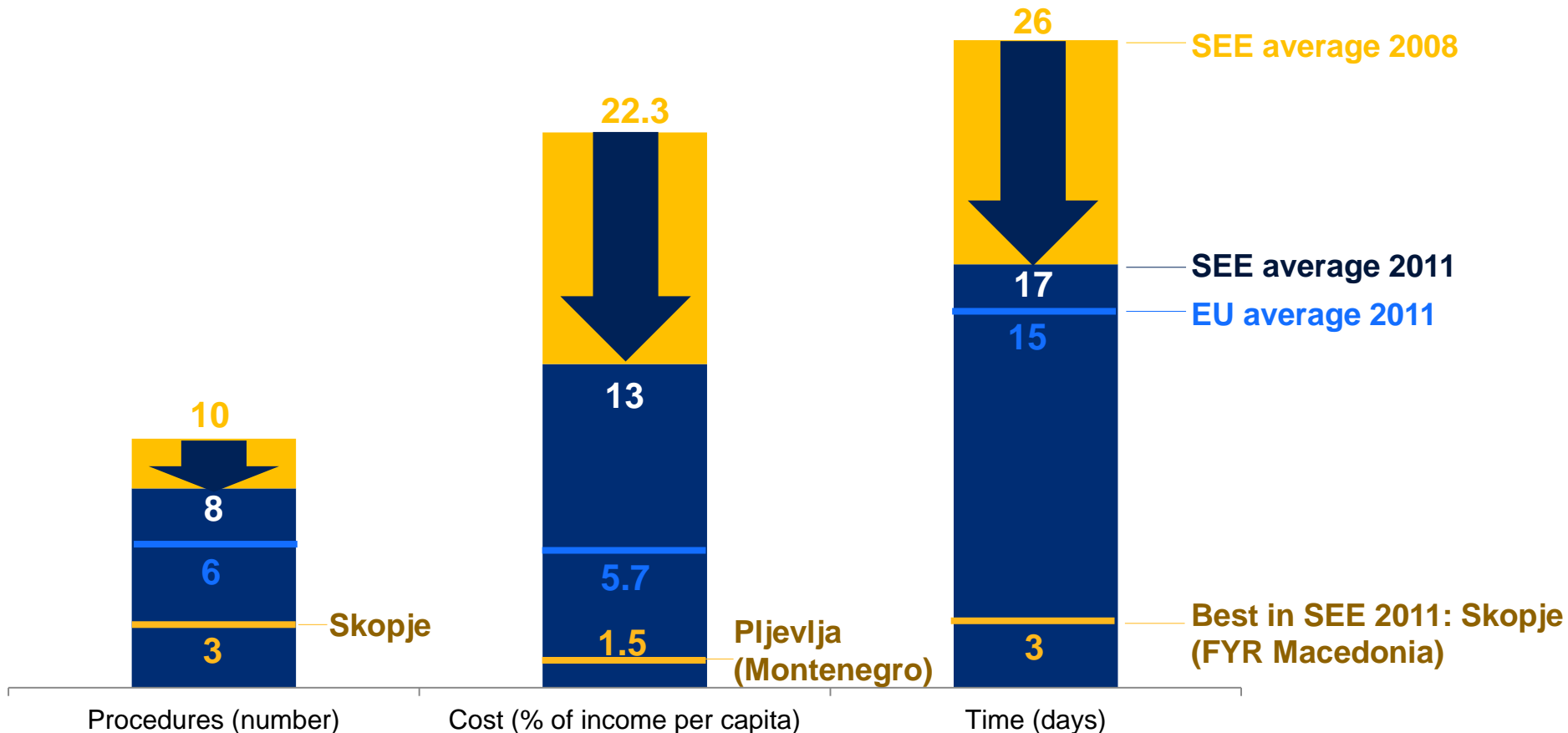


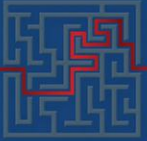


# South East Europe improved business entry significantly from 2008 to 2011



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





## **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

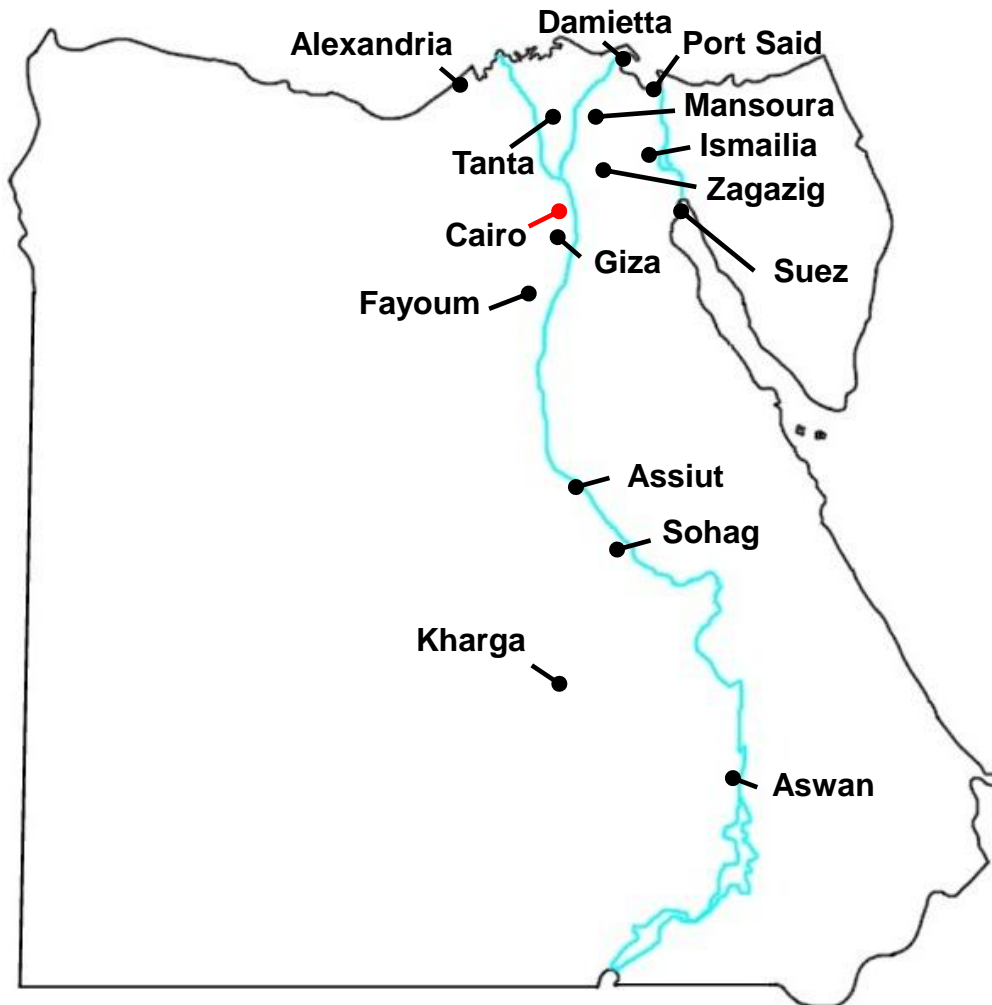
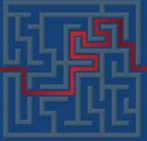
## **Efficient property registration can boost property values and investment**

- E.g. Burns, Anthony 2002, Galiani and Ernesto Schargrotsky 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:

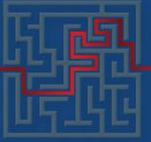
- ✓ Starting a Business
- ✓ Dealing with Construction Permits
- ✓ Registering Property
- ✓ Enforcing Contracts

## Trading Across Borders measured in 5 strategic ports:

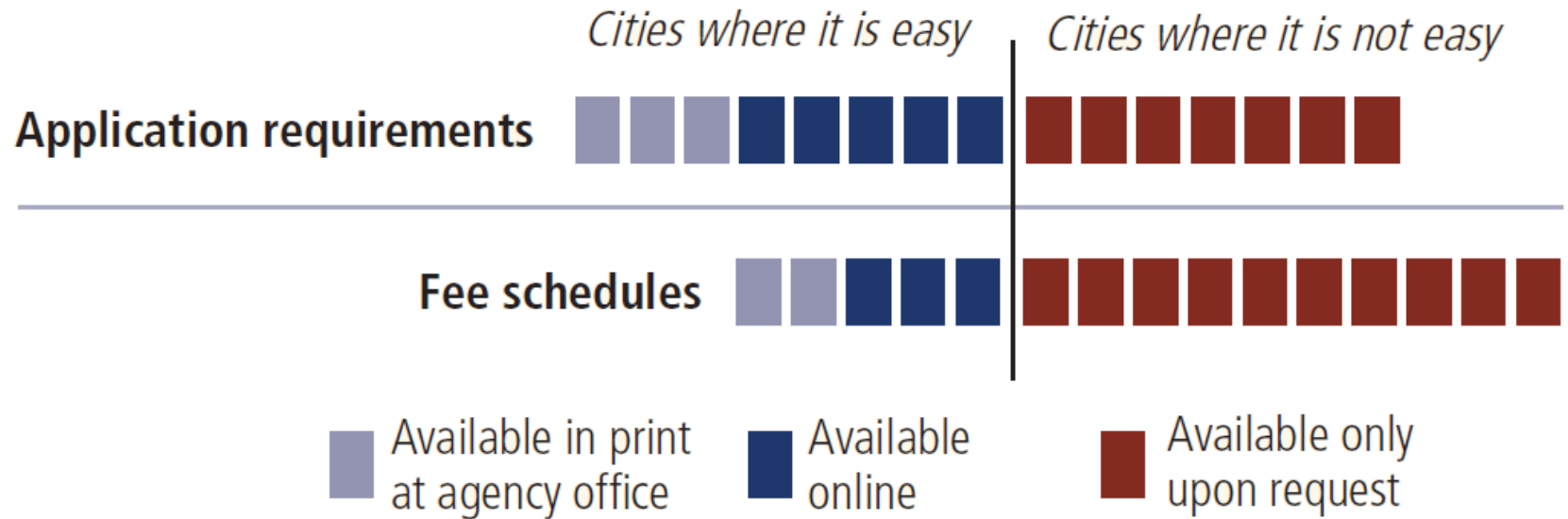
- ✓ Alexandria
- ✓ Damietta
- ✓ Port Said East
- ✓ Port Said West
- ✓ Sokhna (Suez)

**Project carried out in collaboration with the Ministry of Investment and the Ministry of Local Development of the Arab Republic of Egypt**

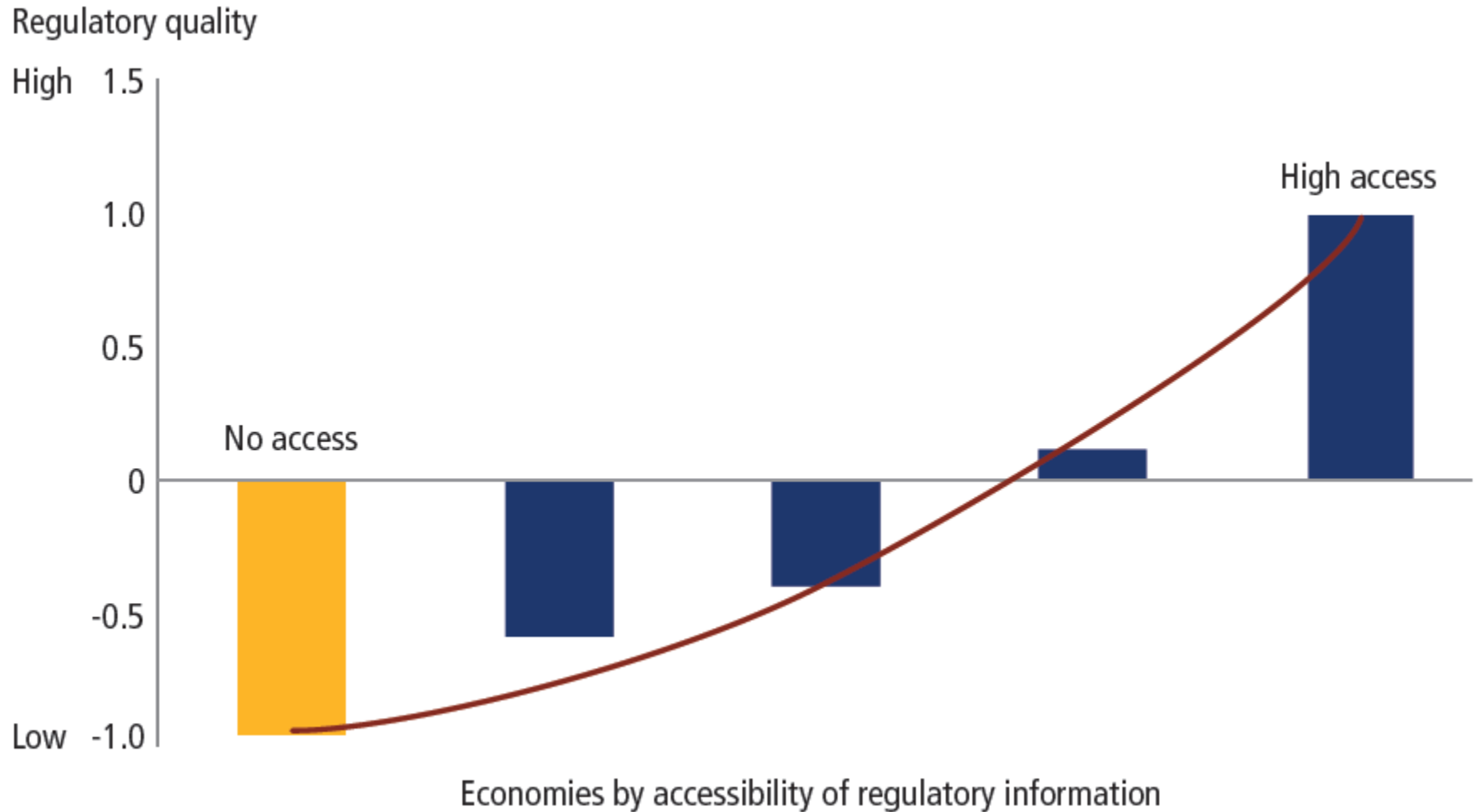
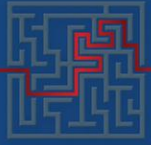
## Ease of obtaining information on requirements and fees varies across locations



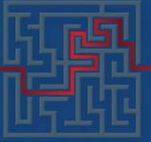
Ease of access to information and fee schedules related to construction permits across 15 cities



# Access to information is associated with greater trust in regulatory quality

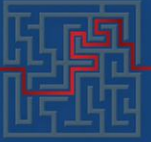


## Key findings



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

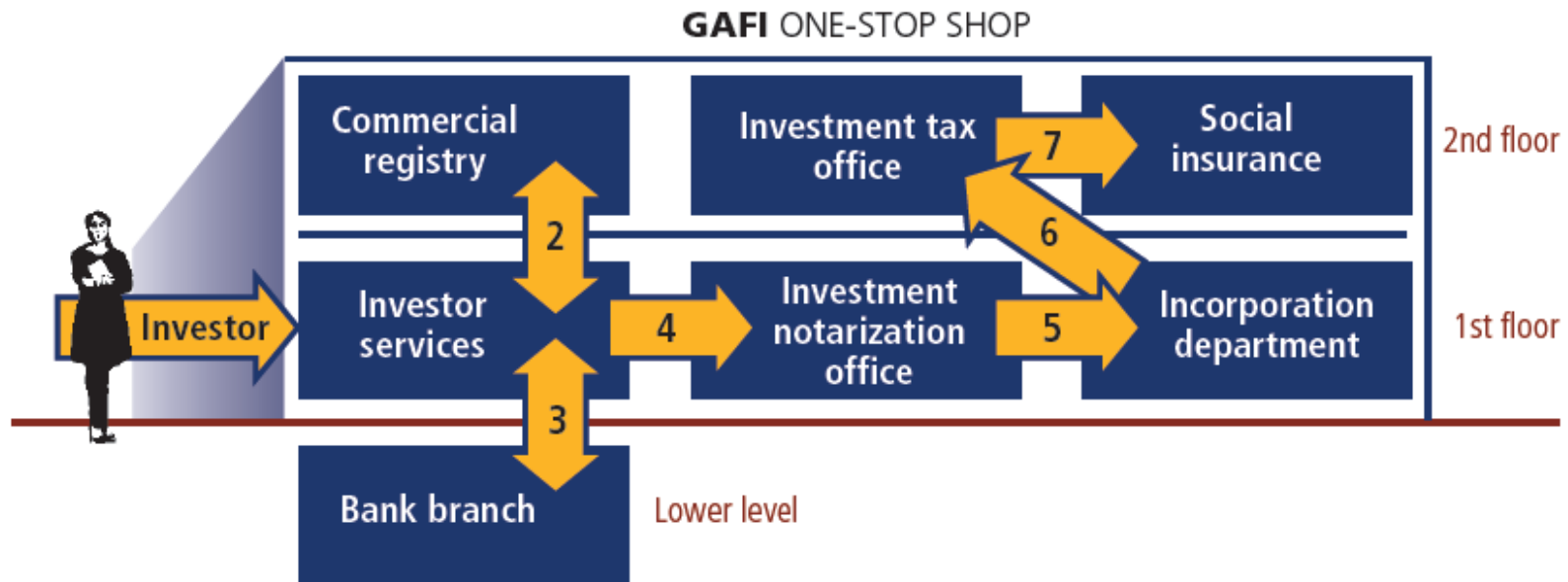
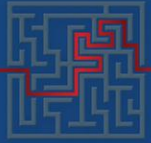
## Success stories can be found across Egypt



City	Ease of starting a business	Ease of dealing with construction permits	Ease of registering property	Ease of enforcing contracts
Alexandria, <i>Alexandria</i>	1	15	4	11
Assuit, <i>Assuit</i>	4	7	10	14
Aswan, <i>Aswan</i>	15	14	12	7
Cairo, <i>Cairo</i>	1	12	13	15
Damietta, <i>Damietta</i>	10	5	15	1
Fayoum, <i>Fayoum</i>	6	13	3	3
Giza, <i>Giza</i>	1	11	7	4
Ismailia, <i>Ismailia</i>	4	3	5	2
Kharga, <i>New Valley</i>	14	4	8	10
Mansoura, <i>Dakahlia</i>	6	2	2	11
Port Said, <i>Port Said</i>	12	10	1	7
Sohag, <i>Sohag</i>	12	9	6	6
Suez, <i>Suez</i>	10	1	8	9
Tanta, <i>Gharbia</i>	8	6	14	5
Zagazig, <i>Sharqia</i>	8	7	11	13

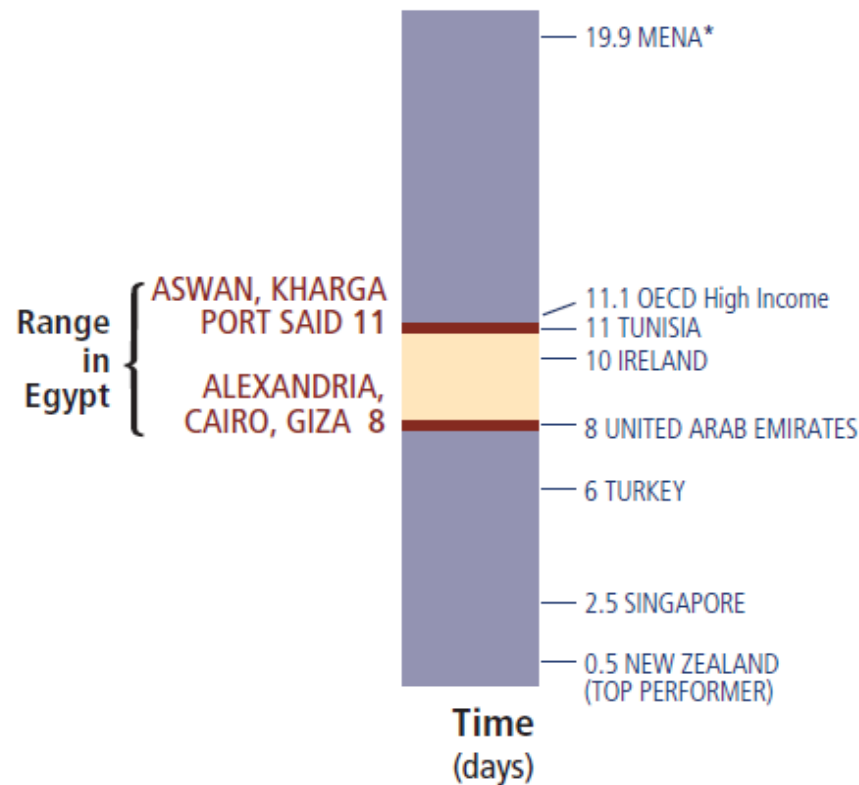
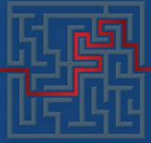


## Starting a business: one-stop shops are making it easier across cities



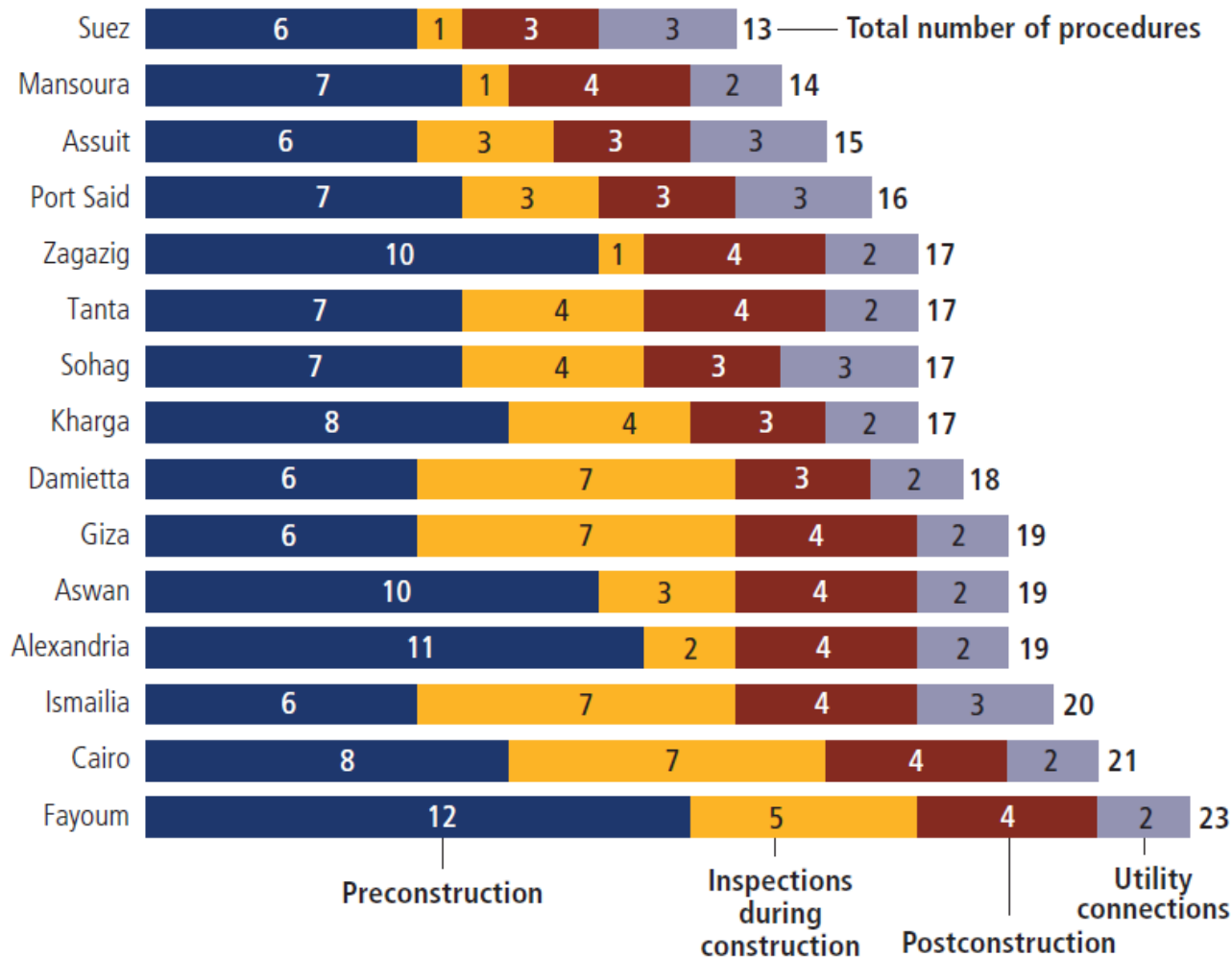
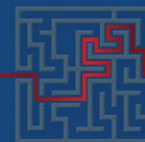
Source: Doing Business database.

# Starting a Business across Egypt: as fast as in OECD High Income Economies

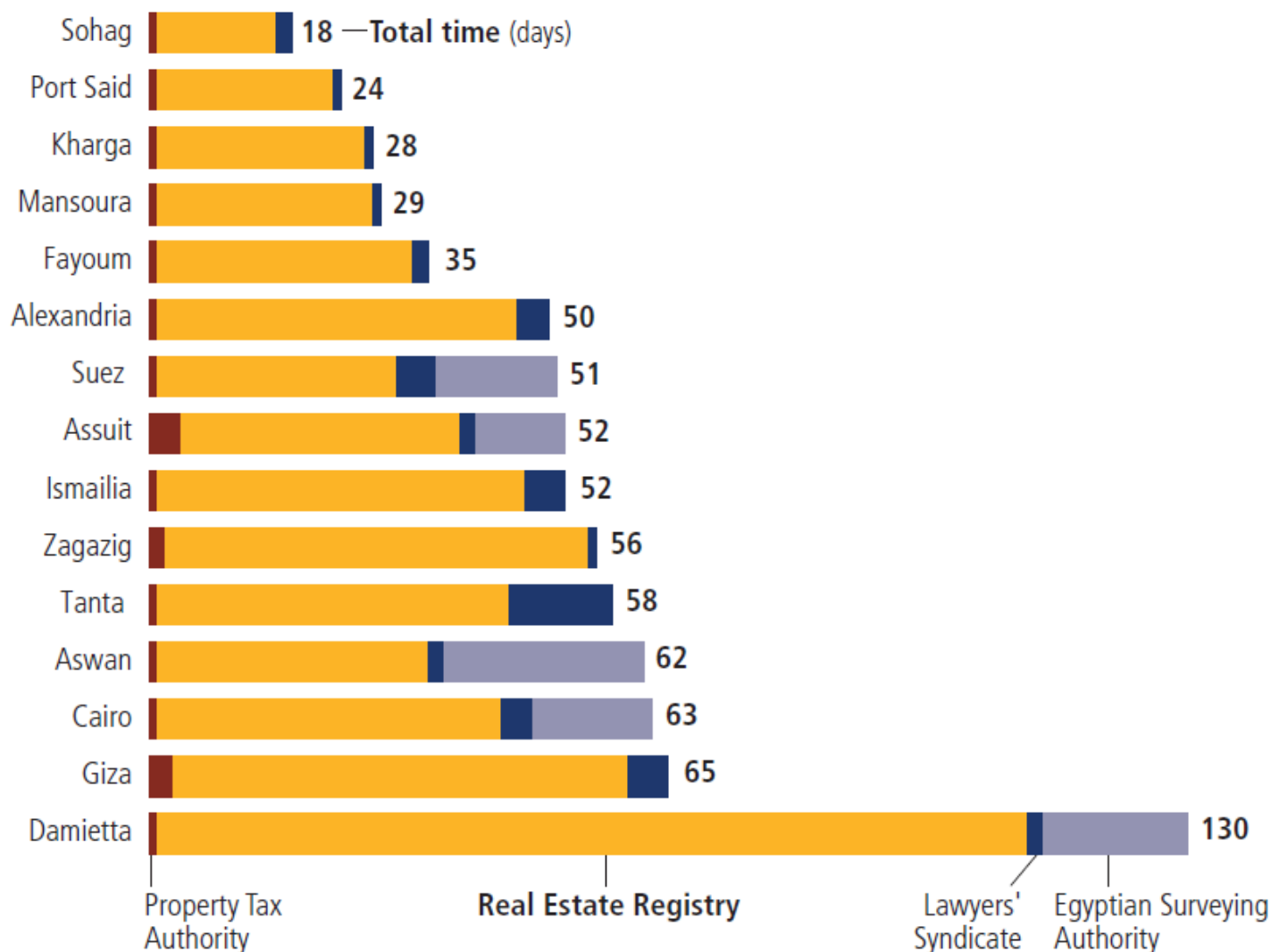
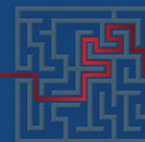


\*MENA is the Middle East and North Africa regional average

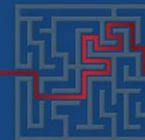
# Dealing with construction permits: wide variation in pre-construction approvals and inspections



# Registering property: time differences driven by the efficiency of local Real Estate Registries and coordination with Surveying Authority

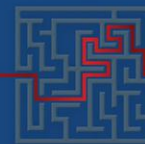


# No need to reinvent the wheel: successful examples of good practices found across Egypt



Doing Business indicator	Best practices within Egypt		Egyptian best practices compared internationally (global rank)	Egypt's performance in DB2014 (represented by Cairo, global rank)
Dealing with construction permits	13 procedures	Suez	39	149
	109 days	Ismailia		
	58.9% of income per capita	Suez		
Registering property	7 procedures	Alexandria, Fayoum, Giza, Ismailia, Kharga, Mansoura, Port Said, Sohag, Tanta, Zagazig	56	105
	18 days	Sohag		
	0.7% of property value	Alexandria, Assuit, Aswan, Cairo, Damietta, Fayoum, Giza, Ismailia, Mansoura, Port Said, Suez		
Enforcing contracts	42 procedures	All cities	103	156
	706 days	Ismalia		
	18.2% of claim value	Damietta and Fayoum		
Ease of doing business			104	128

Thank you! For more information:  
[www.doingbusiness.org](http://www.doingbusiness.org)



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