

Public-Private Dialogue

Sub-National Doing Business Project Doing Business in Egypt 2014

PPD on Enhancing Reform Recommendations on National and Municipal levels

by

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1- Background and Context

Since the January 25th revolution in 2011, the Arab Republic of Egypt has been undergoing a major political and social transition. At the same time, substantial economic disruptions have adversely affected many sectors. More than two years after the revolution, many Egyptians—especially young people, women and the population living in lagging and underserved geographical areas—are still waiting to gain broader access to the economic opportunities of a new era, with its promise of inclusive growth and employment.

The private sector is the largest employer, providing an estimated 90% of jobs. And since a strong private sector requires good rules—rules that increase the predictability of economic interactions and provide contractual partners with certainty and protection against abuse, rules that establish and clarify property rights and reduce the cost of resolving disputes. These rules must be efficient, clear and accessible to all. Then, having the right business regulations is therefore essential for the health of an economy. Sound business regulations are important for a thriving private sector—and a thriving private sector is important for overall development.

The Sub-National Doing Business in Egypt Project aims to contribute to the broader business environment reform initiative by identifying major regulatory constraints and reform opportunities at all government levels, particularly in lagging geographical areas, disseminating best practices and promoting the harmonization of national and subnational level reform implementation, targeted at private sector reform, shifting toward addressing inclusive business models.

These deficiencies are not only on the central level, yet, they are spread all over the country, particularly on the local level. The local government bodies face several challenges in achieving their objectives, mostly due to the highly centralized decision-making process, leading to the lack of accountability and competition between governorates.

Clear and specific regulatory inconsistencies, information gaps and mismatch between governorates, urban communities and municipalities in implementation practices, affect the growth and development of the local private sector organizations in Egypt, due to lack of transparency and replication potential, leading to growth and expansion. The lack of a comprehensive assessment of Egypt's local governorate structure and process is a major impediment to benchmarking performance measures and the design of a reform agenda, for the ease of doing business and investment generation.

The objective of this project is to catalyze improvements at the local level in support of private sector development in Egypt by combining the media appeal of Doing Business with a comprehensive client engagement model and policy dialogue with national and local officials and the private sector. To achieve this, the project will benchmark the performance of 15 cities across five (5) relevant Doing Business indicators: starting a business; dealing with construction permits, registering property; enforcing contracts; and trading across borders (only 5 main port cities will be included in the analysis for the Trade indicator). In addition, the project aims to highlight differences in the quality of economic governance and transparency among cities/governorates by collecting data on information disclosure at the local level and variation in the implementation of the same national legislation across the country. We plan to utilize lessons learned from other similar initiatives in MENA such as Morocco and other countries that have managed to climb the doing business ranking system

SNDB covers all geographical regions of Egypt, with special focus on Upper Egypt that is represented by 5 cities, which are: Fayoum, Assuit, Sohag, Aswan and Kharga (New Valley). It focuses also on the Suez Canal cities (Port Said, Ismailia and Suez), as well as Delta area (Mansoura, Zagazig, and Tanta). In addition to Cairo (the Capital), Giza (considered an extension to Cairo), Alexandria and Damietta (main ports), 5 ports are studied in the TAB area: Alexandria, East Port Said, West Port Said, Damietta, and Suez.

The project is composed of three phases:

- i. **Phase I**: subnational report (Doing Business in Egypt 2014, launched on December 8th, 2013). This report will provide an action plan for the Governorates to manage and implement change/reform.
- ii. **Phase II**: Reform Phase, where IFC will partner with both: the Government and the Private Sector to enforce the reform recommendations. This phase should start on January 2014- June 2015. PPD is the main activity in this phase.

- iii. **Phase III:** “Doing Business in Egypt 2016” Report, where the reforms will be benchmarked against the first round. This phase is targeted to start on July 2015-September 2016.

2- Partnership, Structure and Processes

Partnership:

Government and private Champions of the SNDB project are:

1. **Ministry of Local Development** (MoLD), which is mandated to local/ municipal development. It is the central ministry responsible for coordinating with local government authorities - all governors report to the minister of local development.
2. **The General Authority for Investment (GAFI)**: it is the investment promotion agency (IPA) of Egypt, an affiliate to the Ministry of Investment. GAFI is responsible for investment policy making on the national level, as well as local level. However, its role on the local level is limited. It is also mandated for investment promotion and regulation, i.e. starting a business (establishing a company) is regulated and monitored by GAFI.
3. **Private Sector: Alexandria Business Association**, which is a local business association, working in Alexandria governorate.

Structure:

The Reform phase is meant to work on implementing the reform recommendations across the different studied indicators/cities. The targeted reforms are to be tackled on two levels: a) *Central Level* (i.e. coordination is done primarily on Government Central Level), namely: Enforcing Contracts and Registering Property indicators. Other level of work is b) local/municipal level (i.e. coordination is primarily done on city level), where the indicator of focus is of a local jurisdiction, particularly Dealing with Construction permits, trading across borders, and starting a business.

Pilot Phase includes the following cities:

- a. **Alexandria**: as the second largest populated city, and the main Sea Port
- b. **Sohag**: It represents Upper Egypt, as well as being the poorest governorate in the country. Also, it matches the MoLD plans, where their LED initiative is launched
- c. **Suez Canal Region** (Port Said, Ismailia and Suez): This region is of a strategic importance to the GoE, and to international trade and logistics.

Project team, along with government clients will initiate a PPD, through which, GoE can prioritize the targeted reforms in response to private sector preferences, and get the private sector engaged in the reform process.

PPD activity is targeted to be on two levels:

Level I: Public-Public Dialogue:

- a. Central/Local Level: Where public officials have dialogue on the practice in place, and how to reform it.
- b. Local/Local Level: this will serve as peer to peer learning events, where public officials exchange successful experience.

Level II: Private Public Dialogue:

This level aims at engaging the private sector early enough in the reform process, so that:

- a. it shares in setting up the reform agenda as per its priorities, and
- b. monitors and pressures government actions.

3- Results so far

PPD activity has not started yet. The Project team is in the process of designing the PPD component.

4- Expected Results

- i) raise awareness on the existing regulatory impediments and the required reforms;
- ii) synthesize what are the options for reform from both government officials and private sector; and
- iii) agree on an action plan with identified roles for stakeholders.