



APPROACHES TO REGULATORY REFORM

“Past. Present and Future; SMEPOLicy in Egypt”

Conference - 15-6 Jan. 2007, Farhaty Room,
Grand Hyatt Hotel, Cairo

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REGULATORY REFORM:

“Changes that improve regulatory quality, i.e. enhance the performance, cost-effectiveness or legal quality of regulations and related government formalities”



OVER-REGULATION

- Complying with rules that make no sense and deliver little benefit but much cost,
- Wasting time waiting in line to get forms approved or waiting for advice on the telephone
- Struggling with complicated language to figure out your compliance obligations
- Filling out cumbersome, unnecessary paperwork
- Suffering the uncertainty and delays that can come waiting for inspections, permit and license approval



BUSINESS IMPACT OF OVER-REGULATION

- Increased costs and risks - affecting profitability
- Administrative burden resulting from;
 - disconnected government
 - control v facilitation

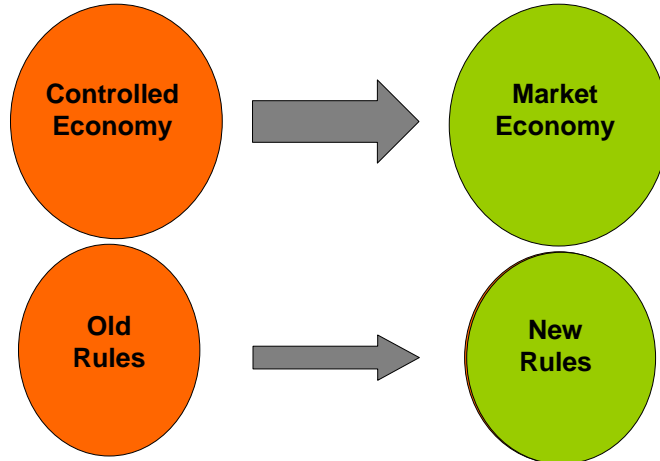


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REASON FOR OVER-REG.



CONTROL vs FACILITATION



YOU CAN'T HAVE ONE WITHOUT THE OTHER !

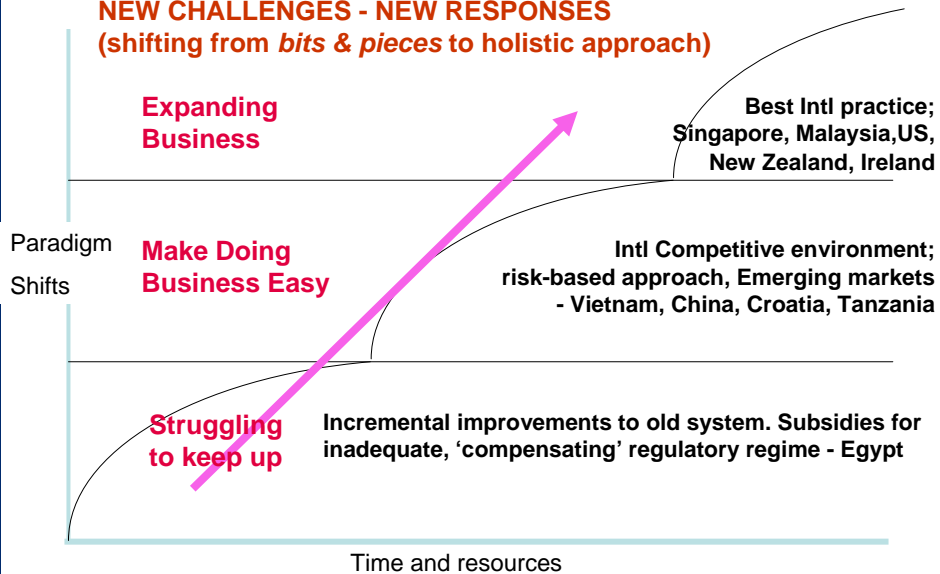


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CAUSE FOR CONCERN NOW ?



NEW CHALLENGES - NEW RESPONSES (shifting from *bits & pieces* to holistic approach)





BEST PRACTICE REGULATORY REFORM

EXISTING

(Phase 1)

Stock of existing regulations



GUILLOTINE - a means of rapidly reviewing a large number of old regulations and eliminating those no longer needed. It is clear, decisive and fast. Aimed at *old stock*.
Filters; legality, necessity, business friendly
Action; Keep, Revise, Eliminate



FUTURE

(Phase 2)

Flow of future laws/regulations



RIA - Regulatory Impact Assessment is a systematic methodology for improving the design and formulation of government policy, laws and regulations - Cost/benefit, necessity, business-friendly
Systematic public consultation
Central Quality Control/review of regulations



OVERALL AIM OF REGULATORY REFORM

- TO MAKE DOING BUSINESS EASIER FOR SMEs
 - SO THERE WILL BE MORE SME BUSINESS
 - RESULTING IN GREATER WEALTH CREATION FOR THE NATION & MORE/BETTER JOBS.



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CONCERN FOR SMES - WHY ?

- Vast majority of firms in Egypt are SMEs (over 95%)
- Account for 80% of GDP and 75% of employment
- Important job and wealth creation - local economies
- Critical to poverty reduction - employ poor, low income and unskilled
- Source of new products/services and innovation

AND



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SIZE MATTERS - Regulatory Burden

The burden is disproportionate for SMEs

OECD studies show;

- SMEs are hardest hit by the Regulatory burden
- Firms with less than 20 employees face regulatory burdens 5 times higher than by firms employing 50 - 500.
- Bigger firms can cope better

No ideal regulatory model, but....

**Success as an open, innovative, competitive
economy requires a**

low-cost, low-risk regulatory system

that also

**reduces health, safety, and environmental
risks and protects other public interests**

REGULATORY REFORM TOOLS

- Guillotine - Inventory and Review ('Spring cleaning')
- RIA - Regulatory Impact Analysis - (Keeping house clean)

- Smart Government Services - admin. reform & service delivery
- Red Tape Reduction - at regional/Governorate level

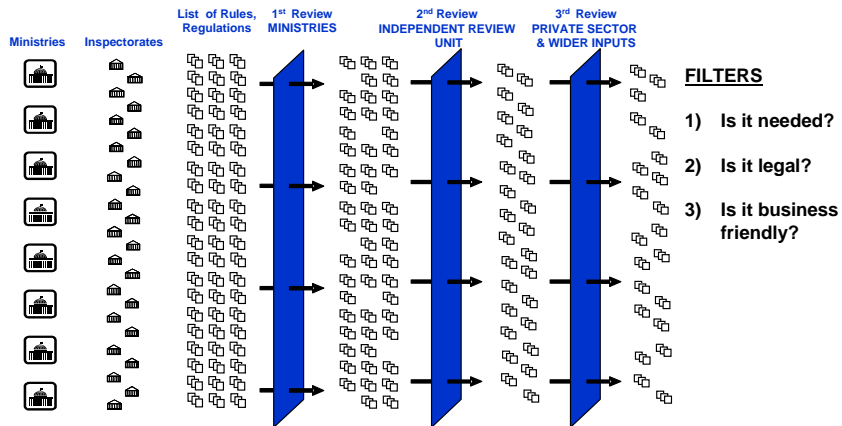


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INVENTORY AND REVIEW PHASES OF GUILLOTINE



The review group considers the advice of businesses and develops the final list and legal amendments to create the electronic database.

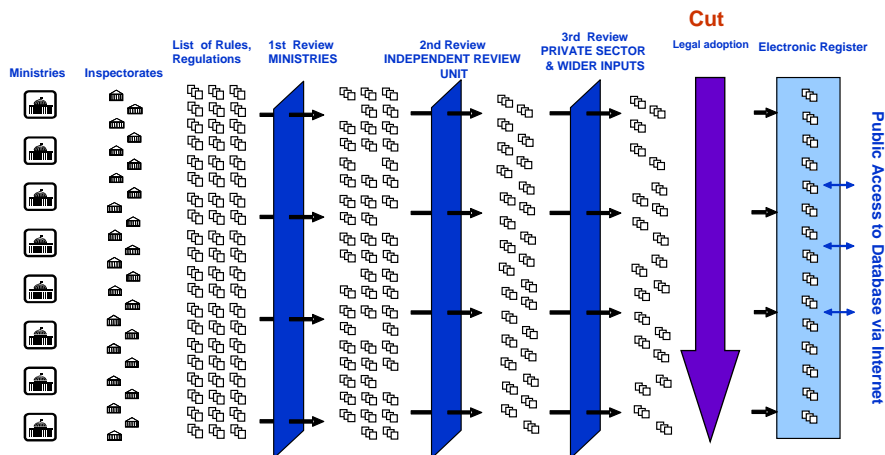


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PACKAGE OF REFORMS FOR POLITICAL ADOPTION





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OUTCOME OF GUILLOTINE PROCESS

- **Eliminate** - obsolete and redundant regs.
- **Simplify** - complex but necessary regs.
- **Maintain** - necessary, clear and simple regs.



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RIA - REGULATORY IMPACT ASSESSMENT

- Why is the regulatory burden increasing ?
 - absence of checks to curb its growth
- RIA - is a key tool in helping improve the quality of regulation and reduce unnecessary burdens on business.
- Prepared as part of the process to make policy and provide assessment of the costs, benefits and risks of new regulation on businesses, It identifies and assesses all the options, both regulatory and non-regulatory and determines whether the benefits justify the costs.



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SSBC - SMART SERVICES BUSINESS CENTER

- Pilot Project on Regulatory Reform in the Governorate of Alexandria



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WHAT IS REGULATION ?

- **Regulation** - authoritative rule or order made by government to carry out a purpose set out in a statute
- Example - The Government may for example, instruct it's environmental agency to reduce motor emissions by 5%, but the responsible agency must then develop regulations to reach this goal.



Over-regulation; limiting SME Business in Egypt

- 40-60% of the costs of doing business is regulatory
- Fuels the informal economy
- Unprotected workers
- Reduced revenues for Government
- Displaces business expansion and productivity
- Domestic and Foreign Investment is foregone
- Vicious cycle of over regulation and poor performance
- Substantial negative impact on GDP



SSBC - Approach

- Service Delivery component
- Procedural simplification
- Technology component
- Regulatory Reform component

TARGETED TO NEEDS OF SMEs



SSBC - Services/Tools

- **Convenient multi-channel access** - walk-in, telephone and internet access for Governorate licenses, permits, and inspection services.
- **Client centered approach** - advice and guidance for application & approval on licenses and permits. Central location & user-friendly hours.
- **Simplifying and accelerating** - application and regulatory process for Governorate approvals using SME client experience
- **Red Tape Reduction** - to eliminate redundancy in the Governorate regulatory system



SEBC - Goals/Status

- SME-friendly local center for licenses & permits - **Operational**
- Make permitting process transparent - **Operational**
- Computerize licensing applications & processing - **Operational**
- Introduce risk-based inspections - **2008**



BENEFITS OF REGULATORY REFORM FOR SMEs

- Reduced admin burden - **less hassle**
- Transparency, predictability - **less risk**
- Less wasted time and resources - **less cost**

- Increased flexibility and **competitiveness**
- Increased **profitability/ ROI**
- **Ease of doing business**