

**Egypt National Investment Reform Agenda Workshop**

**Investment Session: Establishing a Successful One Stop Shop**

**Draft Background Paper**

*This document provides a background for discussion of the National Reform Agenda Item 'Establishing a Successful One Stop Shop'. This session will focus on the recent efforts of the General Authority of Investment and Free Zones and the Ministry of Investment to simplify and streamline rules relating to company establishment.*

## I. Issue Background

1. Time consuming and burdensome procedures for establishing a business remains one of the most often cited obstacles in business surveys on the investment climate. The latest World Bank Doing Business Report places Egypt in 141<sup>st</sup> place, and in particular highlights that 10 procedures are involved in establishing a business in Egypt, which take approximatively 34 days and cost 105% of average income per capita, underlying the urgency of some of the ongoing reforms addressing these points.

2. OECD and many MENA governments have been introducing reforms to ease the registration procedures for new businesses. One approach has been the establishment of so-called one-stop shops (OSS) as part of the services provided by Investment Promotion Agencies. These one-stop shops serve the purpose of facilitating the investors' dealings with the licensing authorities by concentrating licensing authority in the agency itself or streamlining and co-ordinating the process with the different ministries and agencies involved in the registration process.

3. It has been highlighted in recent surveys on OSS though, that the concentration of competencies in the shop proved unrealistic or simply duplicating responsibilities of line-Ministries with no easing effect for the investor. In the worst case, the one-stop shop becomes only 'one-more-stop' for the investor to deal with. The same concern has been cited by Egyptian investors, who worry that within the one stop shop framework, the different Ministries involved will still maintain differing and cumbersome procedures.

4. A number of recommendations have been developed to streamline one stop shops and increase their efficiency. A key recommendation to establishing a genuine one stop shop is to re-engineer icensing procedures actually cut out steps. It is also commonly suggested that the remaining agencies maintain an electronic exchange of data. This way the necessary documents flow within the public system and do not force the investor to go from one authority to the next one.<sup>1</sup>

5. The success of an OSS is not only an administrative or organisational challenge. An OSS can only be as powerful as the IPA hosting it. This underscores the need of a strong policy advocacy function for the IPA. OSS which have been successful in the past where carried by IPAs with strong support, even up to the Prime Minister level. In this sense, the OSS is to be seen as an expression of a government's commitment to investment policy reform for all government ministries and agencies involved in the investment promotion.

6. In Egypt, most firms of significant size will register under either the Company Law (No. 159) or the Investment Law (No. 8). Egypt accords national treatment to foreign investors, so the following applies to domestic and foreign investors alike with very few exceptions. While the procedures and documentary requirement for the investor are almost identical under the two laws, differences remain.

- a. A registration under the Investment Law is handled by the General Authority for Inevstmetn and Free Zones (GAFI) through its One-Stop-Shop which enables eligibility for investment incentives spelled out in the Law.
- b. A registration under the Companies Law requires the investor to apply directly to the Companies Department and an approval does not lead to the automatic application of benefits.

7. However, the passage of the new Code of Commerce, Customs law and a new Tax Law eliminate many of these distinctions. For example, the June 8, 2005 Unified Income Tax Law (Law 91 for 2005)

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<sup>1</sup> F. Sader, Do "One-Stop Shops" Work? FIAS, World Bank, 2002

reduced the corporate tax rate from 42% to 20% (but maintained at 40.55% for oil companies). The new legislation eliminated exemptions and tax holidays stipulated in the Investment Incentives and Guarantees Law (Law 8 for 1997), with the exception of cultivation and land reclamation, animal breeding, fisheries and bee-hiving. The exemption cancellations were not applied retroactively.

## **II. Key Developments**

8. GAFI is now operating a one stop shop, a concept which was first introduced in Cairo head office in December 2004, opened in Alexandria in 2005 and will soon open in three other governorates (Assiut, Giza and Ismailia).

9. GAFI now performs the registration procedure for both Law 159 and Law 8. Until the introduction of the OSS by GAFI, delays in obtaining licenses reached up to one year and investors had to visit an average of 25 Ministry departments to obtain a license. According to GAFI, company establishment takes now 3 days maximum. If the establishment procedure is under the Investment Law 8, this includes also screening of eligibility for fiscal incentives.

10. The one stop shop in the Cairo headquarter gathers representatives from 32 Ministries government agencies authorized to provide with almost all necessary licenses and approvals required for the establishment of businesses (according to law n. 8 for 1997, and law no.159 for 1981). This includes in-house approval of business licenses. In cases where the approval has to be done in the responsible parent Ministry, GAFI acts as a window to receive applications and to forward them to the responsible Ministry or agency (see Annex). Offices of commercial registry have been also transferred to the One Stop Shop. The key purposes of the OSS are:

- Facilitate the procurement of business licenses
- Offer technical advice and information to clients planning
- Introduce a transparent and reasonable fee structure
- Improve the quality and timeliness of related government

11. The offices in the Ministry of Investment in Cairo consist of a front end dealing directly with the investor while the remaining staff at the back office only engages in support activities.

12. The One-stop-shop concept in Cairo is to be replicated in the rest of the governorates. It is planned to use partner agencies at the governorate level as outlets to connect to FAFI's main offices. The Ministry of Investment is keen to enlist the participation of business associations in the licensing process to facilitate procedures and save time and effort.

13. GAFI signed a Memorandum of Understanding to give the association authority to handle some of the registration procedures at their premises on GAFI's behalf.

14. A pilot project has begun with the 10th of Ramadan Investors Association.

**III. Key Challenges**

15. The Egyptian OSS has been established relatively recently. An assessment of its effectiveness should now focus on interaction with other government ministries and agencies and private sector associations.
16. The communication of the existing OSS and its key services to potential investors should be improved and the OSS approach need to be replicated in GAFI offices outside Cairo.
17. Workshops could be organised including international experts with the Ministries and agencies not involved in the OSS procedure so far. This should include authorities responsible for licensing on land acquisition and property development.

**ANNEX**

**Business licensing representation within the one-stop shop**

(taken from: UNCTAD, Report on the Implementation of the Investment Policy Review Egypt, October 2005, Annex 1)

| Ministry                                      | Agency/function  | In-house approval? |
|---|--|--------------------|
|   | Lawyer Syndication                                     | Yes                |
| Ministry of Supply and Internal Trade         | Chamber of Commerce                                    | Yes                |
| Ministry of Supply and Internal Trade         | Commercial Registry                                    | Yes                |
| Ministry of Supply and Internal trade         | General Authority for Jewel Stamps and Weightss        | Liaison Officer    |
| Ministry of Supply and Internal Trade         | Control and Distribution Department                    | Yes                |
| Ministry of Justice                           | Public Notary  | Yes                |
| Ministry of Finance                           | Income Tax Office                                      | Yes                |
| Ministry of Finance                           | Sales Tax Office                                       | Yes                |
| Ministry of Finance                           | Customs Office   | Liaison Officer    |
| Ministry of Foreign Trade and Industry (MFTI) | General Oraganization for Industrialization (GOFI)     | Yes                |
| MFTI  | General Authority for Standardization                  | Liaison Officer    |
|   | Industrial Control Authority                           | Liaison Officer    |
|   | Chemistry Administration                               | Liaison Officer    |
|   | Foreign Trade Administration                           | Yes                |
|   | Import & Export Control Authority                      | Yes                |
| Ministry of Interior                          | Passport Department                                    | Yes                |
| Ministry of Interior                          | Committee of Explosives                                | Liaison Officer    |
| Ministry of Health and Population             | Executive Bureau for Protection from Ionised Radiation | Liaison Officer    |
| Ministry of Health and Population             | National Institute for Nutrition                       | Liaison Officer    |
| Ministry of Health and Population             | Administration for Private Medical Care                | Liaison Officer    |
| Ministry of Health and Population             | Administration for Pharmaceutical Affairs              | Liaison Officer    |
| Ministry of Health and Population             | Central Administration for Environmental Affairs       | Liaison Officer    |
| Ministry of Health and Population             | HACCP Committee-Administration for Disease Control     | Liaison Officer    |
| Ministry of Health and Population             | General Authority for Standardization                  | Liaison Officer    |
| Ministry of State For Environmental Affairs   | Egyptian Environmental Affairs Agency                  | Liaison Officer    |
| Ministry of State for Scientific Research     | Egyptian Patent Office                                 | No                 |
| Ministry of Petroleum                         | Egyptian Geological Survey and Mining Authority        | Liaison Officer    |
| Ministry of Petroleum                         | Egyptian General Authority for Petroleum               | Liaison Officer    |
| Ministry of Local Development                 | The Governorate  | Liaison Officer    |
| Ministry                                      | Affiliate agency                                       | In House Approval  |
| Ministry of Culture                           | Supreme Council for Monuments                          | Liaison Officer    |
| Ministry of Culture                           | National Center for Cinema                             | Liaison Officer    |

MENA-OECD Investment Programme

| <b>Ministry</b>                                       | <b>Agency/function</b>  | <b>In-house approval?</b> |
|---|---|---------------------------|
| Ministry of Culture                                   | Relevant Authority for Issuance of Technical Licenses         | Liaison Officer           |
| Ministry of Agriculture                               | General Authority for Veterinary Services                     | Yes                       |
| Ministry of Agriculture                               | Department of Animal Production Development                   | Liaison officer           |
| Ministry of Agriculture                               | General Authority for Urbanization & Agricultural Development | Liaison officer           |
| Ministry of Agriculture                               | General Authority for Fisheries Development                   | Liaison officer           |
| Ministry of Irrigation                                | General Authority for River Transport                         | Liaison Officer           |
| Ministry of Irrigation                                | Administration of Nile Protection                             | Liaison Officer           |
| Ministry of Irrigation                                | Administration of Irrigation                                  | Liaison Officer           |
| Ministry of Communications and Information Technology | IT Industry Development Authority                             | No                        |
| Ministry of Education                                 | Administration of Preparing Books for Educational Purposes    | No                        |
| Ministry of Defense                                   | Security  | Liaison officer           |
| Ministry of Housing & Urban Communities               | General Authority For the Development of Urban Communities    | Liaison officer           |
| Ministry of Tourism                                   | Administration for Licensing Tourist Establishments           | Yes                       |
| Ministry of Tourism                                   | General Authority for Touristic Development                   | Liaison officer           |
| Ministry of Manpower                                  | Office of Issuance of Work Permits for Foreigners             | Yes                       |
| Ministry of Transport                                 | Maritime Transport Administration                             | Liaison officer           |
| Ministry of Transport                                 | Road & Bridge Authority                                       | Liaison officer           |
| Ministry of Electricity                               | Electric Utility Regulatory Agency                            | Yes                       |
| Ministry of Civil Aviation                            | Civil Aviation Authority                                      | Liaison officer           |

|                               |      |
|-------------------------------|------|
| Total ( Ministries)           | (22) |
| Total ( Affiliated Agencies ) | (52) |
| Total ( Yes )                 | (16) |
| Total ( No )                  | (3)  |
| Total ( Liaison Officer )     | (33) |