

Ease of Doing Business in Algeria

سهولة ممارسة الأعمال في الجزائر

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Abstract:

The study aims to evaluate Ease of doing business in Algeria by focusing on some indicators such as starting business, dealing with construction permit, getting electricity and registering property index. The descriptive analytical methodology was used based on some international reports to evaluate the performance of doing business index during the period 2014-2019 .The results of the study found that the business environment in Algeria is not motivating to doing business and it is not attractive to foreign direct investment.

keyword: doing business; starting business; dealing with construction permit; getting electricity; registering property

JEL classification code : M29, P14

ملخص:

تهدف هذه الدراسة إلى تقييم مؤشر سهولة ممارسة الأعمال في الجزائر، بالتركيز على بعض المؤشرات كمؤشر بدء النشاط التجاري، استخراج تراخيص البناء، الحصول على الكهرباء وتسجيل الملكية، حيث تم استخدام المنهج الوصفي التحليلي بالاعتماد على بعض تقارير مؤسسة البنك الدولي لتقييم أداء مؤشر سهولة ممارسة الأعمال خلال الفترة 2014-2019. وقد توصلت نتائج الدراسة إلى أن بيئة الأعمال في الجزائر غير محفزة لأداء الأعمال ولجذب الاستثمار الأجنبي المباشر إليها.

الكلمات المفتاحية: ممارسة الأعمال؛ بدء النشاط التجاري؛ استخراج تراخيص البناء؛ الحصول على الكهرباء؛ تسجيل الملكية

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1. Introduction :

The issue of doing business is current and touches large spectrum of population. Businesses, goods, services are one of the essential parts of our lives. Due to this fact it is important to follow the situation on the business environment in Algeria. The main aim of this article is to present and evaluate the results of the surveys from the World Bank Group focused on the overall results of Doing business. Ease of doing business report can be a policy tool to governments. They can monitor the successful business regulation reforms. They can learn from one another about good practices and do necessary and beneficial reforms.

The importance of a well-functioning regulatory and legal system in maintaining an effective market economy is widely accepted. The legal and regulatory system can map in each country and compared with other countries. The evaluation of Doing Business started in 2004 by World Bank Group. The Doing Business project and the annual reports that it produces are a legitimate and useful part of the mission of the World Bank as a development organization. Nowadays are involved 190 countries into the overall evaluation. Over time of the evaluation of the results were done a lot of changes that reflect the evolution in the business environment.

Algeria recognizes the benefits of the Index, especially since the falling oil price in mid-2014. Algeria has felt the need of improving its Doing Business ranking in order to develop other sources of financing, other than that of oil.

In the presented article we have focused on Starting a Business, Dealing with construction permits, getting electricity and registering property as one of the most essential parts of Doing Business. For that, this study tries to analyse and discuss the main question :

« What is the result of evaluating the ease of doing business index in Algeria in terms of the initial procedures for starting business activities? »

We can divide that main question into these sub-questions:

- What is the Ease of Doing Business Index?
- What is the real situation of starting business and Dealing with construction permits index in Algeria?
- Could the getting electricity and registering property index have a positive performance in Algeria?

As pre-answers to these sub-questions, we can propose this hypothese:

- The performance of Algeria in starting business, Dealing with construction permits, getting electricity and registering property is not appropriate to doing business.

This study aims to achieve these goals:

- The identification of the concept of ease of doing business index.
- Studying the reality of Starting business, Dealing with construction permits, Getting electricity and Registering property in Algeria.
- Give an evaluation of Algeria's position in the Ease of Doing Business Index and the most important reforms introduced by the study indicators during the period 2014-2019

Previous Studies:

During our research, we found some studies having the same subject of research.

- **Study of Libuše Svobodová & Martina Hedvičáková, 2015:**

This study aims to describe the Ease of doing business in the Czech Republic and countries from the Visegrad Group. it focus on starting a business and paying taxes Main part and goal of this study is devoted to the results of the development in the evaluation in the

Czech Republic and countries from the Visegrad Group. Those two indexes have the impact on business entities in starting of the business and on the economic situation. This article is based on results the Doing business report, Czech Republic is in the compared states on the last place with sub indexes Starting a business and also Paying taxes. Differences in ratings of countries from the Visegrad Group are not considerable, only Starting a business is better in Hungary

- **Study of Ashutosh D. Gaur & Jasmin Padiya, 2017 :**

This Study is focused on Ease of doing business and identify the factors for it. This article is conceptual and review nature, the researcher has applied exploratory research design by using varied secondary data availed from the secondary data sources. Based on the secondary data and review, the researcher has reported on various emerging trends and issues and challenges in Ease of Doing Business. this study have analyze the India rank in Ease of Doing business index of world bank and highlight the various reforms initiated by Government of India to improve business environment in India.

- **Study of (Hossain, 2018):**

This study investigates the impact of Ease of Doing Business on Inward FDI over the period from 2011 to 2015 across the globe. This study measures ease of doing business using starting a business, getting credit, registering property, paying taxes and enforcing contracts. this study used a sample of 177 countries from 190 countries listed in World Bank. Least square regression model via Eviews software used to examine causal relationship. The study found that ease of doing business indicators ‘Enforcing Contracts’ was found to have a positive significant impact on Inward FDI. Nevertheless, ‘Getting Credit’ and ‘Registering Property’ were

found to have a negative significant impact on Inward FDI. However, 'Starting a Business' and 'Paying Taxes' have no significant impact on Inward FDI in the studied timeframe of this research

2. Theoretical basis :

The business environment in a broader sense reflects the quality of the economic conditions of the state. The gradual improvement is the best way to support small and medium-sized enterprises. It just creates one of the fundamental motivation for business.

Business environment consists of endogenous as well as exogenous aspects (political, economic, ethical, legal, technological, ecological, and many other conditions) .

The government should create the business environment (conditions) that will promote investment, job creation, increased productivity, and more. The fact is that good (healthy) functioning economy is the fundamental essence of quality business environment (Martin Buno, 2015, p. 424).

Entrepreneurial activity and business environment are two of the closely watched areas. In the current economic climate, growth remains a key government priority. Economic activity requires a streamlined regulatory environment and effectual policies that are transparent and accessible to all. To uphold private sector growth, many economies have aimed of simplifying the business registration process and day to day operations under self-regulation (Siddiqui, 2019).

The business environment in the narrower sense consists of the entities, the enterprise is in the direct contact with. The main pillars of competitiveness of countries can include infrastructure, macroeconomic and microeconomic environment, level of education, level of corruption, bureaucratic efficiency, size,

maturity and market efficiency, business sophistication, degree of innovation, etc (Martin Buno, 2015, p. 424)

Many institutions on yearly basis compare the quality of business environment by using ease of doing business index.

The ease of doing business ranking created by World Bank group compares economies with one another, while the distance to frontier score benchmarks the economy with respect to regulatory best practice which shows the absolute distance to the best performing economy on overall and each doing business indicator. The ease of doing business ranking shows how much the regulatory environment has changed relative to other economy, while the distance to frontier score indicates how much the regulatory environment for local entrepreneur in an economy has changed over a period (Ashutosh D. Gaur, 2017, p. 77).

Ease of doing business ranks economies from 1 to 190, with first place being the best. A high ranking (a low numerical rank) means that the regulatory environment is conducive to business operation. The index averages the country's percentile rankings on 10 topics covered in the World Bank's Doing Business. The ranking on each topic is the simple average of the percentile rankings on its component indicator (WorldBank, 2018).

This index started in 2004 with 5 indicators (Hiring and Firing Workers, Getting Credit, Starting a Business, Enforcing a Contract and Closing a Business). Economies from the world are ranked on their Ease of Doing Business. The original criteria for 2004 has been revised and expanded to 10 in accordance with the requirements that arose in connection with the development of the enterprise market.

The structure of evaluation indicators was also changed at time in selected points, e.g. Employing Workers in 2009 was included in the evaluation and in 2015 it has not.

Ease of Doing Business averages the country's percentile rankings on 10 topics from 2012, made up of a variety of indicators (Starting a Business, Dealing with Construction Permits, Getting Electricity, Registering Property, Getting Credit, Protecting Minority Investors, Paying Taxes, Trading Across Borders, Enforcing Contracts, Resolving Insolvency), giving equal weight to each topic. In 2010 was in the evaluation involved also Employing workers instead of Getting Electricity.

Report gets the feedback and can be a policy tool to governments. They can monitor the successful business regulation reforms. They can learn from one another about good practices and do necessary and beneficial reforms (Libuše Svobodová, 2015, p. 454).

For many investors, the form by means of which the process of being open to a new business is developed has already become a first picture concerning the attitude of the countries towards the business undertaken by the private sector. The number of documents required, of the procedures carried out as well as the time and the resources necessary for setting up a business have a major effect on the characteristics and performances of economies (Mihai, 2012, p. 389).

3. Evaluation of doing business in Algeria :

Doing Business measures aspects of business regulation for domestic firms through an objective lens. The focus of the project is on small and medium-size companies in the largest business city of an economy. Based on standardized case studies, Doing Business presents quantitative indicators on the regulations that apply to firms at different stages of their life cycle. The results for each economy can be

compared with those for 189 other economies and over time (WorldBank, 2018, p. 11).

Table 1 : Ease of doing business index in Algeria

	2014	2015	2016	2017	2018	2019
Rank	153/189	154/189	163/189	156/190	166/190	157/190

Source : world bank, doing business, <https://www.doingbusiness.org>

The ease of doing business index witnessed a fluctuation in its global ranking during the period 2014-2019, as the overall index recorded the lowest ranking in 2018 with 166 globally out of 190 countries. Algeria ranked 153 globally in 2014, and 157th in 2019. In DB 2016, Algeria fell in the ease of doing business index by a difference of 9 points from the year 2015, and this decline is due to the poor ranking of the cross-border trade index, which ranked 176/189 countries, where the time required for export through compliance with border laws was 118 hours at a cost of \$ 593. As for the import process, the time required for it to comply with the laws of borders is 327 hours at a cost of \$ 466. Algeria also recorded a delay in both the access to credit and minority investors' indexes in the same order, 174 out of 189 countries, where the index reached Minority investor protection value 3,3 Out of 10 points on the rating scale.

3.1 Evaluation of starting a business :

Economies around the world have taken steps making it easier to start a business streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages and they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered

businesses, financial resources and job opportunities.(Worldbank, 2017, p. 21).

Starting a business in Algeria has some obstacles affecting the decision of foreign investors. And that delayed a process of starting business in Algeria. For that, Algeria was ranked 150th in this index in 2019.

Table 2 : Starting a business in Algeria

	Rank-	Score-	Procedures (number)	- Time - (days)	Cost (% of income per capita)	Minimum capital (% of income per capita)
DB2019	150/190	78.07	12	17.5	11.8	0.0
DB2018	145/190	77.54	12	20	11.1	0.0
DB2017	142 /190	77.54	12	20	11.1	0.0
DB2016	145/189	76.08	12	20	10.9	23.6
DB2015	141/189	74.07	13	22	11.0	24.1
DB2014	164/189	73.61	14	25	12.4	28.6

Source : world bank, doing business , <https://www.doingbusiness.org/en/custom-query>

Algeria got better in the comparison from 2016 until 2019 at the indicator Starting of business, However, Algeria's performance is bad, with one reform that reduced the number of measures from 13 in 2015 to 12 in 2016.

Starting a business is relatively complicated and expensive : 17,5 days and 11,8% of income per capita in 2019 to create a new firm The main change that concerns with the evaluation is occurring in minimum capital, which was reduced from 23,6% in 2016 to 0.0% in 2017. Also, Algeria made starting a business easier by eliminating the requirement to obtain managers' criminal records in 2016.

3.2 Evaluation of Dealing with construction permits :

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially

important in sectors where safety is at stake. Construction is one of them. In an effort to ensure building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements.(Worldbank, 2017, p. 30)

This topic tracks the procedures, time and cost to build a warehouse including obtaining necessary the licenses and permits, submitting all required notifications, requesting and receiving all necessary inspections and obtaining utility connections. In addition, the Dealing with Construction Permits indicator measures the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements.

As regards dealing with construction permits in Algeria were some change in number and time of procedures. In 2019 Algeria ranked 129th in this index, with a performance score of 63,28 points.

Table 3 : Dealing with construction permits in Algeria

	Rank-	Score-	Procedures (number)	Time (days)	Cost (% of Warehouse value)	Building quality control index (0–15)
DB2019	129/190	63.28	19	136	7.8	12
DB2018	146/190	58.89	19	136	8.1	10
DB2017	77/190	71.02	17	130	0.9	10
DB2016	122/189	64.05	17	204	0.9	09
DB2015	127/189	65.72	17	204	0.7	/
DB2014	147/189	48.37	19	241	8.7	/

Source : World Bank, doing business, <https://www.doingbusiness.org/en/custom-query>

Dealing with construction permits in Algeria takes 136 days to build a warehouse with a cost 7,8% of warehouse value. In 2019, the building quality control Index recorded 12 out of 15 points.

In 2016, Algeria made dealing with construction permits easier by eliminating the legal requirement to provide a certified copy of a property title when applying for a building permit. Also, Algeria made dealing with construction permits indicator faster by reducing the time to obtain a construction permit in 2017.

3.3 Evaluation of Getting Electricity:

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self- supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection(World bank, 2017, p. 38).

This topic measures the procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse. Additionally, the reliability of supply and transparency of tariffs index measures reliability of supply, transparency of tariffs and the price of electricity.

As for Algeria, it ranked 106th in the world in 2019, having been ranked 148th out of 189 countries in 2014.

Table 4 : Getting Electricity in Algeria

Year	Rank	Score-Getting electricity	Getting Electricity - Procedures (number)	Getting Electricity - Time (days)	Getting Electricity - Cost (% of income per capita)
DB2019	106/190	69.58	5	93	1478.3
DB2018	120/190	60.56	5	180	1335.3
DB2017	118/190	60.58	5	180	1330.4
DB2016	130/189	57.56	5	180	1295.5
DB2015	147/189	59.98	5	180	1318.5
DB2014	148/189	59	5	180	1562.9

Source: World bank, Doing Business,

<https://www.doingbusiness.org/en/custom-query>

According to data collected by Doing Business, getting electricity there requires 5 procedures, takes 93 days and costs 1478,3 % of income per capita in 2019. During the period from 2014 to 2018 the number of procedures and time required to obtain electricity did not change. In DB2017, Algeria made getting electricity more transparent by publishing electricity tariffs on the websites of the utility and the energy regulator. Also in DB2019, Algeria made the process for getting an electricity connection easier by streamlining internal administrative processes and by granting new licenses to vendors selling pre-built substations.

Globally, Algeria stands at 106 in the ranking of 190 economies on the ease of getting electricity in DB2019.

3.4 Evaluation of Registering Property:

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans limiting access to finance (World bank, 2017, p. 47).

This topic examines the steps, time and cost involved in registering property, assuming a standardized case of an entrepreneur who wants to purchase land and a building that is already registered and free of title dispute. In addition, the topic also measures the quality of the land administration system in each economy. The quality of land administration index has five dimensions: reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution, and equal access to property rights.

Algeria ranked 165th out of 190 countries in the Property Registration Index in 2019, with a performance score of 44.3 out of 100 points.

Table 5 : Registering property in Algeria

Year	Rank	Score	Procedures (number)	Time (days)	Cost (% of property value)	Quality of land administration index (0–30)
DB2019	165/190	44.3	10	55	7.1	7.5
DB2018	163/190	43.8	10	55	7.1	7
DB2017	162/190	43.8	10	55	7.1	7
DB2016	163/189	43.8	10	55	7.1	7
DB2015	157/189	50.7	10	55	7.1	/
DB2014	176/189	50.6	10	63	7.1	/

Source: World bank, Doing business,

<https://www.doingbusiness.org/en/custom-query>

Algeria has not registered any reforms in the registering property index during the period 2014-2018, where the number of procedures is 10 during an estimated period of 55 days with cost of 7.1% of property value.

In DB 2014, Algeria recorded a delay in the ranking of the registering property index at 176 out of 189 countries, with score of 50.6 out of 100 point. Because the time taken to register the property was estimated at 63 days, and it was reduced after 2014 to 55 days.

Algeria's performance in the Quality of land administration index is also poor at 7.1 out of 30 points on the evaluation scale.

4. Conclusion:

Ameliorate Business environment has economic benefits. Transparent rules create new jobs and generate income. Conversely, strengthening laws can deform resource allocation by strangling entrepreneurial endeavors.

Researchers suggest that reforms, which ameliorate business environment, can help poor countries to grow faster. They have suggested that reform programs should stimulate companies to change their behavior, to enhance investment and to encourage innovation. The economic governments should reduce business

costs and risk and increase competitive pressure by improving administration and fiscal policies, access to finance, legislation and labor administration, access to information on the market etc.

The business environment in Algeria faces many constraints that limit investment expansion. There are many regulatory restrictions on foreign investors, such as forcing a foreign investor to have a local partner at 51% of his investment.

Rigidity of administrative regulations remains one of the biggest obstacles to Algeria's investment environment. For example, mismanagement, inefficient government bureaucracy, slow registration and issuance of permits are among the most important obstacles for private investors and foreign investment.

Excessive demand for documents on the investment portfolio and the slow process are also shaking investors away from the idea of investing in Algeria.

so, the idea that the Business environment will be slow to get improved is certain. Algerian Doing Business is not satisfactory. As the process of starting a business in Algeria is still difficult, due to the large number of procedures and the high cost. Also, The process of Dealing with construction permits in Algeria takes 136 days. In addition, The process of Getting electricity takes 93 days with a cost of 1478.3 % of income per capita. As for the process of registering property in Algeria, it requires 10 procedures within a period of 55 days.

Certainly, the most problematic factor in Algeria is the one of "Registering property and starting a business". However, all other indicators, in view of their rankings, require an interest of the State in order to make business easy for domestic and foreign private industrial investors by simplifying regulation.

Un other kind of recommendations that can be noted is to review the composition of the Doing Business Committee, by including not only relevant representatives of the government and the private sector, but also Algerian researchers and consultants whose contributions will bring scientific rigor.

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