

Egypt the Future; Between Reforms and Opportunities



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Egypt, the country of 7000 years of civilization, one of the most diverse economies in the region with great potential and resources, is back again and ready to compete in global market while moving on the path towards achieving sustainable and inclusive growth; achieving steadily increasing growth rates of 4.2% during FY2014/15 and targeting 5% by the end of FY2015/16 after 4 years of economic and political turmoil. With the return of certainty, security, and a stabilizing political scene, it started to produce a turnaround in economic activity and investment. The opening of the parallel Suez Canal in August and the recent discovery of a major gas deposit could improve Egypt's energy position and contribute positively to its economy in the medium term. Growth is being driven by the manufacturing sector, despite energy shortages and changes to the energy-subsidy scheme; for its competitive costs. FDI is recovering with a strong pace signalling ongoing improvement in investors' confidence reaching US\$ 6.4 billion in FY2014/15 (increasing by 56%) and reaching US\$ 3.0 billion in 1st half FY2015/16, driven mainly by the rise in the net inflows for greenfield investments by 87.5% to reach US\$ 2.5 billion during 1st half FY2015/16. Also, unemployment fell from 13.4% to 12.7% in 2015. Inflation has been on a declining trend in recent months; reaching 9.2% in March 2016. Hence, investors' confidence have been restored in the Egyptian market, which is assured by the international credit ratings (Fitch, Moody's, Standard and Poor's) stable outlook. In addition, Egypt occupied the 29th rank among 58 countries in FDI restrictiveness index.

Reforms towards Sustainability & Inclusion; To Leave No One Behind

Egypt is moving on the right track. Macroeconomic

stability is a necessary condition for securing the business community's continuing confidence and to ensure that Egypt's economic recovery remains durable. The government recognizes that it must maintain the momentum of reforms so that growth can accelerate in a sustainable manner. Since FY2014/15, the government started executing a balanced and gradual imperative-home-grown reform agenda, which gained the trust of experts and international institutions. The reform agenda was designed to achieve inclusive growth, realize financial stability, fiscal adjustment and invest in human capital while ensuring an efficient and wide spread social protection. This includes reduction in energy subsidies, increasing investment in infrastructure, especially schools and hospitals, and undertaking new legislative reforms. In addition, in 2014, the Ministry of Investment launched the Egyptian Regulatory Reform and Development Activity (ERRADA) to reform the business climate in Egypt. Through this initiative, all business- and investment-related regulations have been reviewed and will be made available to the public and to business investors. Also the new and first microfinance law was issued in 2014 to regulate microcredit provided by non-bank micro-financiers, such as companies and non-governmental organisations, placing them under the authority of the Egyptian Financial Services Authority. It is worth to note that there are some 2.5 million SMEs working in Egypt, representing 75% of the total employed workforce.

While, 2015 witnessed the issuance of the new unified investment law and its executive bylaws that aims at solving all problems and obstacles facing Egyptian, Arab and Foreign investors. It is considered a quantum leap to stimulate and encourage investment in Egypt, and an important gateway to attract foreign investment, the law includes a package of legislative incentives to stimulate investment, most importantly

are concerned with activating of the “one stop shop” system, unifying the entity for the disposition of lands, ensuring easy movement of funds (entry and exit of money) to and from Egypt, and settlement of investment disputes.

The objective is to create an investment-friendly environment and promote the private sector; which would in return contribute to broad-based growth. This would require improving the business climate and restoring competitiveness. To reach these objectives, the government is focusing on streamlining burdensome regulations, improving access to finance, and modernizing insolvency and land laws. Increasing investment in human capital and infrastructure would also help boost economic activity and productivity, and provide more equal access to job and business opportunities for all.

With the aim of promoting entrepreneurship and development in the governorates, the government has also formed a holding company, “Ayady for Youth Employment” set to commence activities during the third quarter of FY2014/15. Its plans centre around the establishment of investment companies in each of the governorates to finance and partner with local entrepreneurs with the aim of developing the main regional product and services for export.

Egypt is a Global Hub for Business and Investments

Create new prospects for sustainable development, creating new communities integrated with the economic fundamentals of the surrounding environment and embarking in a number of MEGA projects, producing value chains and contributing to economic growth. These projects are mainly located in southern Egypt, the Suez Canal region, and Sinai and will contribute to creating new urban communities in the depths of the Egyptian deserts, outside the narrow valley, including:

- The New Valley reclamation project and the development of one and a half million acres the city of Farafra, which is part of reclamation project 4 million acres nationwide, establishing “Reef Company” for this purpose with a capital equivalent to EGP 8 billion. The company aims to develop new integrated societies based on agriculture and agro-processing and to create value added projects and maximizing

the economic return of the water used.

- The announcement of 14 new cement production license in 9 governorates worth 28 billion pounds investments, to produce 28 million tons of cement by the end of 2019 which requires the use of coal with other energy alternatives. The new licenses aiming at meeting the growing demand for cement for the mega-projects that have been announced, including the new administrative capital. It’s expected that this production will bridge the gap between the future production of 60 million tons per year and consumption, which is expected to reach 90 million tons by 2025.
- The development of the entire Suez Canal to achieve integrated development starting in East Port Said includes: Ports logistics areas, and industrial zones to be built over 40 Sq KM which includes integrated exports oriented heavy, medium industries, new city on 136 acres, R&D centers as well as new 5 KM tunnel beneath the canal. The amending of the Special Economic Zones designed to regulate the framework for the operations of the New Suez Canal.
- Golden Triangle Project will capitalize on the natural resources and mineral wealth in the region between Qena, Quseir and Safaga while also developing the area for tourism- related industrial, commercial and agricultural opportunities.

GoE has identified a set of readily available business opportunities to mobilize private investments, covering a wide range of industries, projects cover a wide range of sectors to include retail and internal trade, IT sector and knowledge parks, oil & gas exploration, energy supply to meet the nation’s increasing demand from and electricity and tourism sector.

In conclusion, the effort remains ongoing, and the government is committed to continuing and deepening reforms to fulfil its stated goal to substantially improve Egypt’s business climate over the coming years, create a business friendly environment, ensure investor protection and security, remove regulatory and bureaucratic barriers to private sector development and foreign investments. Moreover, Egypt is offering you an opportunity for growth and still many business opportunities have not been tapped. Egypt is inviting the world to further explore potential business ventures. 