

It makes sense to invest in Egypt

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MINISTER OF INVESTMENT, EGYPT



MAHMOUD MOHIELDIN has been the Minister of Investment of the Arab Republic of Egypt since 2004. The Ministry of Investment is responsible for investment policy; the management of state-owned assets including privatisation and restructuring of public enterprises, and joint ventures; and non-banking financial services including capital markets, insurance, and mortgage finance. Dr Mohieldin is also a Professor in Financial Economics at Cairo University and holds leading positions in numerous think tanks, research centres and academic institutions.

Thanks to an ambitious reform programme introduced in 2005 that has yielded average annual growth of about 7 per cent over the last three years, the Egyptian economy has weathered the global financial crisis well. Growth projections for 2010 have been lowered to around 4.8 per cent, but this is still significantly above the global average, reflecting the underlying resilience of Egypt's economy.

Egypt's sustainably high growth rates have been a direct result of its macro-economic stability and a decline in the budget deficit from 10.5 per cent of GDP in 2002/03 to zero by this year. The reforms of the last five years have also played a key role, particularly by creating a business and investment climate to attract foreign players.

The policy has been a success. Inflows of foreign direct investment (FDI) have significantly increased, from US\$509 million in 2001, to US\$13.2 billion in 2008, and US\$8.1 billion in 2009; however, due to the economic slow-down over the past year, FDI has eased, amounting to US\$2.6 billion for the first half of the 2009-10 financial year. Egypt is currently the leading FDI recipient in North Africa and the third in Africa overall. The leading areas pulling in foreign investment

are tourism, communication and information technology, construction and infrastructure, manufacturing, and transportation. A further positive response to streamlining investment procedures has been the increased number of newly established companies, as well as companies already in operation expanding their activities.

Egypt has received international praise for its achievements: UNCTAD, the UN's trade and development agency, praised Egypt's improved investment climate; the World Bank's Doing Business Report – which tracks the progress of 178 countries worldwide in terms of how easy it is to start and maintain a business – has named Egypt as the 'top reformer of the year' during four out of the last five years.

The Ministry of Investment and the General Authority for Investment and Free Zones

Two new bodies set up as part of the economic reforms can take credit for their role in coordinating foreign investment: the Ministry of Investment; and the General Authority for Investment and Free Zones (GAFI).

The Ministry of Investment was set up in 2004 to oversee investment policies, improve Egypt's investment climate, and encourage foreign direct investment. It coordinates ministries with investment-related areas of



Egyptian Minister of Investment, Dr Mahmoud Mohieldin, receives the Doing Business 2008 Top Reformer award on behalf of his country

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responsibility, and provides dispute settlement services for investors. The principal government authority concerned with regulating and facilitating investment, GAFI is ready to assist investors from all over the world. GAFI has broadened its scope from managing the traditional regulatory framework into a more effective and pro-active investment promotion agency.

GAFI is Egypt's sole 'One Stop Shop' for investment, facilitating and streamlining procedures for global investors to establish companies and start-up businesses. It also promotes investment opportunities throughout the Egyptian economy, resolving any problems investors may face, while providing a range of services to current and potential investors.

Taking the right steps

The following reform procedures have been taken to simplify procedures for investors:

- The time required to establish companies has been reduced to 72 hours; considerably lower than the previous timeframe of more than two months.
- A One Stop Shop approach now brings all sectors and entities dealing with investors under one roof (into GAFI's offices).
- A newly created unit will look into investors' problems and coordinate with relevant bodies to solve any issues that might arise.

Among the other initiatives that the Ministry of Investment has introduced to further attract foreign investors are three new incentive-based zones: investment zones; special economic zones; and free zones. The Ministry of Investment has also implemented a comprehensive strategy to promote

public private partnership (PPP) projects to boost private investment in infrastructure projects; notably in telecommunications, water treatment and supply, transportation, health, and education.

This has involved drafting new legislation laying out the responsibilities of each player taking part in a PPP project. The Ministries of Investment and Finance have set up a joint unit to support such projects, provide technical assistance expertise, develop national frameworks for the implementation of projects, and provide technical help for the ministries concerned with infrastructure projects.

The last five years have also seen Egypt's privatisation process continue, particularly in the banking sector, where the Central Bank continues to divest its stakes in banks to reduce the number of players in the market. Retail banking penetration remains low, although one potential avenue of growth for banks is financing small and medium-sized enterprises (SMEs), which are also able to attract funds on the NILEX or the bond market. This has been further facilitated by the creation of a PPP SME fund.

The fund aims to raise capital from Egyptian and regional institutional and private investors. It will invest in a variety of industrial sectors including chemicals, food processing, packaging, building materials, and industry-related services. The fund's objective is to provide growth capital to competitive, privately owned industrial SMEs with high growth potential.

Entrepreneurs and small business owners have been receiving more recognition as a crucial sector of the Egyptian economy, as they contribute up to 80 per cent of GDP and 75 per cent of employment. **F**



OECD Secretary General Angel Gurría shakes hands with Dr Mahmoud Mohieldin, sealing Egypt's adherence to the OECD Declaration on International Investment and Multinational Enterprises