



Invest in Egypt



Egypt

Improving Investment Climate



By

Dr. Tahany F. Shamloula

Under Secretary of State for Sectoral Policies

General Authority For Investment and Free Zones

Cairo, EGYPT

Sep. 2010

- **About GAFI**
- **Recent Developments in the Investment Climate**
- **Results of Reforms**
- **Egypt's Position among Emerging Markets**
- **Incentives and Investment Flow**



Invest in Egypt

About GAFI

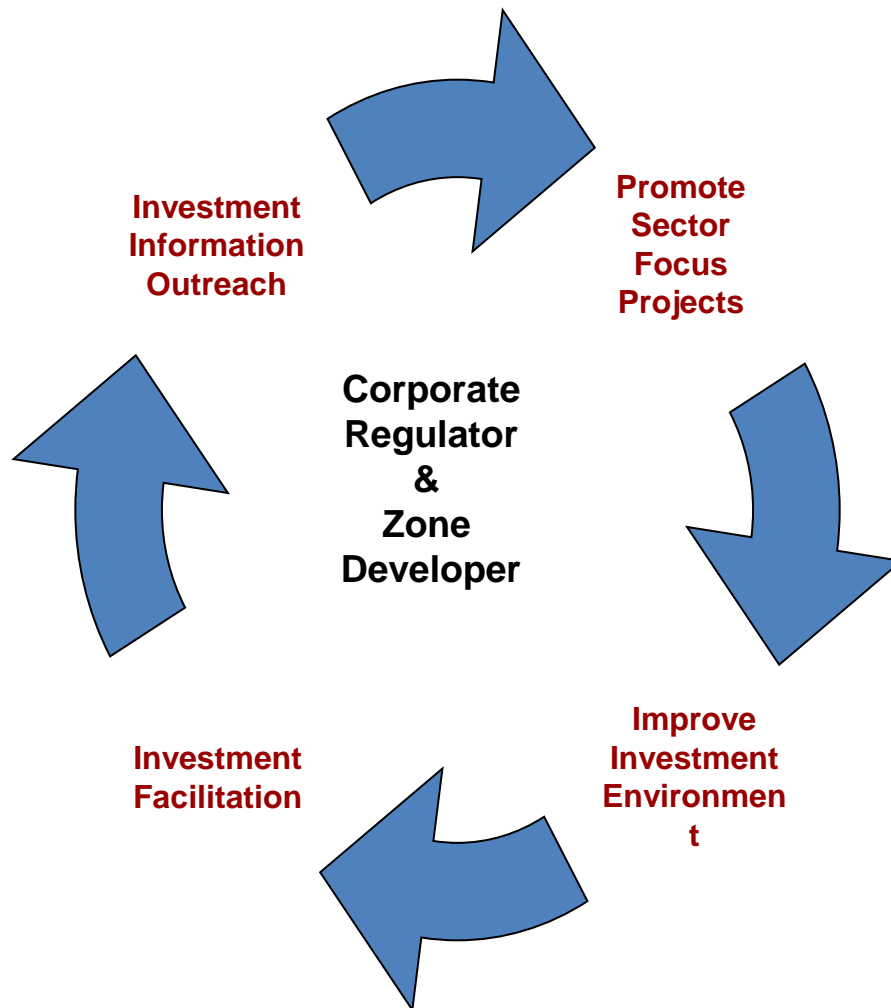


- ***The General Authority for Investment (GAFI)***: working under the supervision of The Ministry of Investment, GAFI is the principal governmental authority concerned with regulating and facilitating investment, and stands ready to assist investors worldwide.
- ***GAFI*** has broadened its scope from a traditional regulator into a more effective and proactive investment promotion agency through its Market Intelligence, Investor Relations, and Investor Aftercare bodies.
- ***GAFI has introduced:***
 - Egypt's sole "One Stop Shop" for investment, to ease the way for investors worldwide to take advantage of the opportunities of the Egyptian economy.
 - An On-Line Registration service.

GAFI ... a Continuous Role to Promote & Outreach



Invest in Egypt





Recent Developments in the Investment Climate:

- **Main Features of Investment Regime**
- **Investment Policy Framework: Incentives**
- **Pro-Business Investment Climate**

Main Features of Investment Regime



Invest in Egypt

- Liberalized legal framework guaranteed by Investment Law
- Non- discriminatory investment policies
- 100% foreign ownership of companies, and representation of Board of Directors
- Protection against expropriation, confiscation, compulsory pricing
- Full right of profits and dividends repatriation
- Implementation of dispute resolution and settlement mechanisms.
- The Procedure Simplification” program: which has significantly reduced the cost, effort, and time of procedures.
- New economic (commercial) court system, Anti-Money Laundering Law, and Consumer Protection Law, Competition Law.
- Introduction of Nilex: the region’s first small stock exchange



- **Tax Reform:** new income tax law has reduced corporate income tax rate from 42% to 20%, and personal income tax rate from 32% to 20%.
- **Customs Reform:** New customs structure has reduced the weighted average tariff rate from 14% to 6.9%, streamlined tariff bands, and reduced the number of tariff categories from 27 to 6.
- **Banking Sector Reform:** consolidating the banking sector and creating more sound banking system coupled with strengthening the independence of the Central Bank of Egypt.
- **Non-Banking Financial Services:** have been unified under the supervision of the Egyptian Financial Supervisory Authority, that was enacted in July 2009, to enhance the institutional development and improve the non-banking financial services.
- **Corporate One-Stop Shop** introduced at multiple locations throughout the country
- **Private Sector Participation:** a new vision for encouraging private sector contribution to economic development through public private partnership schemes (PPP) in priority infrastructure projects

Investment Policy Framework: Incentives



Invest in Egypt

Category	Inland Investment	Free Zones	Investment Zones	Special Economic Zones
Corporate Income Tax	<ul style="list-style-type: none"> • 20% as a standard income tax rate. • 40.55% for oil and gas companies. • 10 years Exemption for Agriculture and Live-stock projects. 	Exemption (1% annual charge according to the project's activity)	No Exemption	<ul style="list-style-type: none"> • 10% tax on all activities within the zone • 5% flat tax rate on personal income tax
Import Duties	<ul style="list-style-type: none"> • 2%-32% depending on imported products • Flat rate of 5% on imported machinery and equipments 	Exemption	<ul style="list-style-type: none"> • Equipment customs are paid in 5-10 years installments. • Custom procedures for production input will be administered in the zone 	No Exemption
Export Duties and Sales Tax	<ul style="list-style-type: none"> • 5%-25% of value of wholesale transactions 	Exemption	<ul style="list-style-type: none"> • Sales taxes are paid in 5-10 years installments • Exported goods are tax exempted 	<ul style="list-style-type: none"> • No duties when exported out of Egypt • No duties on domestic components when sold in Egypt • 10% of value of non domestic components when sold in Egypt
Export Minimum	None	50%	None	<ul style="list-style-type: none"> • Depending on zone Board's decision
Payroll Tax	<ul style="list-style-type: none"> • 10%-20% depending on salary level 	Exemption	No Exemption	<ul style="list-style-type: none"> • 5% for all salary levels
Other Incentives	<ul style="list-style-type: none"> • Protection against expropriation and compulsory pricing • Full right of profit & dividend repatriation 	The Same as inland regime	No Tax Privileges	<ul style="list-style-type: none"> • Egy. certificate of origin for SEZ based exporters • Integrated administration for custom, tax, licensing, and dispute settlement

Free Zones:

- Free Zones have been operating in Egypt since early 1970s to increase exports, attract FDI, introduce advanced technology, and create job opportunities.

Incentives and Guarantees:

- A lifetime exemption from all taxes and customs. However, annual fees are paid as follows:
 - Manufacturing Projects: 1% of the total value added
 - Storage Facilities: 1% of the value of goods entering into the zone.
 - Services Projects: 1% of total annual revenue
- Exemption from all import / export regulations;
- All equipment, machinery, and essential means of transportation necessary for free zones' activities are exempted from all customs, import duties, and sales tax.
- All licensing procedures are handled by GAFI.
- There are two different kinds of Free Zones: Public (9 zones) and Private (242 projects).

Investment Zones:

- Investment Zone's Law no. 19 of 2007 was introduced to allow investors build, promote, and manage Investment Zones, dedicated to specific industries or services.
- Government involvement in these zones is limited to monitoring the overall operation through the Board of Directors.
- No Tax privileges are applied.
- 12 investment zones are approved so far, either in operation or being established in different areas and governorates.
- **Incentives and Advantages:**
 - Customs procedures for production input will be administered inside the investment zone rather than in the ports and airports.
 - Each Zone will have its own GAFI One Stop Shop
 - Providing a bureaucracy-free environment through a Single Regulator regime.
 - Providing for a competitive operations and services within the zone through Economic Clusters in all fields.



- The products manufactured within the investment zone enjoy the merit of the “Certificate of Egyptian Origin” required by preferential bilateral and multilateral trade agreements.
- Applying the valid guarantees of the Investment Law no.8 of 1997, including protection against nationalization or confiscation.
- Customs and sales taxes are paid in 5 -10 years installments.
- Exported goods are tax exempted.
- Investment Zones projects in Upper Egypt, that are devoted to industrial activities, will enjoy additional incentives: free land, employment grants / cash credits.

Special Economic Zone



- The North West Suez Special Economic Zone was established according to Law 83 / 2002 to provide investors with various competitive advantages. Each zone has its own Board of Directors.
- The SEZone stretches over 20 square kilometers, located directly adjacent to the Sokhna Port (about 45 kilometers southeast of Suez City) near the southern entrance of the Suez Canal.
- The SEZone is well served by the privately managed Sokhna Port which is strategically positioned to serve as a trade and logistics hub between the EU, the Far East and Middle East.

Incentives and Guarantees

- 10% corporate income tax rate on all activities within the SEZ, and 5% flat tax rate on personal income.
- Integrated custom, tax, and licensing administration, and dispute settlements.
- One Stop Shop: all investors services for projects are presented within the zones.
- Egyptian certificate of origin for SEZ – based exporters, allowing them to make use of Egypt's international trade agreements

➔ Upper Egypt Development Program

- Free access to land for industrial projects
- Employment Grants / cash credits...LE15,000 per employee
- Technical Assistance through IMC (Industrial Modernization Centre)
- Expanded Export Subsidies
- Refund of Vocational / Technical training costs born by Companies

➔ QIZ Protocol:

- Duty free access to the US market
- No export minimum

➔ SMEs

- In 2008 GAFI launched a new initiative for supporting entrepreneurship and small & medium investors. In that context SMEs unit has been established in GAFI.
- GAFI has announced establishing Investment Fund for SMEs Development as a private-equity and venture-capital fund aiming at providing financial support to SMEs

➔ PPP – Public Private Partnership

- Provides access to the GOE economic reform agenda and strategy
- The GOE is formulating a supportive legal environment for PPP projects:
 - New legal framework for PPP projects.
 - Standard PPP contracts, documentation, and procedures
 - Creating regulatory bodies for post contract implementation

Commitment to Lower Cost of Investment and Ease of Doing Business...

➤ Low Taxes and Customs

- 20% flat tax rate
- 6% weighted average tariff rate / streamlined tariff bands

➤ Financial Services

- Stable Banking system; resilient to financial crises
- Growth of non-bank financial services
- Introduction of Nilex; the region's first small cap stock exchange

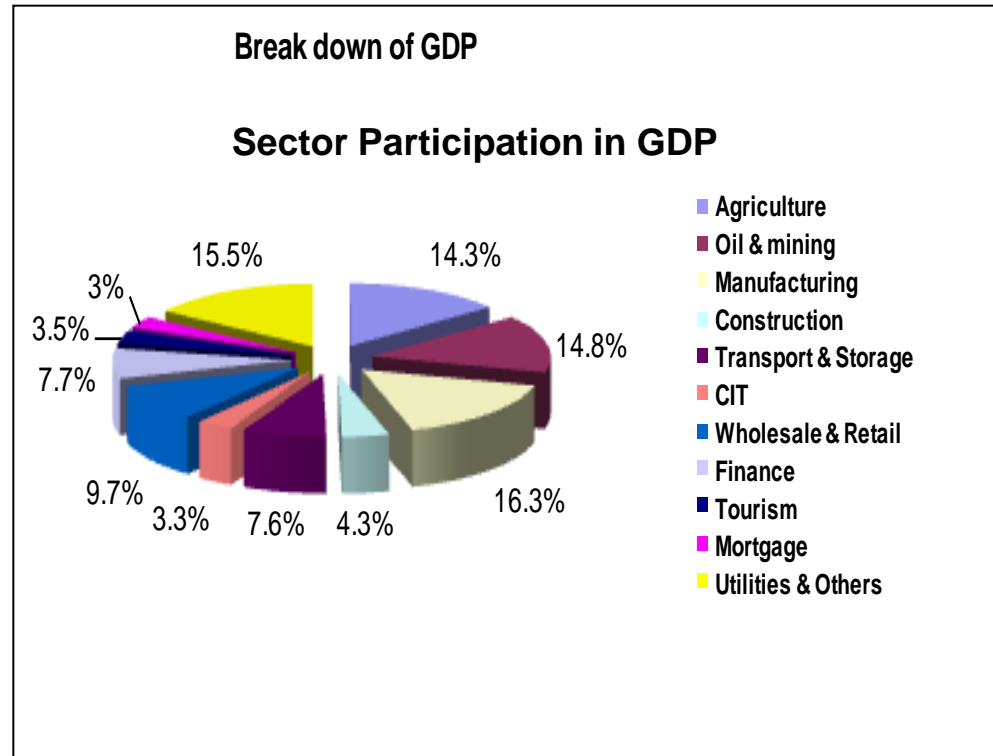
➤ Enabling Legislation and Institutional Framework

- New economic (commercial) court system, Anti-money laundering, and consumer protection laws
- The “Procedure Simplification” program: has significantly reduced the cost, effort, and time of procedures to an average of 72 hours
- No minimum capital required for company establishment
- *One stop shops are introduced at multiple locations throughout the country*

✓ Egypt's economy is among the most diverse in the Middle East and North Africa

- Industry accounts for 32% of GDP
- Prominent service sector: CIT, tourism and financial services account for about 12%
- Retail accounts for 11%
- Agriculture accounts for 14%

✓ With a population of 80 million and a 100% increase in per capita income, Egypt has the largest domestic market in the region

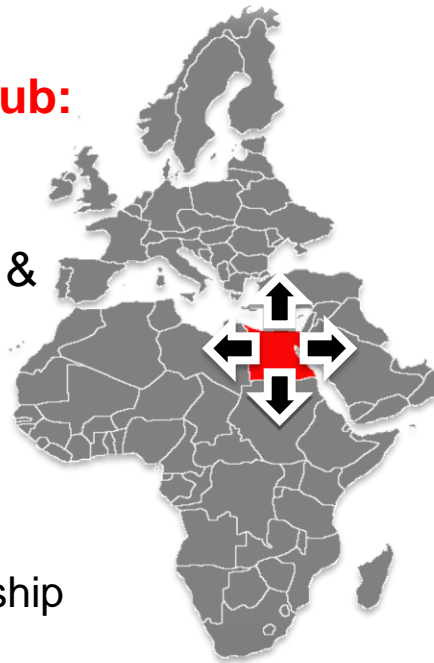


Preferential access and geographic proximity to global markets▶▶▶

A Global Trade and Investment Hub:

✓ Accessing more than 1.5 billion customers through various bilateral & multilateral free trade agreements:

- Direct connection through the Suez Canal between the Indian Ocean to the Mediterranean Sea.
- EU through the Egypt-EU Partnership
- US through QIZs
- Middle East through GAFTA
- Africa through COMESA
- EGYPT-TURKEY Agreement
- Egypt – Switzerland and EFTA Countries Agreement



- **Preferential Trade Agreements**
- **Proximity**
 - **Competitive freight cost**
 - **Time to market**
- **Competitive cost of production**
- **Export subsidy**
- **Natural resources**
- **Human resources**

Stronger Engagement of the Private Sector

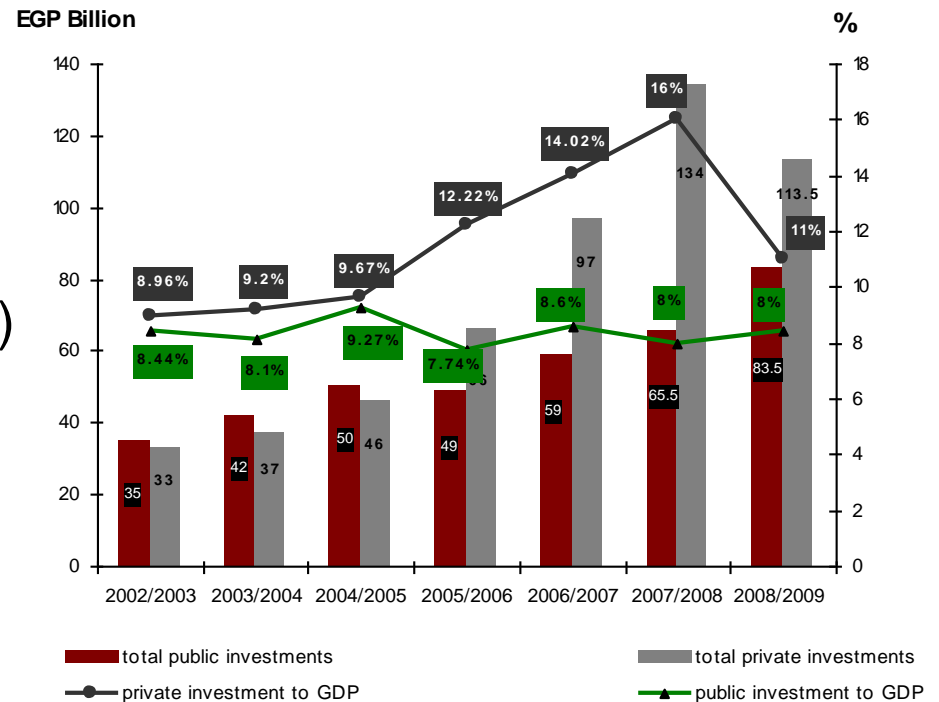


Invest in Egypt

A Broadened Private Sector Contribution to Growth...

- Private Public Partnership (PPP)
- Privately-Developed Investment Zones

Public and Private Investment % of GDP*



* GDP Exceeded Trillion pounds for first time = 1038.6 billion



Invest in Egypt

Results of Reforms

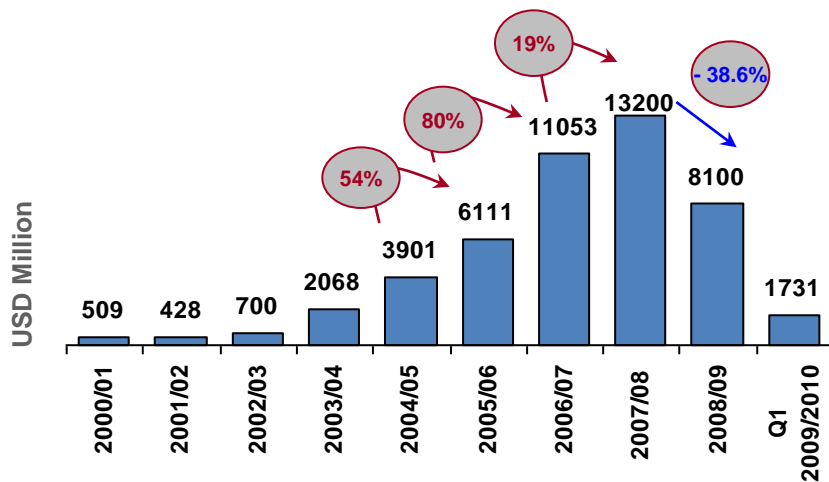
FDI Stability



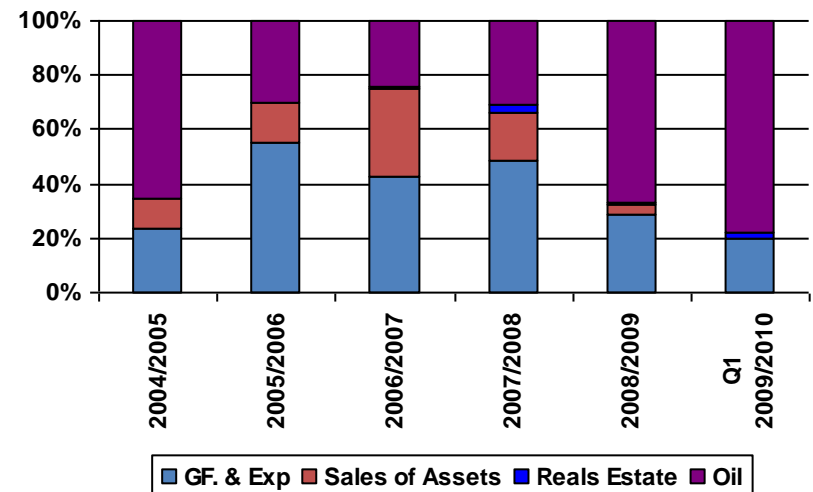
Invest in Egypt

- FDI Inflows increased from US\$ 2.1 billion in FY 03/04 to US\$13.2 billion in FY 07/08. This increase has been flowing into a wide range of sectors.
- As a result of the global economic crisis, FDI inflows dropped from US\$ 8.1 billion in 2008/2009 to US\$ 6.8 billion in 2009/2010.
- FDI inflows in 2008/2009 were accompanied by a higher share of the hydro carbon sector in the total inflows.

Net FDI Flow



FDI Sector Breakdown



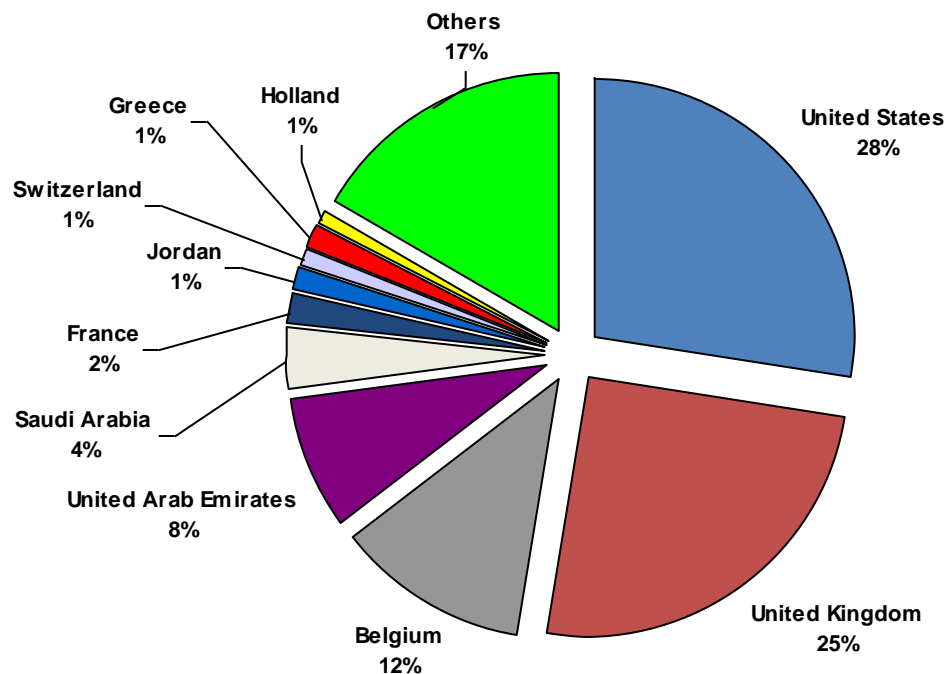
Main Sources of FDI



Invest in Egypt

- The top ten countries' share in FDI inflows is 83% in 2008/2009.
- The share of USA and UK combined is 53% of total FDI inflows; while the share of UAE, KSA, and Jordan is 13%.

**Top 10 Countries investing in Egypt
2008/2009**



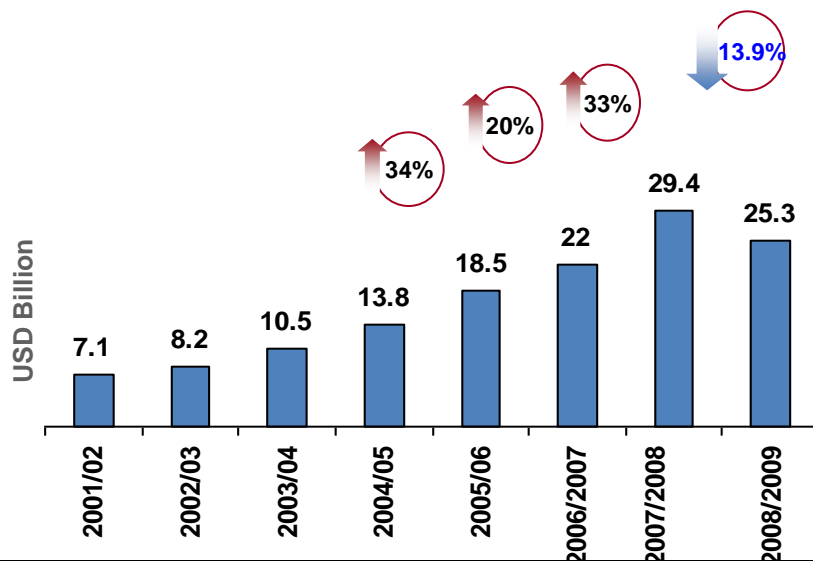
Dynamic Sustainable Growth



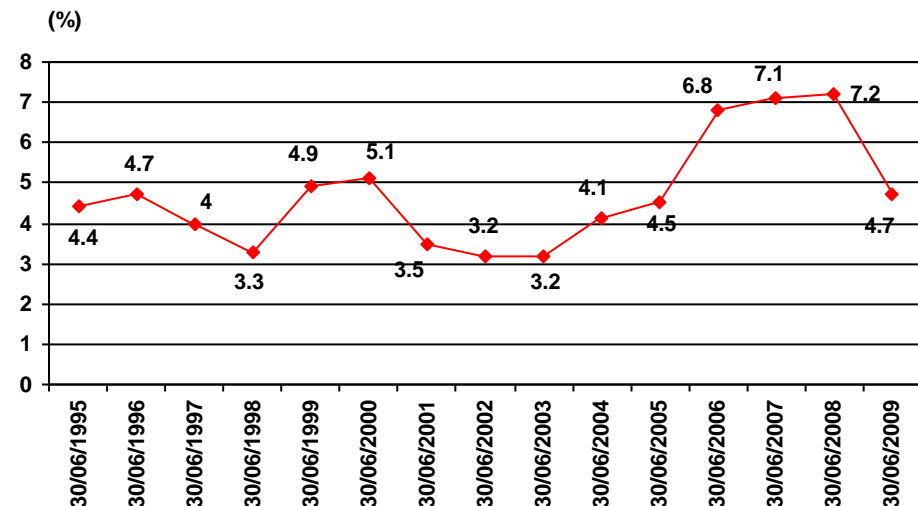
Invest in Egypt

- A sustained growth rate of 7% over the last 3 years.
- Egypt is awarded a stable outlook by Moody's investor services (Aug. 09)
- Fitch Ratings has affirmed that Egypt has stable outlook (Dec. 09)
- In FY 08/09 Egypt witnessed a decline in GDP growth rate due to the global economic crisis.
- In the context of the global adverse effects of the crisis since 2008, the Egyptian economy has been showing positive signs of growth by recording a rate of 4.7% in 2008/2009, and 5.3% in 2009/2010.
- After a steady growth, export proceeds have been adversely affected since the global economic crisis of 2008/2009.

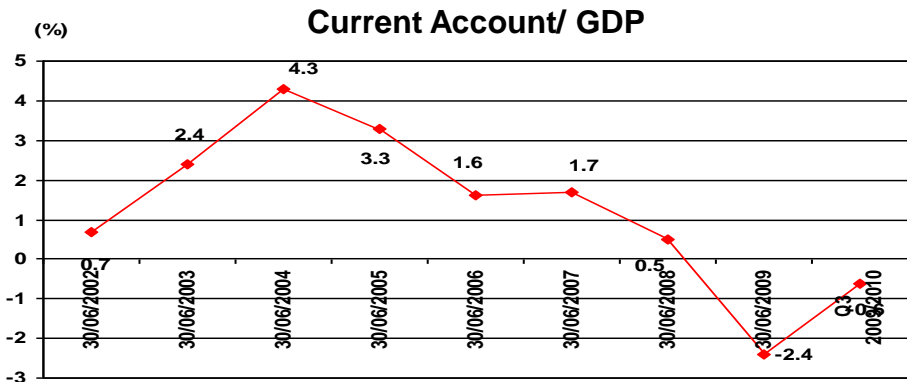
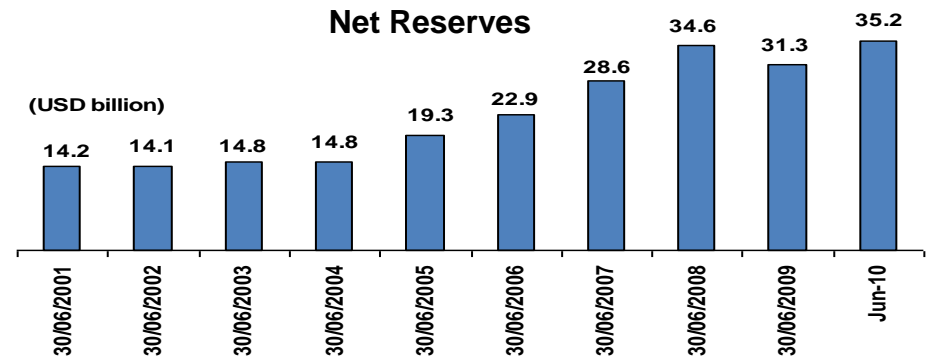
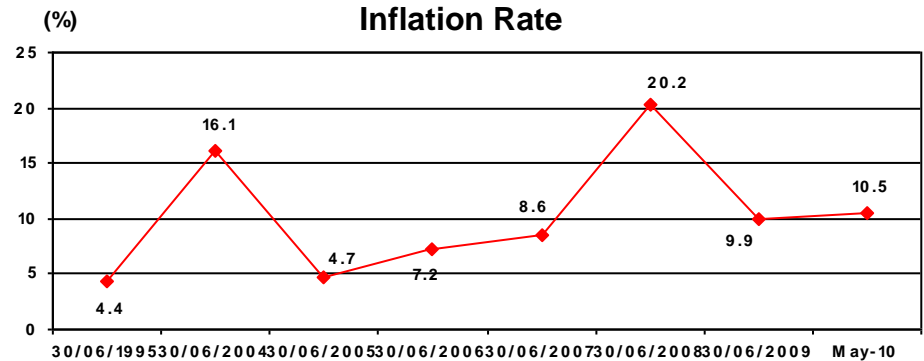
Exports Proceeds



GDP Growth Rate



- Inflation rate fell by 9.9% in 2008/2009, and increased again to reach 10.5 in May 2010.
- Net reserve has been increasing since 2003/2004, yet it has witnessed a slight decrease in 2008/2009 and recovered again to 36.2 billion US\$ in June 2010
- Current account as a % of the GDP recorded -2.4% in 2008/2009, and -0.6% in Q3 2009/2010.





Invest in Egypt

Egypt's Position among Emerging Markets

Egypt's Position among Emerging Markets



Invest in Egypt

Doing Business Report 2010 : Top Reformers

For the 3rd consecutive year, Egypt is among the top 10 reformers in the Doing Business Report issued by the World Bank.



The top 10 reformers in 2008/09

Economy	Starting a business	Dealing with construction permits	Employing workers	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
Rwanda	✓		✓	✓	✓	✓		✓		✓
Kyrgyz Republic	✓	✓	✓	✓	✓		✓	✓		
Macedonia, FYR	✓	✓	✓	✓	✓	✓	✓			
Belarus	✓	✓	✓	✓			✓	✓		
United Arab Emirates	✓	✓						✓		
Moldova	✓			✓			✓			
Colombia	✓	✓		✓	✓	✓	✓	✓		✓
Tajikistan	✓	✓			✓	✓				✓
Egypt, Arab Rep.	✓	✓			✓				✓	
Liberia	✓	✓						✓		

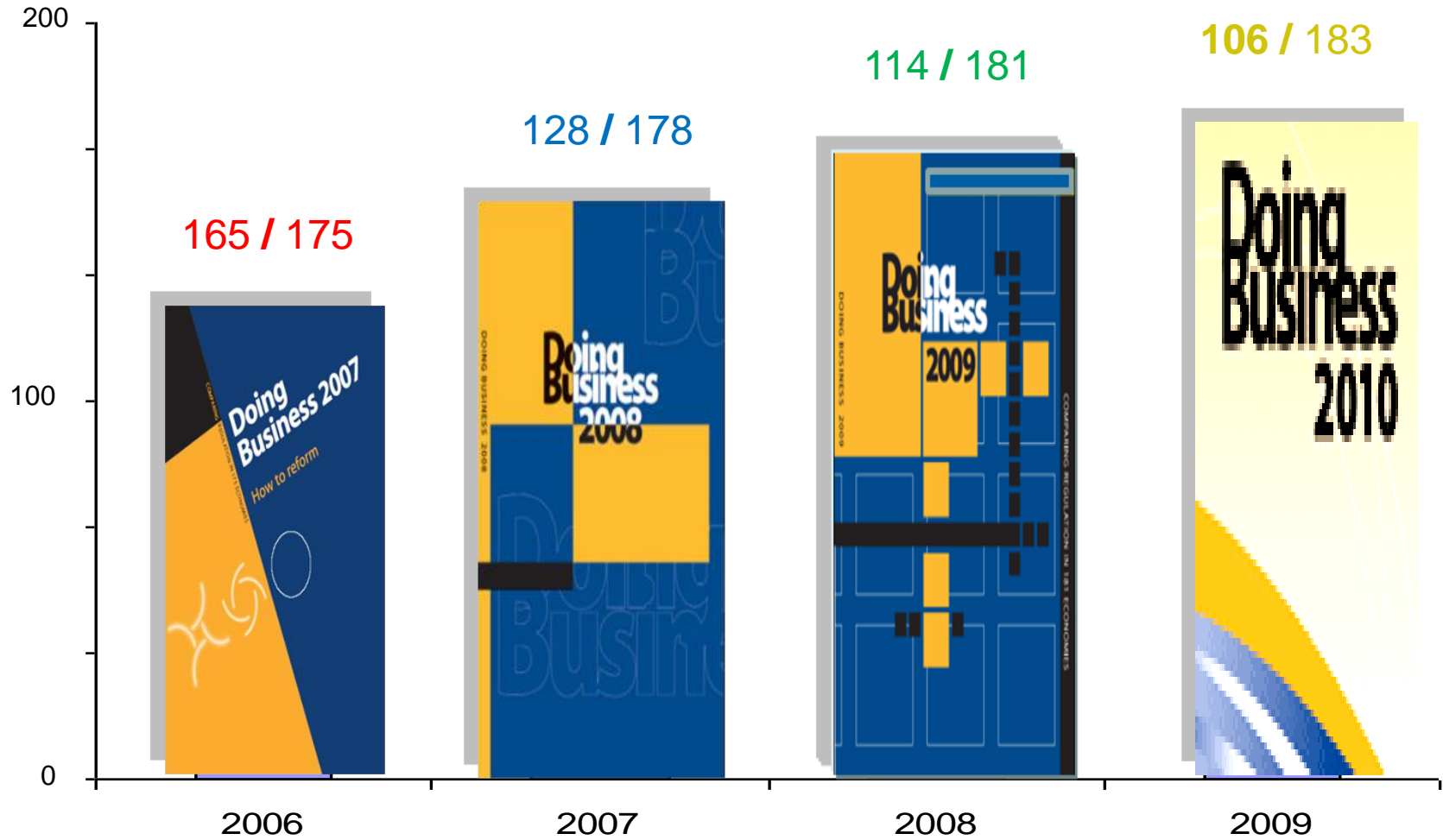
Note: Economies are ranked on the number and impact of reforms. First, *Doing Business* selects the economies that implemented reforms making it easier to do business in 3 or more of the *Doing Business* topics. Second, it ranks these economies on the increase in rank on the ease of doing business from the previous year. The larger the improvement, the higher the ranking as a reformer.
Source: *Doing Business* database.

The top 10 reformers in 2007/08

Economy	Starting a business	Dealing with construction permits	Employing workers	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
Azerbaijan	✓		✓	✓	✓	✓	✓		✓	
Albania	✓				✓	✓	✓			
Kyrgyz Republic	✓	✓				✓				
Belarus	✓	✓		✓	✓		✓	✓		
Senegal	✓			✓				✓		
Burkina Faso		✓	✓	✓			✓			
Botswana	✓					✓		✓		
Colombia	✓	✓					✓	✓		✓
Dominican Republic	✓			✓			✓	✓		
Egypt	✓	✓		✓	✓	✓		✓		



Development in Egypt's rank in Doing Business Report



Doing Business in Egypt - 2010



Invest in Egypt

Egypt, Arab Rep.



- ▶ **Region:** Middle East & North Africa
- ▶ **Income category:** Lower middle income
- ▶ [Visit the law library](#)

- ▶ **Population:** 81,527,172
- ▶ **GNI per capita (US\$):** 1,801.25
- ▶ [View local partners](#)

- ▶ [Download country report](#)
- ▶ [View subnational data](#)
- ▶ [Enterprise Surveys snapshot](#)

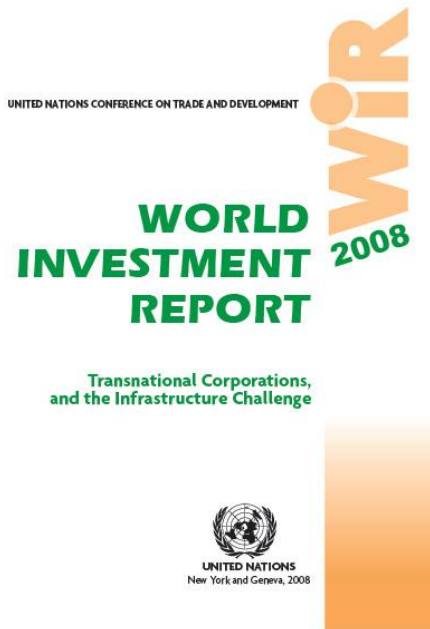
Ease of...	Doing Business 2010 rank	Doing Business 2009 rank	Change in rank
Doing Business	106	116	+10
Starting a Business	24	43	+19
Dealing with Construction Permits	156	165	+9
Employing Workers	120	119	-1
Registering Property	87	84	-3
Getting Credit	71	84	+13
Protecting Investors	73	70	-3
Paying Taxes	140	142	+2
Trading Across Borders	29	27	-2
Enforcing Contracts	148	154	+6
Closing a Business	132	130	-2

Note: *Doing Business 2009* rankings have been recalculated to reflect [changes to the methodology](#) and the addition of two new countries.



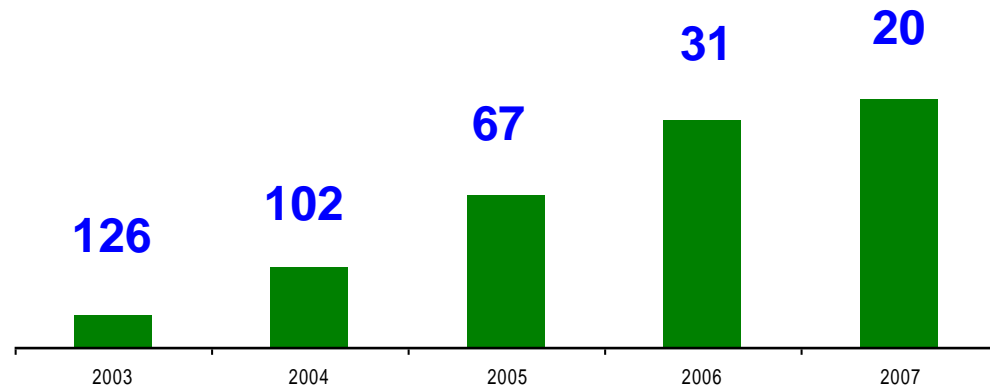
Development in Egypt's Rank in FDI Performance indicator

World Investment Report Indicators



Egypt

- The First in North Africa
- The Second amongst African Countries after Nigeria.
- The Third amongst Arab countries after KSA and UAE
- The 20th worldwide



FDI Performance Index

Egypt's Position among Emerging Markets ... cont.



Invest in Egypt

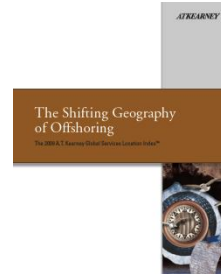
Egypt is a services provider for companies in other Middle Eastern countries



Egypt jumped from 13th rank in 2007 to 6th rank in 2008



A.T. Kearney Global Services Location Index, 2007



The 2009 A.T. Kearney Global Services Location Index

Rank	Country	Financial attractiveness	People and skills availability	Business environment	Total score
1	India	3.22	2.34	1.44	7.00
2	China	2.93	2.25	1.38	6.56
3	Malaysia	2.84	1.26	2.02	6.12
4	Thailand	3.19	1.21	1.62	6.02
5	Brazil	2.64	1.78	1.47	5.89
6	Indonesia	3.29	1.47	1.06	5.82
7	Chile	2.65	1.18	1.93	5.76
8	Philippines	3.26	1.23	1.26	5.75
9	Bulgaria	3.16	1.04	1.56	5.75
10	Mexico	2.63	1.49	1.61	5.73
11	Singapore	1.65	1.51	2.53	5.68
12	Slovakia	2.79	1.04	1.79	5.62
13	Egypt	3.22	1.14	1.25	5.61
14	Jordan	3.09	0.98	1.54	5.60
15	Estonia	2.44	0.96	2.20	5.60
16	Czech Republic	2.43	1.10	2.05	5.57
17	Latvia	2.64	0.91	2.00	5.56
18	Poland	2.59	1.17	1.79	5.54
19	Vietnam	3.33	0.99	1.22	5.54
20	United Arab Emirates	2.73	0.86	1.92	5.51
21	United States (tier two)	0.48	2.74	2.29	5.51
22	Uruguay	2.95	0.98	1.54	5.47
23	Argentina	2.91	1.30	1.26	5.47
24	Hungary	2.54	0.95	1.98	5.47
25	Mauritius	2.84	1.04	1.56	5.44

Rank	Country	Financial attractiveness	People skills and availability	Business environment	Total score
1	India	3.13	2.48	1.30	6.91
2	China	2.59	2.33	1.37	6.29
3	Malaysia	2.76	1.24	1.97	5.98
4	Thailand	3.05	1.30	1.41	5.77
5	Indonesia	3.23	1.47	0.99	5.69
6	Egypt	3.07	1.20	1.37	5.64
7	Philippines	3.19	1.17	1.24	5.60
8	Chile	2.41	1.20	1.89	5.50
9	Jordan	2.99	0.91	1.59	5.49
10	Vietnam	3.21	1.02	1.24	5.47
11	Mexico	2.48	1.50	1.45	5.43
12	Brazil	2.18	1.83	1.37	5.39
13	Bulgaria	2.83	0.89	1.62	5.34
14	United States	0.47	2.71	2.15	5.33
15	Ghana	3.26	0.70	1.36	5.32
16	Sri Lanka	3.13	0.95	1.17	5.25
17	Tunisia	2.86	0.91	1.45	5.22
18	Estonia	2.06	0.93	2.20	5.19
19	Romania	2.63	0.91	1.58	5.12
20	Pakistan	3.12	1.08	0.91	5.11
21	Lithuania	2.31	0.81	1.99	5.11
22	Latvia	2.28	0.86	1.96	5.10
23	Costa Rica	2.67	0.89	1.50	5.07
24	Jamaica	2.77	0.79	1.49	5.06
25	Mauritius	2.32	0.95	1.77	5.04

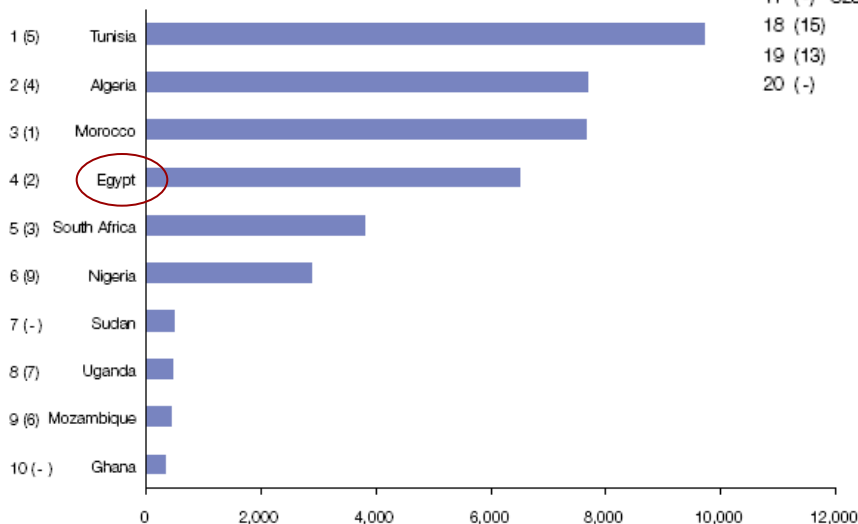
Egypt is among the Top Countries by Estimated Jobs



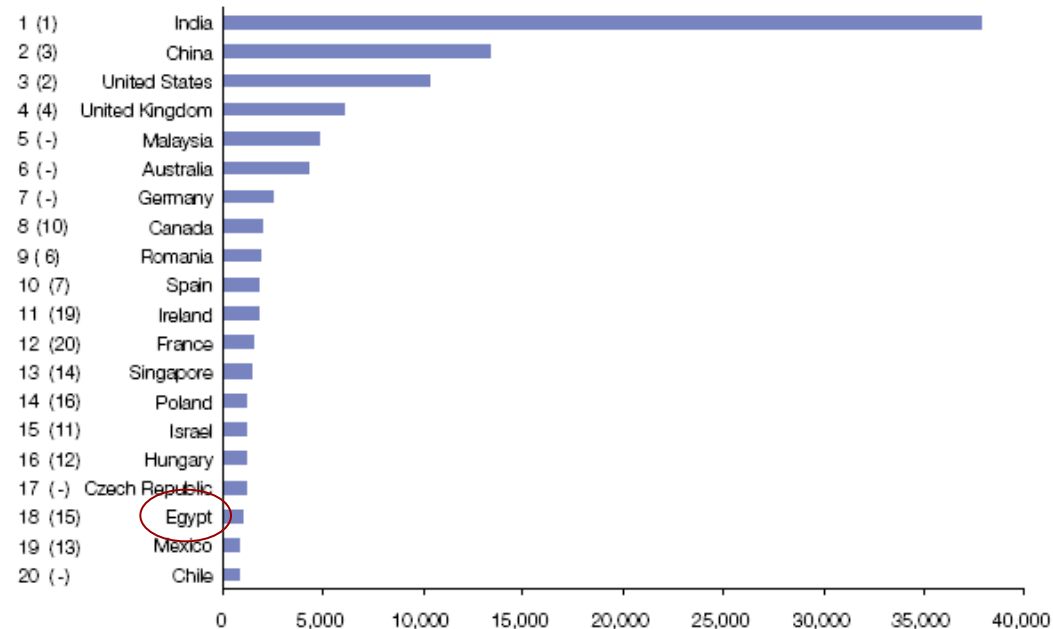
Invest in Egypt

In 2008, Egypt is ranked 4th among the top destination countries in Africa by estimated jobs

Top ranking destination countries in Africa by estimated jobs - 2008 (07)



Top ranking destination countries by estimated jobs in R&D - 2008 (07)



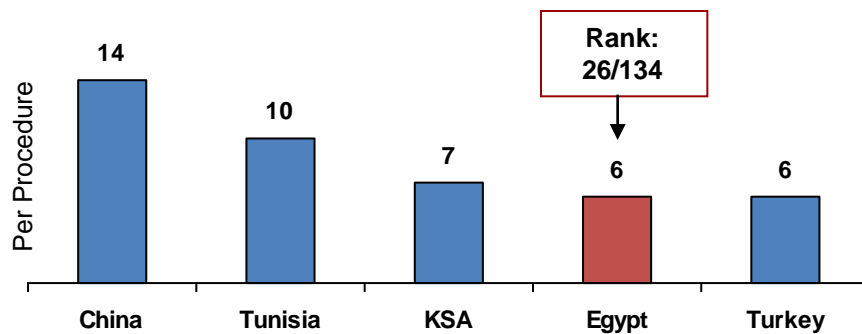
... and ranked 18th among the top destination countries by estimated jobs in R & D

Egypt's Strengths in the Global Competitiveness Report – 2009/2010

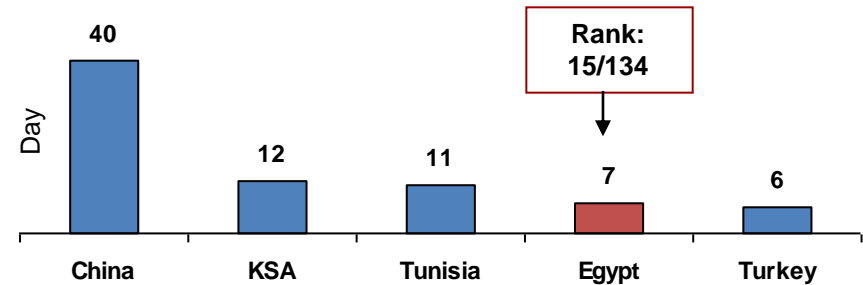


Invest in Egypt

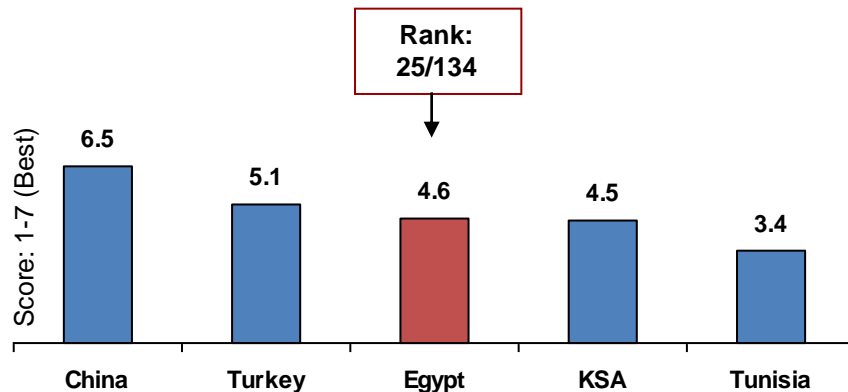
Number of Procedures Required to Start a Business



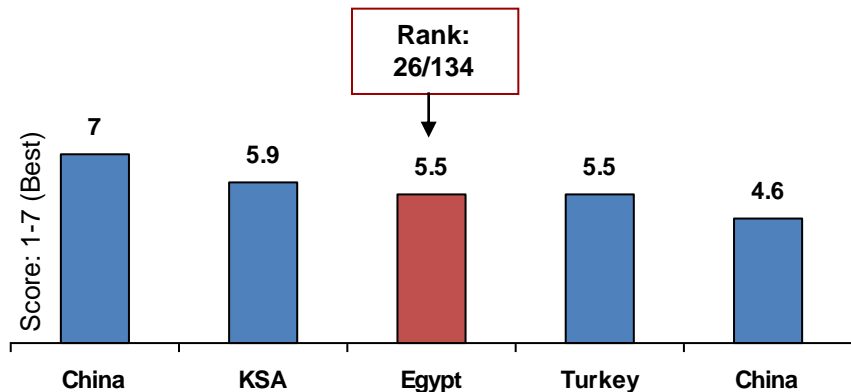
Time Required to Start a Business



Domestic Market Size



Foreign Market Size



Incentives and Investment Flow *

- The impact on total Investment (Public and Private)
- The Impact on Private Investment (In Land)
- The Impact on FDI Inflows

* Source: **Sherin M. Hanafy**, The Impact of Legislative and Institutional Reform on Investment Growth Rate During 1990-2006, Master Thesis in Economics (Cairo: Ain Shams University) 2009

Total Investment (Private & Public)

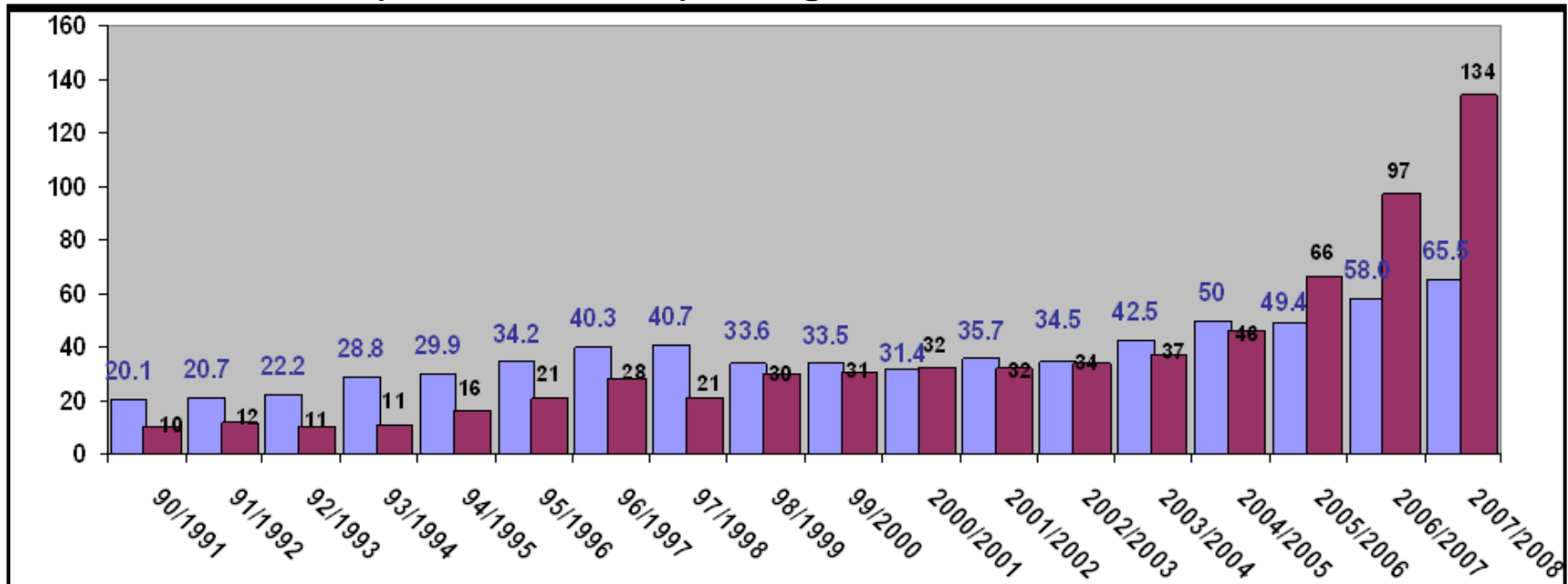


Invest in Egypt

- In spite of applying Law 91 of 2005, which cancelled the full tax exemption and set the corporate income tax rate at 20% for most inland investment activities, public and private investments witnessed a continuous growth during the years 2005 – 2008.
- Private investments during 2005-2008 grew at higher rate comparing to public investment.

**Total Investments
(Private & Public) during 1990-2008**

■ Private Investments
■ Public Investments



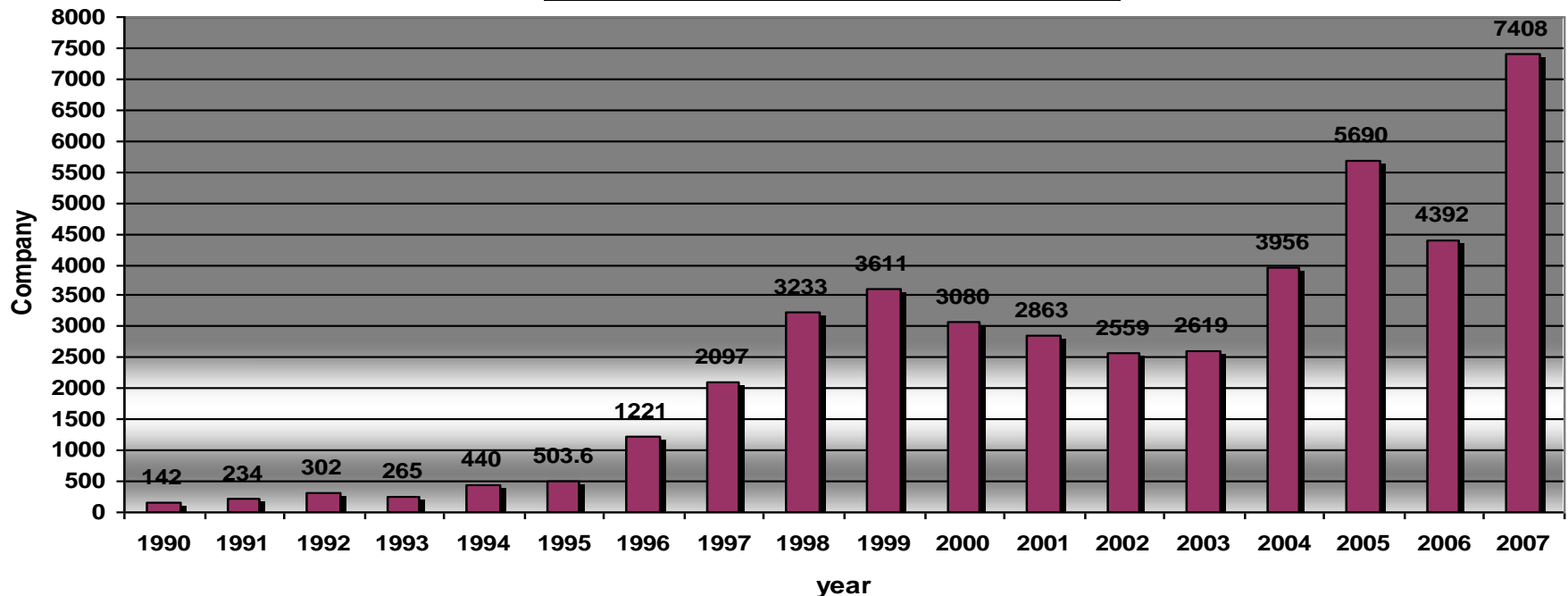
Private Investment (In Land)



Invest in Egypt

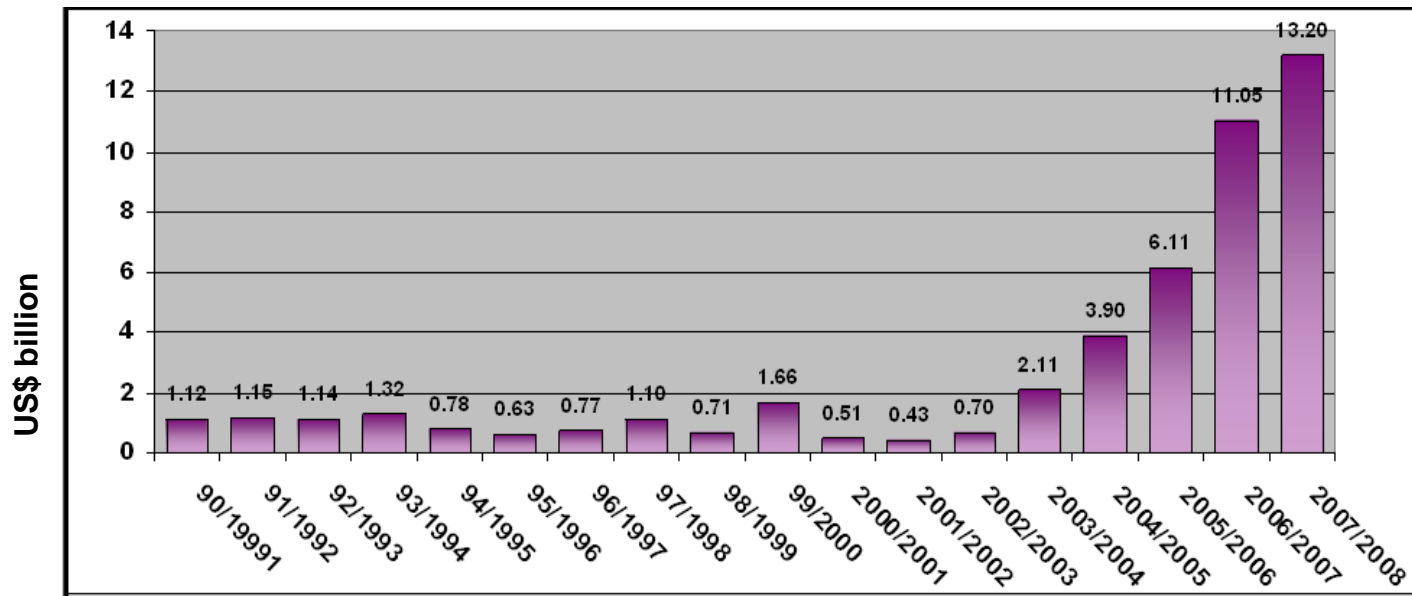
- **Using the registration indicator, the number of registered companies reflects an increase in spite of cancelling the full tax exemption:**
 - The number of registered companies increased from 2559 in 2002 to 2619 in 2003, a growth rate of 2.3%.
 - The number of registered companies grew from 4392 in 2006 to 7408 in 2007, a growth rate of 68.67%.

New Company Registrations during 1990-2007



- Total FDI inflows to Egypt have witnessed a noticeable growth since 2004/2005, and continued to increase from US\$ 6.11 billion in 05/06 to US\$ 11.5 billion in 06/07, and reached US\$ 13.2 billion in 07/08.

Total FDI Inflows during 1990 - 2008



- Reviewing the above information shows that the growth of investment in Egypt was not solely dependent on investment incentives. Some other factors helped improve the investment environment, and hence, increase investment flows. These are illustrated as follows:



- Simplifying many procedures of doing business process helped improve business environment. These achievements have been highly appreciated in international reports.
- Legislative and institutional reform
- Improving investment services through Corporate One-Stop Shop introduced at multiple locations over the country
- Customs Reform:
- Banking Sector Reform

And many other reforms



Invest in Egypt

Thank You

General Authority for Investment and Free Zones

3 Salah Salem Road, Nasr City,

Cairo 11562, Egypt

Tel: +2 02 24055672 / 24055452 (ext. 7807)

Fax: +2 02 24055429 / 96

E-Mail: t.shamloula@gafinet.org

Website: www.investment.gov.eg