



EGYPT BUSINESS FACT SHEET



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ISCG

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Business opportunities

The following is the overview of investment opportunities in Egypt.

1. Infrastructure and service

- ✓ Maritime , River and land transportation
- ✓ ICT sector
- ✓ Housing and Urbanization and Utilities
- ✓ Education

2. Production sector

- ✓ Tourism
- ✓ Petrochemicals
- ✓ Agricultural sector
- ✓ Industrial sector
- ✓ Asset management
- ✓ Development of industrial Zones
- ✓ Special Economic Zone of the northwest Gulf of Su

Construction

- ✓ The sector has a significant impact on GDP, employment and investment, which hold up to at least 4.7% of the total GDP. Official forecasts indicate that the Egyptian construction sector is expected to experience higher average annual growth rates, at 8.3%, than those of the total GDP (7.4%) and of the total commodity sector (7.8%) during Egypt's fifth five-year plan
- ✓ The incentive structure is aiming at promoting private sector in order to participation in affordable housing supply and the subsidy package to enable limited-income households to access affordable housing.
- ✓ It also addresses distortions in factor markets and designing the foundations and key elements of the national affordable housing program for Egypt. With the aim of enabling the delivery of **500,000 affordable housing units** in the **coming six years**.
- ✓ Beside this the government have take initiative in other matters regarding road construction and power plants (El-Tebbin Power Project) which was approved by world bank in 2006 and the closing day is 2011.

Petroleum sector

- ✓ The petroleum sector is a key factor in the growth of Egypt's economy which accounts for 15% of GDP in 2007/2008.
- ✓ Oil and gas cover 94% of Egypt's primary energy requirements with crude oil production in 2007 standing at 710,000 barrels per day (bpd), and natural gas production at 46.5 billion cubic meters. This makes Egypt the second largest producer of natural gas in Africa.(Nigeria been at the first position)

- ✓ The government is trying to diversify the gas consumption in Egypt in order to maximize discovery potential, reduce reliance on oil supplies and minimize petroleum subsidies

Textile and clothing industry

- ✓ The TC industry in Egypt has always been of strategic importance to the economy. It is one of the largest manufacturing and exporting processes in the country and a huge employment absorber. Egypt poses a high comparative advantage for a variety of TC products, which it has developed into a competitive advantage in major foreign markets.

Tourism

- ✓ This growth in International Tourist Arrivals (ITA) has generated \$4.6 billion in tourism receipts that account for 22% of total exports of goods and services and 39% of services exports, making tourism the largest foreign currency earner in Egypt.

Why invest in Egypt?

The chart below indicates 8 point to why foreign investor should consider investing in Egypt with respect to *reform* which took place recently.

Property investors today seek emerging markets such as Egypt for a stable investment with good growth rates. Learn below why Egypt property offers such great potential.

Today, investors seek the stability and simplicity of the property market to gain good returns on investment. Under-performing stock markets are often proving more volatile than property and this is especially true for the non-professional as there are many external factors that can affect your financial investment.

The benefit of buying specifically for investment purposes is the removal of emotion from your purchase while property is used purely as an investment vehicle. Investment property in Egypt offers many possibilities in the form of re-assignable off-plan contract options to sell at a substantial profit prior to completion, or "buy-to-let" situations to generate reliable rental income and eventually substantial capital appreciation.

General introduction

Egypt is divided in to two by the highly fertile Nile valley, where most economic activity takes place. Egypt's economy was highly centralized during the rule of former President but at the present time the market has opened up considerably under current President. In which they have aggressively pursued economic reforms to encourage inflows of foreign investment and facilitate GDP growth. In 2005, government reduced personal and corporate tax rates, reduced energy subsidies, and privatized several enterprises.

The stock market boomed, and GDP grew about 7% each year since 2006. Despite these achievements, the government provides subsidies to the average Egyptian for basic necessities. The subsidies have contributed to a sizeable budget deficit - roughly 7% of GDP in 2007-08 - and represent a significant drain on the economy. Foreign direct investment has increased significantly in the past two years, but the government will need to continue its

aggressive pursuit of reforms in order to sustain the spike in investment and growth and begin to improve economic conditions for the broader population. Egypt's export sectors - particularly natural gas - have bright prospects.

Country facts¹

| | |
|-------------------|---|
| Area | Total: 1,001,450 sq km Land: 995,450 sq km Water: 6,000 sq km |
| Coastline | 2,450 km |
| Terrain | vast desert plateau interrupted by Nile valley and delta |
| Land use | Arable land: 2.92% permanent crops: 0.5% other: 96.58% (2005) |
| Irrigation | 34,220 sq km |
| Population | 83,082,869 (July 2009 est.) |
| Population growth | 1.642% (2009 est.) |

Economic facts²

| Subject | Units | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2014 |
|---------------------------------|-----------------------|--------|--------|--------|--------|--------|--------|-------|-------|
| GDP constant prices | Annual Percent change | 4.1 | 4.5 | 6.8 | 7.1 | 7.2 | 4.7 | 4.5 | 6.0 |
| GDP, current price ³ | Billion, U.S Dollars | 1.14b | 1.28b | 1.48b | 1.77b | 2.161b | 2.46b | 2.62b | |
| Inflation Rate, consumer price | Annual percent Change | 8.1 | 8.8 | 4.2 | 11 | 11.7 | 16.2 | 8.5 | 6.5 |
| Current Account Balance | U.S Dollars | 3.874b | 2.113b | 2.207b | 2.697b | .5009b | 1.331b | | |
| GDP per capital, current price | US Dollars | 1.136 | 1.269 | 1.488 | 1.772 | 2.161 | 2.457 | 2.611 | |
| Current Account, balance | Percent of GDP | 4.3 | 3.2 | 1.6 | 1.9 | .5 | -2.4 | -2.8 | -1.5 |

¹ <https://www.cia.gov/library/publications/the-world-factbook/geos/eg.html>

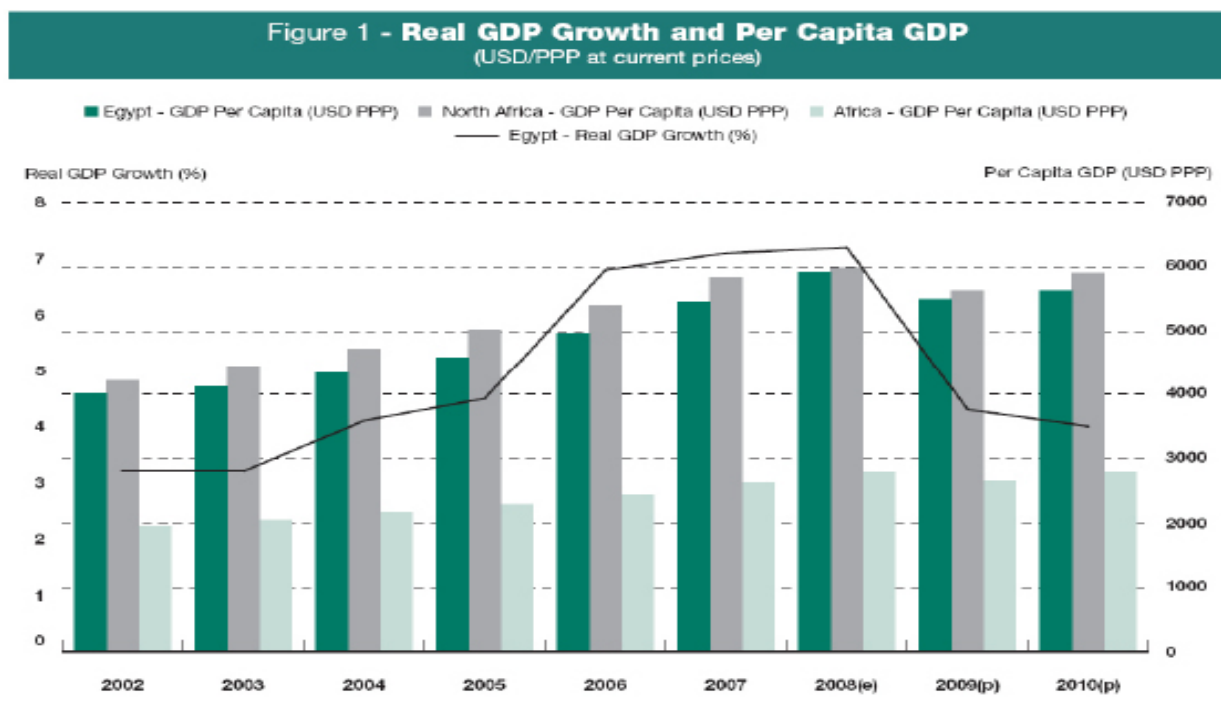
² <http://www.imf.org/external/pubs/ft/weo/2009/02/pdf/text.pdf>

³ http://www.economywatch.com/economic-statistics/egypt/GDP_Per_Capita_Current_Prices_US_Dollars/

Economic situation

Occupying the northeast corner of the African continent, Egypt is bisected by the highly fertile Nile valley, where most economic activity takes place. Egypt's economy was highly centralized during the rule of former President Gamal Abdel NASSER but has opened up considerably under former President Anwar EL-SADAT and current President Mohamed Hosni MUBARAK. Cairo has aggressively pursued economic reforms to encourage inflows of foreign investment and facilitate GDP growth. In 2005, Prime Minister Ahmed NAZIF's government reduced personal and corporate tax rates, reduced energy subsidies, and privatized several enterprises. The stock market boomed, and GDP grew about 7% each year since 2006. Despite these achievements, the government has failed to raise living standards for the average Egyptian, and has had to continue providing subsidies for basic necessities. The subsidies have contributed to a sizeable budget deficit - roughly 7% of GDP in 2007-08 - and represent a significant drain on the economy. Foreign direct investment has increased significantly in the past two years, but the NAZIF government will need to continue its aggressive pursuit of reforms in order to sustain the spike in investment and growth and begin to improve economic conditions for the broader population. Egypt's export sectors - particularly natural gas - have bright prospects.

GDP Growth, annual percentage change (IMF)



Political situation

Egypt is politically stable, but there have been many examples of unrest in recent years. Egypt has only a limited democracy, where elections allow only some political parties, and the elections have proven to allow few changes from pre-democratic times. Still, Egypt has made great advances, and may arrive at a true democracy in the coming years.

Foreign Aid

The European Commission have agreed to offer aid to Egypt from 2007 to 2010, in which they decided to focus on the following areas:

- ✓ Supporting reform processes in Egypt through targeted assistance in areas such as trade, customs, agriculture, transport, energy and science, including co-operation in legal migration, border management and visa facilitation.
- ✓ Supporting reforms in the education and health sectors, which are crucial for the sustainable development of the country. In order to attract investments in key sectors, such as energy, transport and environment, €58 million will be set aside to subsidise loans, in particular from the European Investment Bank, which could attract an estimated € 250-300 million in loans.
- ✓ Supporting Egypt's own political reform agenda is a key feature of this new aid package. In addition to this bilateral financial package, the European Commission has proposed many other new opportunities under the ENP which will be available to Egypt:
- ✓ Finding Neighbourhood Investment Fund, which will allow access to considerably increased funds for Egyptian industry and infrastructure by providing support to lending from international financial organisations.
- ✓ Governance Facility for those countries moving ahead with the implementation of agreed Action Plan reforms.
- ✓ People to people exchange and reinforced co-operation on education such as participation in the Erasmus Mundus programme and its scholarships and the Tempus programme for co-operation on higher education,
- ✓ Scientific and technological co-operation. Egypt will participate in the EU's Seven Framework Programme for Research and Development (RTD).
- ✓ Cross-border co-operation programme which will aim at bringing border regions in EU Member States and in the partner countries together and fostering their co-operation.
- ✓ Participation in Community programmes and agencies. Possibilities of enhanced co-operation with European agencies, such as the European Environment Agency and the European Food and Safety Agency, will be examined

The U.S. has a large assistance program in Egypt and provides funding for a variety of programs in addition to some cash transfers. A portion of U.S. assistance to Egypt under the 2003 Iraq war supplemental appropriations was provided in the form of bond guarantees, which were contingent upon Egyptian compliance with a series of economic conditions.

Egypt met the conditions and in September 2005 issued \$1.25 billion in 10-year bonds that were fully guaranteed by the United States. Beside USA, European commission is also a main donor to Egypt with a total sum of 1 Billion Euros since 1995 all the funding have been channelled through the MEDA programme (The MEDA programme is the principal financial instrument of the European Union for the implementation of the Euro-Mediterranean Partnership), they also do have other minority donors such as Japan, the African Development.

Foreign investment

According to the latest statistics issued by the ministry of finance and the ministry of investment and the CBE (central bank of Egypt) it was concluded that the increase of FDI should be accompanied by a structural change in favour of non-petroleum sector which now attracts more than 80% of FDI, taken into consideration the government's plan to offer investment opportunities in non-traditional fields such as education, agriculture and land reclamation as well as PPP projects in water and sewage projects.

The reforms undertaken by the government for the aim of promoting investment and applying transparency and creating an investment friendly climate were highly appreciated by several international economic organizations and credit assessment agencies such as IMF and UNCTAD which according to its latest, report on world investment for 2006, Egypt was ranked the second after South Africa in terms of attraction of foreign direct investment (FDI) directed to Africa, thus indicating an improvement in Egypt's position as it held the fifth rank last year, moreover, Egypt is expected to be the first next year. Additionally, similar reports were issued by other institutions such as JP Morgan, Euro money, Oxford Business Group, Moody's and Fitch, positively appraising the Egyptian economic performance and appreciating the government's reform policies in privatization, promoting Public Private partnership (PPP) especially in giant projects, as well as enhancing the pivotal role of growth-driven sectors such as CIT, natural gas and petroleum, building and construction and tourism, in addition to keeping control over the domestic debt.

After the approval of nine new oil and gas exploration agreements by the Egyptian parliament, this project requires an initial investment of at least USD 152m from Egyptian and also international aid (company). Market sources also suggest a return of foreign portfolio flows recently, attracted in by the strong performance of Egyptian equities - 88% gains last year, 25% year to date - although most of it is regional rather than international money.

Despite a global credit crisis and a slowdown in Europe, Multinational consumer-goods companies are pouring money into Egypt, the most populous the Arab country.

Foreign investment environment

The Egyptian government has made increasing foreign investment a major goal of its economic reform program and strategy for fostering private sector-driven growth. The Ministry of Investment (MOI) was established in 2004 and handles privatization of state-owned enterprises (except for banks, which are handled by the Central Bank) and oversees various regulatory agencies with investment-related areas of responsibility including the Capital Market Authority, the Egyptian Insurance Supervisory Authority, the General Authority for Real Estate Mortgage Affairs and the General Authority for Free Zones and Investment (GAFI).

Trade

Egypt is a major trading partner for the EU in the Southern Mediterranean region. It is part of the Euro med process for creating a free trade area of the Mediterranean.

The EU and Egypt have made significant progress in freeing up trade between them. Since the signing of the new EU-Egypt Association Agreement in 2004, half of the EU industrial exports to Egypt has already been liberalised and special preferential treatment for agriculture have significantly boosted agricultural trade. Ongoing negotiations are aimed at furthering this agricultural liberalisation and improving conditions for services trade and for companies seeking to establish businesses in both markets.

Foreign Direct Investment

Egypt experienced an FDI surge in 2005 as a result of privatisation and economic reforms. Overall FDI inflows have neared €2 billion since the start of the reforms. EU direct investment in Egypt amounted for €1 billion out of the total stock of €5.3 billion.

Beside EU, Egypt has managed to establish a very good relationship with India both in economic and political spheres from the very beginning during the non-aligned movement, also the Arabic countries and Africa bordering countries.

Main exported products

- ✓ Spinning and weaving products
- ✓ Agricultural goods (cotton, rice, potatoes, citrus, medicinal herbs, spices etc.)
- ✓ Metallurgical products
- ✓ Pharmaceuticals, paper products, cosmetics etc..
- ✓ Food industries (molasses, refined sugar, canned vegetables and fruits, cigarettes and tobacco).

Main imported products

- ✓ Iron and steel
- ✓ Petroleum and its products
- ✓ Organic and inorganic chemical substances
- ✓ Wood and cork and by products
- ✓ Resins and by products

Exported products

| Top Products Exported by Egypt | | Market Value: 50,875 (millions) | | |
|---|-------------|---------------------------------|----------|--|
| Product | Trade Value | Share | Growth | |
| | (thousands) | (%) | (% 5yr) | |
| 2711 - Petroleum Gases | 4,123,536 | 8.11 | 6,192.46 | |
| 2709 - Crude Oil | 1,896,352 | 3.73 | 133.19 | |
| 2710 - Non Crude Oil | 1,737,521 | 3.42 | 90.99 | |
| 7208 - Iron & Steel > 600 mm Wide - Hot | 607,913 | 1.19 | 302.64 | |
| 3102 - Nitrogenous Fertilizers | 365,004 | 0.72 | 160.56 | |
| 2523 - Cement | 332,286 | 0.65 | 767.38 | |
| 6203 - Non-Knit Mens & Boys Suits | 276,940 | 0.54 | 161.01 | |
| 1006 - Rice | 273,262 | 0.54 | 258.17 | |
| 0805 - Citrus Fruit | 238,719 | 0.47 | 203.08 | |
| 6204 - Non-Knit Womens & Girls Suits | 209,045 | 0.41 | 76.77 | |

Imported products

| Top Products Imported by Egypt | | Market Value: 81,915 (millions) | | |
|---|-------------|---------------------------------|---------|--|
| Product | Trade Value | Share | Growth | |
| | (thousands) | (%) | (% 5yr) | |
| 1001 - Wheat | 1,026,560 | 1.25 | 59.78 | |
| 8703 - Passenger Vehicles | 1,010,084 | 1.23 | 337.80 | |
| 8802 - Aircraft | 612,774 | 0.75 | 38.79 | |
| 7207 - Semi Finished Products of Iron & Steel | 580,659 | 0.71 | 68.65 | |
| 8525 - Cel Phones, Video Recorders & Radio Transcievers | 535,553 | 0.65 | 439.01 | |
| 7204 - Ferrous Waste & Scrap | 526,305 | 0.64 | 756.11 | |
| 4407 - Wood Sawn > 6 mm | 489,782 | 0.60 | 90.52 | |
| 1005 - Corn | 456,096 | 0.56 | (5.92) | |
| 8708 - Motor Vehicle Parts | 454,160 | 0.55 | 149.94 | |
| 7304 - Seamless Iron & Steel Tubes & Pipes | 411,375 | 0.50 | 400.71 | |

Construction sector in Egypt

The construction sector is one of the most dynamic sectors in the Egyptian economy and has been growing rapidly since the 1980s. In 2000, the Egyptian construction market ranked 36th in the global construction market, constituting 0.4% of this market, for a value of \$12.711 billion. Despite its fall from its 1998 ranking of 33rd, the Egyptian construction market actually increased in size by 23%.

The sector has a significant impact on GDP, employment and investment. In 2001/2002 its GDP share reached a value of LE16.56 (\$3.84)* billion, representing 4.7% of the total GDP. It also employed 8.3% of the workforce in the same year. Construction investments reached LE41.2 (\$9.5) billion in 2001/2002 which represents 48.2% of the country's total investment.

The development and competitiveness of the Egyptian construction sector in the local and international markets is affected by factors that can be classified under five main categories: construction companies, government policies and strategies, available resources, institutional backing and supporting industries. Modifications and developments within these categories will lead to further growth and greater competitiveness for the sector.

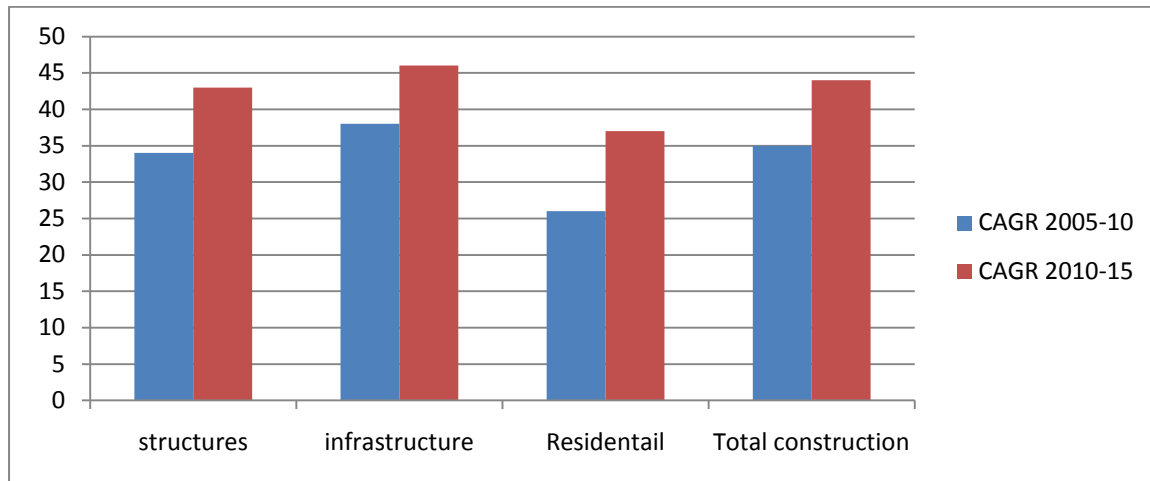
Official forecasts indicate that the Egyptian construction sector is expected to experience higher average annual growth rates, at 8.3%, than those of the total GDP (7.4%) and of the total commodity sector (7.8%) during Egypt's fifth five-year plan from 2002/2003 through 2006/2007. The forecasted total investment in construction for that period is LE257 (\$59.24) billion.

Market overview

- ✓ Spending in the construction sector will increase at a CAGR (Compound Annual Growth Rate) of 3.9%, from US\$5 billion to US\$7.3 billion during 2005-15. Increasing foreign direct investment (FDI) coupled with various government-initiated development programs, such as healthcare development, will boost the economic development of the country, which will drive the growth in this sector.
- ✓ Spending on residential construction will increase from US\$443 million in 2005 to US\$606 million in 2015 at a CAGR of 3.2%, owing to such factors as increased disposable income, the development of new residential regions, such as villages, and the formulation of government policies to develop the housing finance system during 2005-15.
- ✓ Spending in the non residential construction sector will grow at a CAGR of 4%, from US\$4.6 billion in 2005 to US\$6.7 billion in 2015. Government policies to encourage private investment in business as well as infrastructure development will encourage expenditure in this sector.
- ✓ Egypt is a high-risk country as its one-year risk score is above the world average and five-year risk score is comparable with the world average score. High bureaucracy and

corruption levels, low income, rising unemployment, and continued security threats have increased the country risk.

Construction growth



Based on this graph we can conclude that the construction sector is going to be growing at a gradual rate until 2015 which creates a very attractive market for investors both in domestic bases and foreign.

Construction outlook summary

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2015 | 2005-10 | 2010-15 |
|------------------------------------|------|------|------|------|------|------|------|---------|---------|
| Total construction (US\$ billions) | 3.9 | 4.3 | 4.5 | 4.7 | 4.9 | 5.2 | 6.4 | 5.8 | 4.2 |
| Residential | .3 | .4 | .4 | .4 | .4 | .4 | .5 | 5.1 | 3.3 |
| Non residential | 3.6 | 3.9 | 4.1 | 4.3 | 4.5 | 4.8 | 5.9 | 5.8 | 4.3 |
| infrastructure | 1.7 | 1.9 | 2. | 2.1 | 2.2 | 2.3 | 2.8 | 6. | 4.5 |
| structures | 1.9 | 2. | 2.1 | 2.3 | 2.4 | 2.4 | 3. | 5.7 | 4. |
| Total construction (us\$ billions) | 5.0 | 5.2 | 5.5 | 5.7 | 5.9 | 6.2 | 7.3 | 4.4 | 3.5 |
| Residential | .4 | .5 | .5 | .5 | .5 | .5 | .6 | 3.7 | 2.6 |
| Non residential | 4.6 | 4.8 | 5.0 | 5.0 | 5.4 | 5.6 | 6.7 | 4.4 | 3.6 |
| infrastructure | 2.2 | 2.3 | 2.4 | 2.4 | 2.6 | 2.7 | 3.3 | 4.6 | 3.8 |
| structures | 2.4 | 2.5 | 2.6 | 2.6 | 2.8 | 2.9 | 3.5 | 4.3 | 3.4 |

The construction sector is divided in to several sub-sectors as follows;

Residential

Based on the outlook (forecast) the Expenditures in the residential sector will increase at a CAGR of 3.2%, from US\$443 million in 2005 to US\$606 million in 2015. Moreover, the government plans to implement the New Village program, which focuses on creation of 400 new villages in the Nile valley over the next six years. This will increase spending on residential construction in the near term. This program is estimated to create 70,000 new job opportunities annually for the next six years. These new jobs will increase disposable income, thereby raising the demand for residential facilities over the next decade

The Egyptian government, with the association of the US Agency for international Development, has planned to develop the mortgage financial system of the country at a cost of US\$ 35 million in gradually for a period of 5 years starting 2005. In addition there is also a special project (The Alexandria growth pole) which aims at construction of low income residential facilities to reduce impoverished areas , this project is estimated to cost at least US \$140 million.

Housing sector

The real estate sector is growing at 7% in real terms and now contributes 8.6% of the nation's GDP. This sector accounts for between 5 and 6% of investments. Both supply and demand remain strong and new building licences are growing at 42% a year. However, as the class-A market is moving gradually into oversupply developers are increasingly modifying their plans to meet the neglected class-B market.

Egypt's housing sector offers great potential for investment-hungry mortgage finance companies. The mortgage-backed spending contributes just 1 per cent to the country's gross domestic product (GDP) but this is changing. In the third quarter of this year, the value of mortgage loans provided by Egypt's banks rose by 17 per cent to E£2,097m (\$2,954m), and 18 of its 35 banks now have mortgage finance divisions.

Opportunities

There are opportunities for foreign investment in housing finance, housing construction and associated infrastructure. Possible investment areas include the following;

- ✓ **New cities;** due to the speculated natural increase in population and migration to urban areas the Egyptian government plans to increase the number of new urban cities from 17 cities to 59 cities by the end of 2017.
- ✓ **New housing development;** in near terms analysis suggest that they may be in a project that support construction of low –income housing, with a lease-purchasing option.
- ✓ **Existing housing;** there are also opportunities in private financing in the middle – income market. due the fact that there is high demand among the middle class

Non- residential structures

Based on the world outlook the Egyptian spending on the non residential structures will increase at a CAGR of 3.8%, from US\$2.4 billion in 2005 to US\$3.5 billion in 2015. The growth will be due to the government-planned development activities in education and healthcare. Beside these the government is promoting private participation in these development activities to minimize its expenditure. Public-private investment in the development programs will contribute to spending on non residential structures such as hospitals and universities.

In the 2006 the Egyptian government laid down a plan in cooperation with private entities with the aim of constructing 1000 new factories in the country within a period of 5 years with a cost of a proximately US\$ 17.4 billion.

Beside this the government has stream lined its business registration procedures to reduces the average processing time from 34 days to 72 hours. In addition they also improved the taxation and customers related procedures to provide a better business experiences in Egypt.

Non residential infrastructure

The Egyptian government has undertaken a number of projects to improve the infrastructural setup of the country to attract foreign investors for public –private partnership. This is estimated to increase this sector by CAGR 4.2% billion for 2005 to3.3% billion in 2015.

In conjunction with the above aspect the Egyptian government have decided to take precaution on improving the infrastructure in three different strategies

1. The government plans to build three nuclear power plants with a cumulative capacity of 1,800 megawatts by 2020. One of the power plants, which have a capacity of 1,000 megawatts, is planned to be constructed near Alexandria at a cost of US\$1.5 billion. These energy projects would contribute to the expenditure in the non residential infrastructure segment over the next 14 years.
2. The communications industry which saw a boost, when 20% stake of Telecom Egypt, the leading telecommunications company in the country, was opened for public subscription in 2005. The positive business sentiment in the industry, coupled with the rising number of cellular subscribers, this as to a high growth of the industry, thereby increasing the spending on the construction of communications infrastructure in the near future.
3. The National Authority for Tunnels has planned to construct a 34-kilometer-long metro line stretching from Imbaba to Cairo International Airport. The project will be conducted in four phases. The first two phases cost US\$1.1 billion and are estimated to be complete by 2011, while the details of the other two phases are yet to be finalized. Similar transport projects will lead to an increased expenditure in infrastructure projects in the long term.

Incentives

- ✓ Investment incentives under the Investment Guarantees and Incentives Law include tax exemptions on company profits, personal income tax on dividends, and annual stamp duty on capital.
- ✓ Tax holidays are granted for five years for all investments, up to ten years for companies established in new industrial zones, new urban communities, or remote areas, and up to 20 years from the date of establishment for investments outside the Old Valley. In addition, all customs duty on import of capital by companies registered under this law are reduced to 5 %.
- ✓ In addition to tax breaks, investors receive guarantees against confiscation, immunity from administrative sequestration, and the right to import and export inputs and final products without having to use agents and export licenses.

Sector highlights

- ✓ Housing and utilities absorb the bulk of construction sector investments in Egypt.
- ✓ Construction investments doubled during the last five years to support the government's intensive development strategy.
- ✓ Privatization increased the private sector's share in construction investments by almost 30%.
- ✓ Financing and financial regulations are the main obstacles to the growth and development of the construction sector in Egypt.
- ✓ Egypt has committed to the liberalization of most construction-related service sectors under the GATS.
- ✓ Building materials comprise on average 40-60% of the total cost of a construction project.
- ✓ Mainstream privatization activity in the cement sector began in 1999 starting with the sale of Beni Suef Cement Company.
- ✓ The private sector currently dominates 68% of local cement production.
- ✓ Around 95% of steel production in Egypt is currently contributed by the private sector.
- ✓ Best prospects for foreign companies in Egypt exist in several specific construction services.

Dealing with construction permits

(Indicators in Egypt over the past three years)

| Dealing with Construction Permits data | Doing Business 2008 | Doing Business 2009 | Doing Business 2010 |
|--|---------------------|---------------------|---------------------|
| Rank | ∴∴∴ | 165 | 156 |
| Procedures | 28 | 28 | 25 |
| Time(days) | 249 | 249 | 218 |
| Cost(%of income per capita) | 474.9 | 376.7 | 331.6 |

Tourism and recreation sector

The tourism sector in Egypt is experiencing growth in both supply and demand, creating potential investment opportunities. These opportunities are presented by the TDA, specifically in the Red Sea, Aqaba Bay, Ain El-Sokhna, Ras Sudr, and Ras El-Hekma areas.

In addition investment opportunities related to privatization, hotels, tourism-related services, and eco-tourism exist.

Beside this there are increasing opportunities in the aviation sector, due to the increase in the tourism.

- ✓ Investment in tourism village(land of magawish)
- ✓ Investment in land of An ahokhna hotel for tourism activities
- ✓ Investment in sornaga land for touristic activities

Petroleum sector

The petroleum sector is a key factor in the growth of Egypt's economy; accounting for 15% of GDP in 2007/2008. Oil and gas cover 94% of Egypt's primary energy requirements with crude oil production in 2007 standing at 710,000 barrels per day (bpd), and natural gas production at 46.5 billion cubic meters, nearly double 2002 production levels.

The challenges of finding sustainable means of meeting future energy needs and reducing greenhouse gas emissions have led many countries, including Egypt, to opt for renewable energy resources, such as biofuels, wind power, thermal energy and nuclear energy. Egypt possesses abundant renewable energy resources and has begun to integrate these alternatives within its energy mix and to promote renewable energy technologies on a commercial scale.

The oil sector has contributed 17.5 percent to the country's economic growth rates during the fiscal year 2008-2009 compared to 8.3 percent the year before. Foreign investments in oil

prospecting have doubled from 33 percent to 67 percent of the total investments in the country.

The Ministry of Petroleum has granted several concessions for exploration and drilling activities to increase crude oil and natural gas production. Particular emphasis has been placed on the oil sector.

Conclusion

Based on the above information it is clear that, Egypt have a high potential market in construction industry which shows an increment of 23% in size at least every year, within this specific industry the government have also done several reforms in order to be favourable to both the domestic and foreign investors especially when it come to obtaining construction permit. Also the petroleum sector has outstanding developments in the past few years, with government trying to integrate renewable energy technology in a commercial scale.

Appendix

Ease in doing business

Egypt, ranking in doing Business 2010

| Rank | Doing business2010 |
|-----------------------------------|--------------------|
| Ease of doing business | 106 |
| Starting business | 24 |
| Dealing with construction permits | 156 |
| Employing workers | 120 |
| Registering Property | 87 |
| Getting Credit | 71 |
| Protecting investors | 73 |
| Paying taxes | 140 |
| Trading Across borders | 29 |
| Enforcing contract | 148 |
| Closing a business | 132 |

As entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that

entrepreneurs may have to bribe officials to speed up the process or may decide to run their business informally.

Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices and fuel corruption.

List of Procedures

- ✓ Obtain a certificate from an authorized bank
- ✓ Submit documents to the Department of Companies and obtain invoice
- ✓ Notarize company's contract
- ✓ Obtain the notification of incorporation
- ✓ Register for taxes
- ✓ Register employees with the National Authority of Social Insurance

Challenges

- ✓ In spite of the major reforms already under way, the challenges involved in building a more dynamic private sector remain considerable.
- ✓ Economic growth over the past few years has not been high enough to reduce unemployment (estimated at 10 percent) and absorb new job seekers (500, 000 to 700,000 each year).
- ✓ The overall government deficit continues to be high and total domestic debt amounted to 98.7 percent of GDP in 2003-04 and 82.9 percent of GDP as of the end of September 2005 (some US\$ 29.7 billion). This high level of internal debt is a constraint to securing the funding required to build the infrastructure base Egypt needs for future growth.
- ✓ The investment rate (16-18 percent of GDP) remains weak in comparison to the country's development needs.

Risks Assessment

✓ A growth slowdown

After three years of strong expansion of around seven per cent, the economy is expected to slow somewhat in the 2008/09 fiscal year. Signs of the economic slowdown began to appear in the 2008 second quarter. The economic downturn and the credit crunch at the world level could affect incoming foreign direct investment, exports, expatriate worker remittances, tourism, and Suez Canal traffic throughout 2009.

In this context, the government has taken measures to spur growth including an increase in the infrastructure investment budget, the cancellation of taxes on exports, and the shelving of plans to cancel subsidies on electricity and natural gas for energy-guzzling cement-making and petrochemical factories.

The civil service wage increases decided in May 2008, the maintenance of subsidies, and the decline in staple commodity prices is expected to bolster household consumption. The

government has undertaken to improve the business environment. The Coface payment incident index for Egyptian companies has remained at relatively satisfactory levels below the world average since 2006. The economic downturn could, however, give rise to more frequent payment delays.

✓ **External accounts under greater strain**

The trade deficit is not expected to worsen in 2009 with the contraction of imports attributable to weakening domestic demand and easing staple commodity prices likely to offset the downturn of exports stemming from the decline in foreign demand and oil prices. The invisibles surplus will likely shrink, however, as a result of the decline in revenues from tourism and the Suez Canal revenues and in remittances from expatriate workers, which will give rise to the emergence of a current account deficit. Foreign direct investment, albeit in sharp decline, will likely cover the country's financing needs. Egypt moreover benefits from satisfactory levels of foreign exchange reserves that shelter the country from a liquidity crisis in the near term.

✓ **A deteriorating public sector deficit**

Increased economic stimulus spending is expected to widen the public sector deficit despite the subsidy reductions resulting mechanically from the decline in staple commodity prices. The government has postponed measures to clean up public sector finances, which would notably involve new privatisations and subsidy cancellations intended to gradually reduce still-excessive government debt. Political pressures and risks of a social explosion tend to limit the government's capacity to implement certain reforms. With regional conflicts and poverty tending to strengthen Islamist opposition movements, officials are bent on keeping the lid on the social climate in the run-up to the 2011 presidential elections. But political unrest remains a possibility

Swot analysis

Strengths

- ✓ The business climate has benefited from an active reform programme and a regional economic boom.
- ✓ Egypt boasts diversified sources of foreign exchange (the Suez Canal, tourism, private transfers, and oil and gas exports).
- ✓ Foreign exchange reserves are high.
- ✓ The country enjoys the political and financial support of Western countries.

Weaknesses

- ✓ The interest on public debt and the cost of subsidies weighs on public finances limiting the capacity for infrastructure development.
- ✓ The banking system is not yet capable of meeting the economy's needs.

- ✓ The tourism sector, whose revenues are of fundamental importance to the current account balance and economic growth, remains vulnerable to the terrorist menace

Threats

- ✓ Egypt is a high-risk country as its one-year risk score is above the world average and five-year risk score is comparable with the world average score. Shortcomings in the legal and political system, accompanied by terror threats and scarcity of skilled labor, have amplified the country risk in the past few years.
- ✓ Poor infrastructure, low productivity, scarcity of skilled labor, growing unemployment, and other factors are adversely affecting the economic activity in the country, which in turn increases the economic risk of the country in the long term.
- ✓ The operational risk of the country is high due to a bureaucratic tax system, high level of corruption, rising security concerns, and time-consuming legal procedures.
- ✓ Overall, the country scenario seems risky for smooth operation of businesses. However, the government is taking initiatives to relax regulations for private investment to attract foreign investors and to improve the business environment. This will lead to the growth of business units, thereby encouraging more construction activity to match the growing infrastructural demands of these business units.
- ✓ The bombings in 2004-05, the rise of Muslim Brotherhood movement, the increase in demand for representative politics, and the uncertainty about the abilities of the successor to current President Hosni Mubarak are influencing the political scenario in Egypt, leading to an increase in the political risk of the country

Opportunities

- ✓ Egypt has an abundant, competitive labour force.
- ✓ It has diversified sources of income: fees from the Suez Canal, tourism, private transfers, and remittances, gas and oil exports.
- ✓ Foreign-exchange reserves are at a comfortable level and foreign debt remains moderate.
- ✓ The country's strategic location as a gateway to Africa and the Middle East and as a regional mediator ensures the political and financial support of Western countries.
- ✓ Structural reforms have been introduced aiming in particular at streamlining bureaucratic procedures for investments and tackling impediments to higher growth, promoting the privatisation programme, improving the business climate, and introducing numerous investment incentives targeting upgrading of the business environment and modernisation of the economy.
- ✓ New natural gas reserves were recently discovered in the Mediterranean and this resource could become the "engine" of the hydrocarbons sector in the next ten years. In 2003, Egypt started to export its gas to Jordan through an underwater gas pipeline connecting Taba to the Jordanian port of Aqaba.
- ✓ Egypt has become an important recipient of foreign direct investment (FDI) in the last few years, with considerable increases (almost US\$ 10b in 2005-2006, up from less than one billion in early 2000s), according to Central Bank of Egypt statistics. FDI can be either direct or through joint ventures, in the oil sector, cement industry, pharmaceuticals, automotive engineering but also tourism, real estate and telecommunications.

- ✓ The country's international profile has improved hence encouraging foreign investments, the possibility of repatriating invested capital and profits, tariff cuts, corporate tax reform, promotion of exports, creation of special economic free trade zones and protection of intellectual property. It is hoped that further privatisation will lead to a further increase in foreign investment in Egypt.

Business culture

Due to the religious nature of the Egypt the following the following aspects should be put in to consideration during business interaction

Appearance

- ✓ Foreigners are expected to abide by local standards of modesty however, do not adopt native clothing.
- ✓ A jacket and tie are usually required for men at business meetings. Men should wear long pants and a shirt.
- ✓ Women should always wear modest clothing in public

Behaviour

- ✓ Space relationships among members of the same sex will be much closer than North Americans and Europeans are comfortable with. Egyptians will tend to stand close and moving away may be seen as a sign of aloofness. On the other hand, men and women stand farther apart from each other than is the custom in United States and Europe.
- ✓ Try not to sit with your legs crossed. Showing the sole of your shoe is considered an insult to another person.
- ✓ It is common to smoke in public. Be considerate to others present and offer your cigarettes

Communication

- ✓ Names are often confusing. It's best to get the names (in English) of those you will meet, speak to, or correspond with ahead of time so that you can find out both their full names and how they are to be addressed in person.
- ✓ Arabic is read from right to left and books or magazines start at what would be the last page in the U.S. and Europe. Printed literature is preferred to have an impressive back cover, even if printed in English.
- ✓ Nearly all Egyptians speak Arabic. Most international business people will speak English, French or both.
- ✓ Frequently appointments may be interrupted by phone calls and/or visits.
- ✓ If locating in Egypt, business cards should be printed in English on one side and Arabic on the other.

Useful contacts

| Company/ organisation | Address | Website/ telephone |
|--|--|---|
| Federation of Egypt chamber of commerce | 4 EL-Falaky square, Bab EL Lok, Cairo, Egypt | Tel:(2)7951835 (2)7956479 |
| CAIRO INTERNATIONAL CONFERENCE AND EXHIBITION CENTRE | Nasr Road, Nasr City Cairo, Egypt | Tel:(2)22633222 Website: www.cicc.egnet.net |
| EGYPT GENERAL COMPANY FOR TOURISM AND HOTELS | 6 floor, 4 latin America street, garden city, Cairo, Egypt | Tel:(2)79255529 (2) 79257355 Website: www.egoth.com.eg |
| ROYAL NETHERLANDS EMBASSY IN CAIRO, EGYPT | 18, Hassan Sabri 11211 Zamalek, Cairo, Egypt | Tel: +20 2 2739 5500 Fax: +20 2 2736 5249 Website: egypt.nlembassy.org |
| CONSULATE OF NETHERLANDS IN ALEXANDRIA, ARAB REPUBLIC OF EGYPT | 2, Mohamed Massoud st, Wabbour El-Maya, Alexandria, Egypt | Tel: 00-20-3-4224877 Fax:00-20-3-4224877 |
| TEC ENGINEERING & CONTRACTING | Alexandria, Egypt | Tel: 002-03-4206380/2 |
| MAXESTATE AGENCY & INVESTMENT | Al Bahr al Ahmar, Hurghada Real Estate, Egypt | Tel: 002124944239 Website: www.maxestateegypt.com |

Links:

<http://www.lincomrealestate.com/>

<http://www.propertyshowrooms.com/egypt/property/investment/>

<http://www.theebcc.com/>

<http://www.amcham.org.eg/>

<http://aecc1.tripod.com/>