

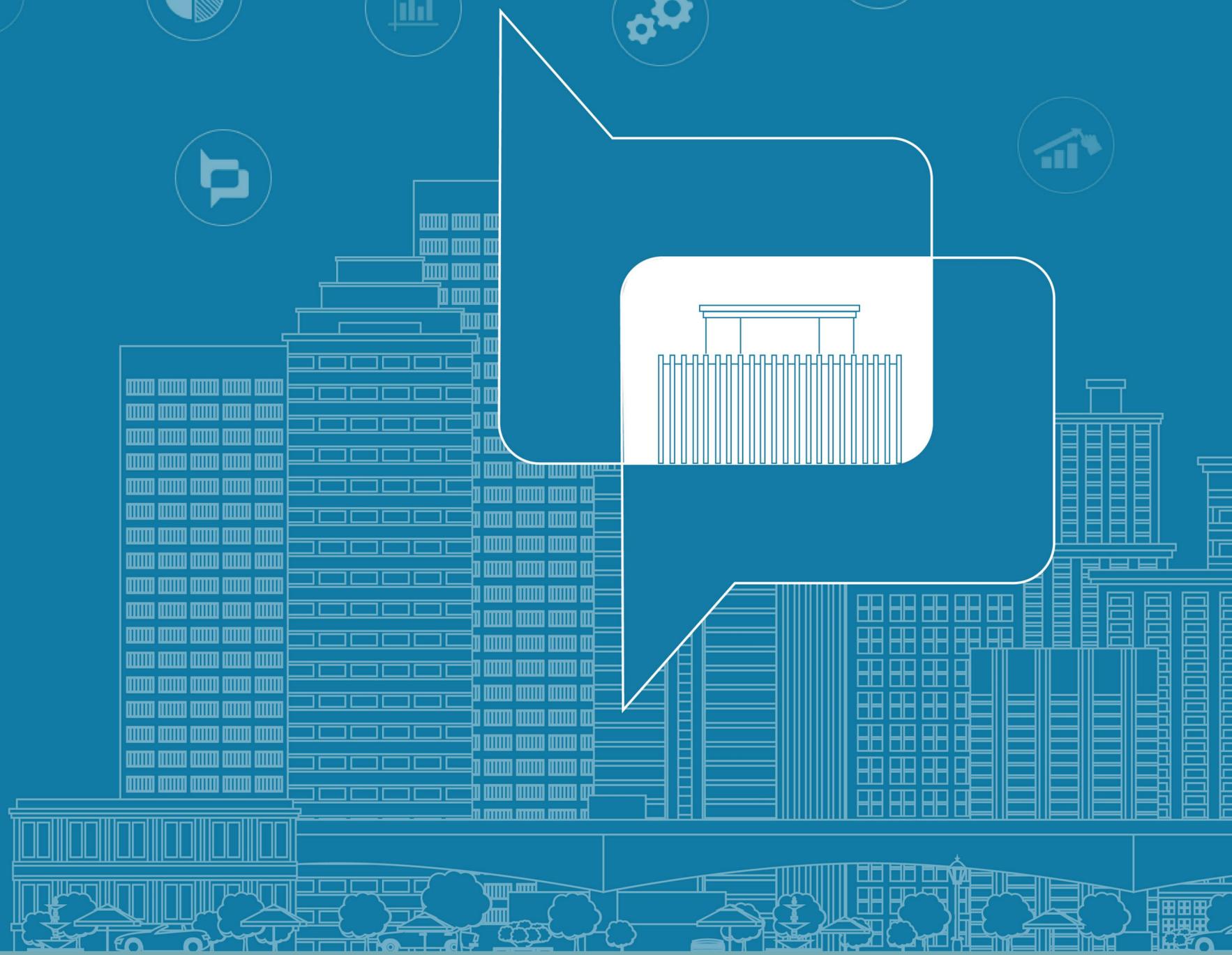


EGYPT RESUMING GROWTH

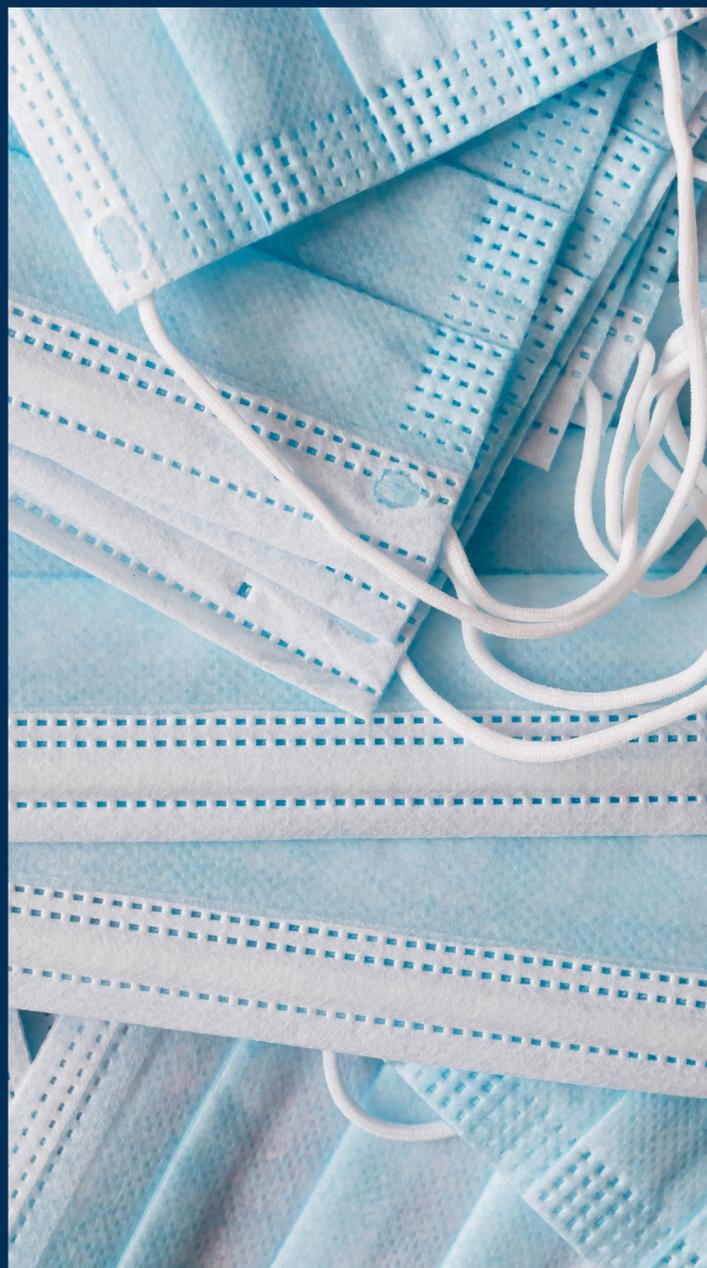
OPPORTUNITIES AND BARRIERS

BUSINESS FORWARD ANNUAL EVENT 2021

Compiled Content



FOREWORD



2021 had been a year of coexisting with the pandemic, amidst efforts to roll-out vaccinations and continuing uncertainty due to new virus variants. Governments maneuvered between easing lockdown and pandemic-control measures and staying attuned to public health priorities. The world managed to jump from a negative economic growth rate of -3.1 percent in 2020 into a positive one of 4.9 percent in 2021. Different economies grappled with recovery with diverging results, depending on their stage of development and specific conditions. In Egypt, the economy was held intact due to several factors, and for the second year following the pandemic, it managed to keep a positive growth rate of 3.3 percent.

Through Business Forward annual event titled “Egypt Resuming Growth: Opportunities and Barriers”, prominent speakers from different fields weighed in their expert opinions attempting to answer four key questions: How can Egypt’s private sector drive its recovery? What is the role of corporate responsibility?

How can we foster stronger economic ties and enhance integration with African countries? How can Egypt resume growth in an inclusive and sustainable way?

Business Forward annual event takes place in December, a tradition that the AUC School of Business followed since 2018 to mark the anniversary of its knowledge portal, Business Forward. This eloquent annual event serves as an extension of the role of the portal as a platform for dissemination of knowledge and sharing experiences on trends and developments that shape our markets and affect our economies.

Unlike our 2020 event that was virtual, this year we managed a hybrid event format combining both virtual participation and a face-to-face gathering- albeit with strict precautionary measures- in the iconic Ewart Hall of the AUC Tahrir campus. The event featured experts and thought leaders from the private sector, international organizations, and the government, bringing in their expertise to a multidimensional conversation on building back better as the recovery from the COVID crisis continues.

The event was powered by partners who believe in supporting knowledge sharing and contribution to a constructive public dialogue about the economic roadmap: [the Egyptian Credit Bureau- I-Score](#), [Arab Africa Trade Bridges Program](#), [The](#)

[Coca Cola Company](#) and the [Commercial International Bank \(CIB Egypt\)](#). Our annual flagship video on the economy snapshot was developed in partnership with [D Code](#) for Economic and Financial Consulting. [The Egyptian Professionals Network \(EPN\)](#) have been a community partner throughout 2021 as well. On behalf of AUC School of Business, Business Forward takes this opportunity to express appreciation of these valuable partnerships.

This e-booklet is indeed your one-stop-shop for finding reliable figures, presentations and analysis of economic performance, reflections on economic policy and discussions about recent developments affecting the business landscape, and trusted insights on expected trends and policy directions in 2022.

**Happy and informative reading,
Business Forward team**

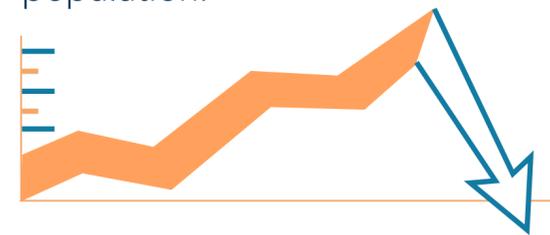
QUOTED AT THE EVENT

Wafaa Sabry, Senior Director of External Relations at AUC School of Business

Knowledge and information are the new oil of the coming century. Sharing and disseminating knowledge to our community is a core value of the AUC School of Business. One way of doing that is through Business Forward, the knowledge portal of the School, and its annual event.

Dina Abdelfattah, Interim Chair of the Department of Economics, AUC School of Business

The private sector, the IFIs and the government are in agreement about the challenges facing the private sector, limiting its ability to grow and create quality jobs to absorb the ever-growing population.



Mahmoud Mohieledin, Executive Director at the IMF

Let all kinds of investment grow based on rules of competition. Be evidence-based. Go to the sector, go to the firm and see exactly where the state should be going solely, and where the private sector should be left alone without constraints in booming and doing a good job, and where are the areas that should be subject to effective and flexible public-private partnerships with decent returns and big impact.

Sherif Kamel, Dean of the AUC School of Business

Digitization should be looked at as creating an enabling environment to hit on some of the issues that were derailing the economy, including bureaucracy, red tape, and inefficiencies. A digitalized environment is not automation, it is not really (about) converting processes to become automated. Otherwise, we will have inefficient processes becoming automated inefficient processes.

Gehan Saleh, Economic Advisor to the Prime Minister of Egypt

I am not for cutting imports. I am for increasing sources of foreign currency, and looking at localizing inputs. But cutting imports means reducing competitiveness with the rest of the world. It is a matter of positioning ourselves on global value chains through strategic alliances and FDI, for which preconditions are needed.



Mohamed Dangote, Executive Director of Nigeria-based Dansa Holdings

If you look at how Africa was designed, it wasn't designed for us to co-exist. If you look at the colonial times that left their imprint and the infrastructure behind, it was designed for us to export. We are still exporting our natural resources until today. So in terms of the opportunities that are missed, I cannot describe how exponential they are.

Tarek Tawfik, President of the American Chamber of Commerce in Egypt

Bureaucracy on land allocation, the tax code, clearance process on traded goods: once these issues are addressed, this will unlock a huge potential for the economy at large.

Said Bakhache, Senior Resident Representative of the IMF in Egypt

The more important question than how to attract FDI is how to attract private investment in general. It is to reduce uncertainty, because investment [as an economic activity] is already sufficiently uncertain. Addressing that in Egypt relates to levelling the playing field, ensuring investors will not face unfair competition.





Tarek Moharram, CEO of Elevate Healthcare Africa

The medical sector gap in Africa is tremendous and it is a know-how gap. It is not an investment gap; the capital is there and many people have interest in those kinds of services and this kind of production. But they lack the technical know-how and they lack the appetite for getting out of their comfort zone.



Ahmed El Sewedy, CEO of El Sewedy Electric

To work in Africa, you have to give a complete solution to the market needs and to be available on ground. In most countries [where El Sewedy Electric operates in Africa], we have people from a high executive level to discuss with the governments to determine their needs.



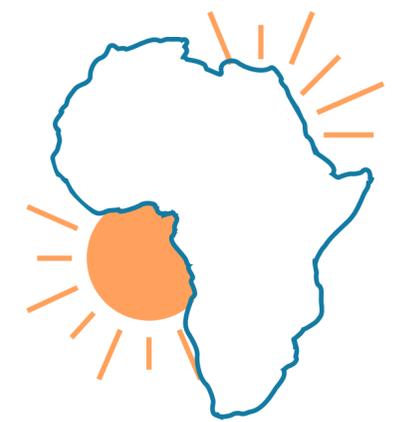
Sherine Helmy, CEO of Pharco Corporation

1.9 million people passed away in the COVID-19 pandemic. Yet there are 1.5 million people passing away every year from hepatitis. But the former pass away in 10 days, and the latter pass away in ten years. So no one takes care of them.



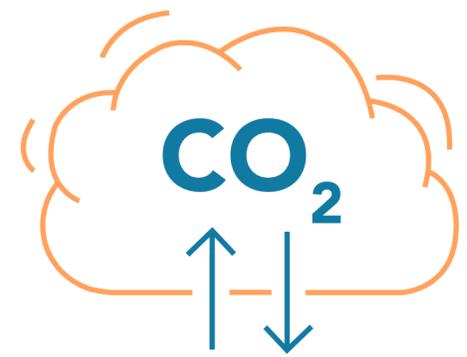
Christiane Abou Leahf, Senior Manager of International Cooperation, Afrexim Bank

We have a golden chance because policy makers now have a vision to regain Egypt's role in Africa, so our education system should reflect that and teach us about Africa from a young age.



Maysoun Ali, Head of Sustainability Systems, CIB Egypt

Green bonds will have a direct and indirect impact on reducing greenhouse gases emissions, as they support projects related to renewable energy, energy efficiency, sustainable transportation, green industry and sustainable consumption.



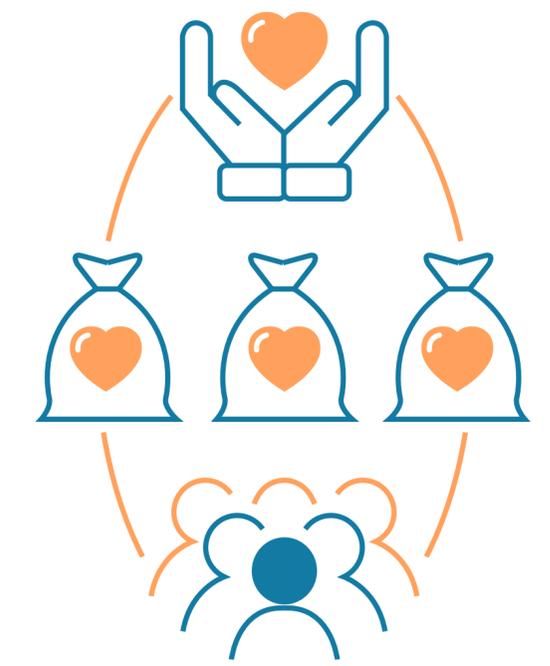
Sherine Shahin, Head of Public Affairs and Sustainability for North Africa, The Coca Cola Company

Creating shared value is no longer something you [as a business] want to do as an exercise to look good, it is actually a way to redefine your operations, your competition, and also your marketing positioning.



Ghada Nadi, Managing Editor of Business Forward, AUC School of Business.

Making impact through responsible business does not necessarily need to involve a huge amount of spending and is certainly not about creating PR hypes. In many cases it is embedded in the company's business model and DNA, and is something that contributes to building the brand value.



COEXISTING WITH THE PANDEMIC, HOW HAS EGYPT'S ECONOMY PERFORMED IN 2021?

With 2021 coming to an end, Egypt's economy stands at a crossroad. After nearly two years of COVID-19, Egypt had lifted nearly all pandemic-related restrictions. The country sped up its vaccination efforts, with almost 40 million vaccine doses administered by November 2021, according to the WHO.

The following snapshot of the economy during 2021, also illustrated in the video to the left, shows a net positive growth and positive indicators into the second pandemic year in spite of persisting challenges like the stumbling current account balance and higher inflation risks.

Egypt was able to weather the COVID-19 storm for the second consecutive fiscal year and achieve a positive growth rate of 3.3 percent primarily driven by solid private and public consumption, and a reviving investment sector, according to the Ministry of Planning and Economic Development (MPED).

From a sectoral perspective, the communication sector recorded the highest growth rate (16 percent) among all economic sectors during the last fiscal year, followed by the construction (6.8 percent), and the transportation and storage (4.6 percent) sectors. Digitalization has touched

upon almost all sectors, which contributed to their performance.

The communication sector recorded the highest growth rate (16 percent) among all economic sectors during the last fiscal year, followed by the construction (6.8 percent), the transportation and storage (4.6 percent) sectors.

Positively, the IMF expects Egypt's economy to grow at a rate of 5.2 percent in the current fiscal year 2021/22 and 5.6 percent in the following one, signaling a strong recovery to pre-COVID growth levels.

Egypt has been investing heavily in major infrastructure projects and new cities, which have created much needed jobs, particularly in the construction sector, and helped to cushion the negative impact of the pandemic on the labor market.

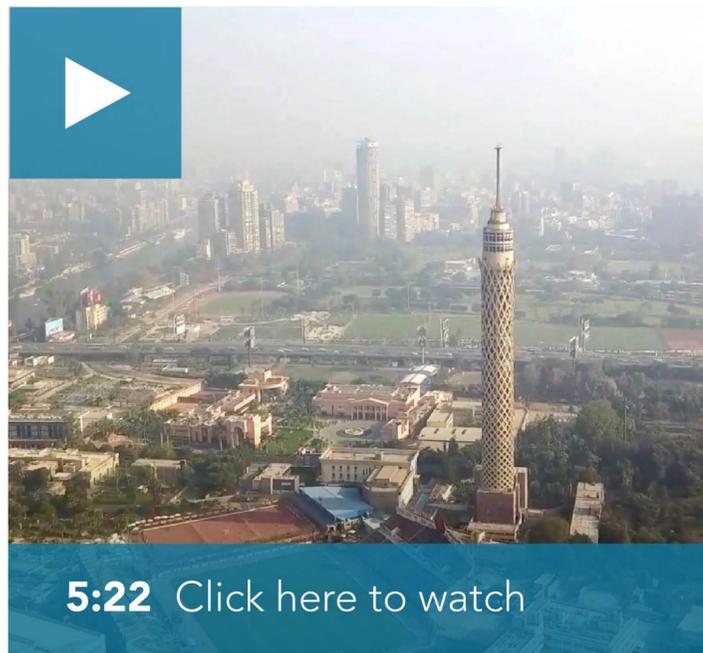
The unemployment rate resumed its improvement path reaching 7.5 percent in the third quarter of 2021, as per the Central Agency for Public Mobilization and Statistics (CAPMAS). During the last fiscal

year, inflation went down from 5.7 percent to 4.5 percent according to figures issued by the Central Bank of Egypt (CBE), given the lower aggregate demand induced by the pandemic.

However, inflation has been picking up pace since mid-2021 given the global supply chain and energy disruptions and increased global consumption recovery. Nevertheless, it remains within CBE's target range of 7 percent.

Inflation has been picking up pace since mid-2021 given the global supply chain and energy disruptions and increased global consumption recovery. Nevertheless, it remains within CBE's target range of 7 percent.

Other macroeconomic indicators reported by the CBE show that the exchange rate has also been largely stable since the start of the pandemic at 15.7 Egyptian pounds per US dollar. Net international reserves



have been increasing steadily to stand at almost \$41 billion by the end of September 2021, up from \$36 billion in May 2020.

Additionally, domestic credit to the private sector has significantly increased during 2021 boosted by the CBE's subsidized lending schemes, which resulted in a growth of domestic liquidity by 40 percent between October 2019 to October 2021.

Looking at the external sector, Egypt recorded a positive balance of payments of \$1.86 billion in mid-2021 compared to a negative balance of \$8.6 billion the year before.

This significant change was mainly driven by the capital account, with the rebounding portfolio inflows and foreign borrowing, while foreign direct investment was lower during the past year.

On the other hand, despite improvements in remittances, non-petroleum exports, and petroleum imports, the continued plunge in tourism revenues, and the increase in non-petroleum imports have widened the current account deficit by 65 percent, as per CBE figures.

The continued plunge in tourism revenues, and the increase in non-petroleum imports have all widened the current account deficit by 65 percent, as per CBE figures.

While external debt increased during 2021, the debt to GDP ratio of 34.2 percent reported by the CBE remains within manageable and sustainable levels compared to peer countries, especially that more than 90 percent of gross external debt is long-term.

On the fiscal side, Egypt's budget deficit has been steadily decreasing since 2015, according to the Ministry of Finance, dropping from 12.5 percent of GDP in 2015/16 to 8 percent in 2019/20. With the ongoing tax amendments and the gradual recovery of economic activity, the government targets the deficit to reach 6.7 percent of GDP in the current fiscal year. On the other hand, government expenditure is also expected to increase by 13.8 percent.

Overall, Egypt's fiscal policy has been geared towards stimulating economic

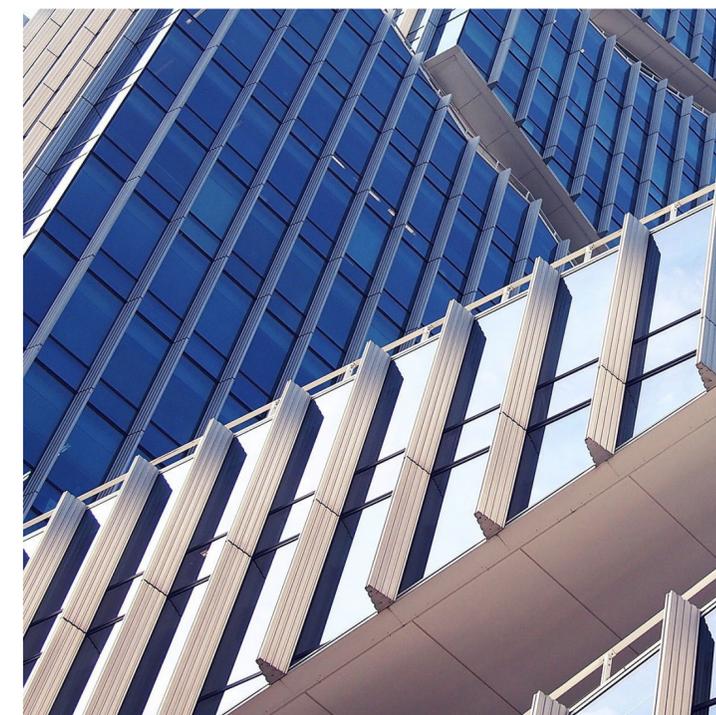
activity, creating jobs, improving the quality of public services, and enhancing the efficiency of social protection programs, all while keeping fiscal sustainability.

The private sector, contributing around 70 percent of GDP (according to Ministry of Planning and Economic Development 2019 figures), is also getting much needed attention, with Egypt moving to list many state-owned firms in the stock market to encourage private sector involvement. Measures in support of the stock market such as SPACs (Special Purpose Acquisition Companies) were also introduced.

The private sector is getting much needed attention, with Egypt moving to list many state-owned firms in the stock market to encourage private sector involvement.

2021 also witnessed the launch of one of the biggest social and poverty-alleviating initiatives "Hayah Karima", advancing Egypt's 2030 vision and allocating EGP 700 billion to improve the lives of more than 50 million individuals.

In the coming year, Egypt's economy faces risks of pressures on its exchange rate, due to a widening current account deficit and a continuation of pandemic-related disruptions. In addition, with global commodity prices being at multi-year highs, inflation is at risk, also posing a possibility of higher interest rates. How can Egypt continue to grow in a sustainable and inclusive way?



EGYPT RESUMING GROWTH

Opportunities and barriers in a capsule

Featuring several economists, thought leaders and industry figures, our Business Forward annual event 2021 attempted to address how Egypt can resume economic growth while facing internal and external challenges. What are the opportunities and barriers? We present here the answers from the expert discussions across three main tracks from the event: The roadmap to inclusive and sustainable economic development, the importance of boosting the contribution of the private sector, and fostering economic integration with Africa for stronger trade and investment ties.

Overall economic performance

01 Egypt’s economy has been one of the very few growing during the peak of the pandemic in 2020, and is projected to grow by 5.4 percent in 2022. This is a strong narrative emphasized by international institutions that Egypt should capitalize on.

02 In the coming year, inflation is predicted to be a global challenge, yet in Egypt projected to remain within central bank predictions of close to 7 percent.

03 IMF recommends the exchange rate policy to have some upward and downward flexibility anchored to the target inflation rate, to be able to respond to negative and positive shocks.

04 Balance of payments is a persistent challenge for Egypt, where the issue lies in

limited exports rather than high imports. In fact, imports largely consist of raw materials and intermediate goods essential for industry, compared to an insignificant portion of luxury goods.

05 The \$100-billion-exports-strategy targeted by the Presidency is a reasonable target if compared with exports per capita in comparable economies. It is a matter of industrial and agricultural policies tailored to the sectoral level.

06 An important question is why doesn’t Egypt have the adequate level of investment. It falls below the world median of about 25 percent as the ratio of investment to GDP. In Egypt, the ratio is less than 20 percent. Investment- both public and private- needs to be directed to where it creates impact, where it creates jobs and enhances productivity. In fact, research by the IMF shows that public investment can enhance the multiplier effect in times of distress.

07 Construction and real estate sectors

continue to grow, providing major employment and driving growth, which was helpful during the recession and the return of Egyptian expatriates due to the COVID-19 crisis. There is a need to support other export-oriented and growth-generating sectors and those that can attract investment in research and innovation, like the booming startup scene in Egypt.

08 The stock market isn’t mirroring the economy; many important sectors are missing. Public listing should not only include state-owned enterprises but also more private enterprises like family-owned ones with good performance. More listing and support to the stock market may increase its contribution to the development of the private sector.

09 New investment zones like the ones in Menoufia, Banha, and Mit Ghamr show real promise.

10

Renewable energy projects in Egypt are a major step forward, with several successful public-private partnerships.

11

Environmental and Social Governance (ESG) for firms is like Sustainable Development Goals (SDGs) for countries. Today, CSR, ESG and impact are becoming an integral part of the corporate structure of firms.

12

Most significantly, Egypt has launched one of the world's biggest poverty-alleviating projects, Hayah Karima (Decent Life) initiative, heavily investing in infrastructure and human capital, which, if completed as planned, would dramatically improve its prospects for innovation, economic development and stability.

13

The assumption that the benefits of economic growth will 'trickle down' to the lower population segments and needy locations does not work in Egypt nor anywhere in the world. Inclusive growth

happens bottom-up, with projects like Hayah Karima that reach out to the poorest population segments, providing better infrastructure, access to the internet and digitalization, access to markets and knowledge, thus creating opportunities for people.

More private sector-led growth

01

In the past seven years, there has been a strong reason for the government to intervene to restore political and economic stability after a series of crises the country has been going through. Following the successful economic reform program of 2016-19, other structural reforms are needed to continue this path. An important pillar of that is enhancing the contribution of the private sector, which has been shrinking.

02

Investment is currently only 15 percent of GDP, and as the government targets to bring it up to 25 percent, it cannot do so

without a boost in private investment and Foreign Direct Investment (FDI).

03

Although the private sector contributes about 70 percent of GDP and employment, 50 percent of this is informal. Economic growth recently has largely been driven by public investment in sectors that are generating low-skill jobs.

04

The labor market suffers from low skills. Adjusting labor laws to allow for importing in necessary skills from abroad through expat labor to train and retrain our labor would support investments and attract FDI.

05

The size of the working population is expected to increase by 30 percent over the next 20 years. It is therefore important to create high quality and sustainable jobs to absorb the working age population. That is why the private sector needs to be incentivized to operate and develop.

06

The extensive presence of the state in business sectors is a key- but not the only- impediment to private sector development. State Owned Enterprises (SOEs) are not subject to the same disciplining factors that guide private companies. SOEs are sheltered through preferential treatment and exceptions, which crowds out private investment. In most sectors, private sector firms are found to be more productive. SOEs' underperformance has a cost. Leveling the playing field is needed for a healthy investment landscape.

07

The government should not invest in sectors that are mature and saturated but instead in 'future industries' to pave the way for the private sector. Renewable energy and basic infrastructure development in rural areas through Hayah Karima are such examples.

08

The government needs to manage investments not sectors. Governments everywhere in the world invest money, but separating ownership from management can be a game changer in the case of Egypt.

09

Public-private dialogue is becoming instrumental in shaping government policy. There is an economic committee headed by the Prime Minister, and several sub-committees engaging the private sector, attempting to make the latter actively present in the decision-making and reform process. The government is currently in dialogue with the private sector and international institutions on a long-term vision, as well as announcing the sectors that the government is going to step out of in the short, medium and long terms.

10

The government has identified three sectors that are potential key players in driving inclusive growth and sustainable development following the recent successful economic reforms, and these are: Information and Communication

Technology (ICT), industry, and agriculture. The ICT is already one of the highest growing sectors in Egypt.

11

Positive signs include having an autonomous Egyptian Competition Authority that is getting a stronger role and a competition law. Public-private partnerships law amendments are another positive sign.

12

Another important development is the committee for Initial Public Offerings (IPOs), which has recently resumed its plan that has been put on hold due to the pandemic situation, with offerings of e-finance and Abu Qir taking place, and more to come in the coming year. An accelerated, transparent and clear program will give an inviting signal to investors.

13

The Sovereign Fund of Egypt has recently successfully engaged an international consortium in the project to transform the iconic Mogamaa El Tahrir building, and this model will be applied to

maximize the value of other government-owned buildings.

14

To increase exports or to capitalize on Egypt's location as a potential hub, there are preconditions to address first, related to the production structure, costs and quality.

15

The currency depreciation did not attract FDI in the past few years. FDI is going to come when the infrastructure pertaining to the laws and regulations is improved.

Doing business with Africa

01

Africa has many promising growing economies which could potentially be great trade and business partners for Egypt, like Morocco, Kenya, Nigeria and more.

02

Egypt has a comparatively advanced private healthcare sector enabling it to be in a position to export expertise and know-how to its African partners.

03

90 percent of Africa's pharmaceutical needs are imported, mostly from outside the continent, which means Egypt has big room to fill by replacing out-of-continent producers, to the benefit of Egypt's economy as well as benefiting the African countries it partners with in this regard.

04

The African Free Trade Agreement could be utilized to make African markets more favorable and competitive for Egyptian businesses.

05

The lack of proper infrastructure and clear policies and regulations in some African countries make it challenging to work there.

06

There is a lack of awareness of what's needed in the local market, making Egyptian businesses compelled to provide their own research insights on what they think the client market needs. They need to come with a fully-realized solution to their African clients.

07

Language can be a barrier in expanding business into Africa.

08

There are several countries in Africa achieving high level of political maturity which makes doing business there much easier, like Ghana, Kenya, Morocco and Nigeria.

09

On-ground presence is necessary to do business in African countries.

10

The gap in healthcare services is tremendous, meaning that there is a wealth of business opportunities for the

taking. There is fierce foreign competition, particularly from China, both on quality and price.

11

The mindset inherited from colonialism can sometimes make Africans (Egyptians included) prefer trading with out-of-continent economies.

12

Many economies in Africa are reliant on exporting raw material with no value added. Big investments are needed to change that.



THIS IS HOW I MOVED MY #BUSINESSFORWARD

A campaign to spotlight businesses that are choosing to respond to environmental and societal priorities, while also creating value for the business.

THIS IS HOW I MOVED MY #BUSINESSFORWARD
Responsible Business Edition
 Showcase how your business is responding to societal and environmental priorities.

Receiving entries until February 28, 2022

Powered By Community Partner

We kicked off 2022 by launching a digital campaign that calls for the participation of Egypt's business community. In recent years, and even more accelerated by COVID-19, there has been a movement emphasizing the purpose and role of business in society, how it creates value, and promotes sustainable development, diversity, and stakeholder interests.

However, in Egypt and this part of the world, literature about responsible business or corporate responsibility, and documentation of its practice is very limited. It is often mistakenly associated with charity, philanthropy and public relations.

In this edition of "This is how I moved my #BusinessForward", in partnership with The Coca Cola Company and the Commercial International Bank (CIB), and with the Egyptian Professionals Network (EPN) as our community partner, the objective is to build the narrative and awareness about corporate responsibility, highlighting positive examples that demonstrate responsible business conduct embedded

in the vision and day-to-day operations of the business, rather than a one-off act.

Join now, promote the call for corporate responsibility and influence others. The call for participation is open until the end of February 2022, and the campaign ends with the audience voting on the most inspiring stories. The call for participation is open until February 30, 2022, followed by posting the received responsible business entries on the campaign page for audience voting on the most inspiring models, and ends with an award ceremony in March 2022 to recognize the top voted stories. The winning entries will be featured in Business Forward.

WHY RESPONSIBLE BUSINESS?

The world is moving towards stakeholder- rather than shareholder- capitalism, more enterprises are committed to Environmental and Social Governance (ESG), all emphasizing responsible business.



FIND OUT HOW OUR PARTNERS ARE ADOPTING A RESPONSIBLE BUSINESS APPROACH INTO THE CORE OF THEIR OPERATIONS

Besides being Egypt's leading private sector bank and the first institution to issue green corporate bonds in Egypt, in cooperation with the International Finance Corporation (IFC), availing finance opportunities for projects that address climate action and potentially expanding the renewable energy, energy efficiency and green building sectors, CIB has embarked in a journey to reduce its 'Carbon Footprint' since 2018. This year,



EFP
Ecological Footprint Report
2019/2020



[Click here to download](#)

CIB issued its pioneering 'Ecological Footprint', by expanding the scope to include not only carbon footprint but also the water and land footprints, as explained by Maysoun Aly, Head of E&S Management & Sustainability Systems at CIB.

Measures are adopted by the bank to reduce and monitor the land, carbon, and water emissions per employee, and the bank's targets are expanding to include its value chains and clients by 2025. "Our monitoring shows that since 2019, emissions per employee have fallen to below the median for the banking sector and international benchmarks. CIB has successfully achieved the reduction of

its Greenhouse Gas (GHG) emissions on its own operations by 10 percent in 2020 compared to the baseline year (2018)," said Aly, and continued, "Our ability to reduce the ecological footprint [of the bank], involves several elements, like green building certifications for our buildings and pursuing the EDGE certification for our new premises in the New Capital."

View CIB's presentation of the ecological footprint [here](#).



to be reached before the 2025 target year. The second level is redefining productivity, meaning bringing in solutions to reduce resource depletion, like shifting to renewable energy or for example using plant-based bottles as Coca-Cola currently does. Cluster development was the third level Shahin mentioned, citing Silicon Valley as an example, explaining that this is the company's approach in creating an ecosystem of suppliers and service providers around its production plants. "We rise by lifting others," stated Shahin, "One of the great things we can do together through the campaign is sharing knowledge."

View Coca Cola's presentation of the Shared Value Concept [here](#).

HOW IS YOUR COMPANY CONTRIBUTING? JOIN THE CAMPAIGN "THIS IS HOW I MOVED MY #BUSINESSFORWARD"

Shereen Shahin, head of public policy and sustainability for North Africa at the Coca-Cola Company, explained how the classic definitions of the purpose of the business being solely maximizing profits have long been proven wrong. Shahin reiterated that the concepts of responsible business can be applied by small and medium-sized enterprises, not just multinationals, subscribing to the conviction that it is more the former that potentially drives economic development. She explained that at the Coca-Cola Company, creating shared value is practiced on three levels. One of those is about redesigning how the company operates so that the process brings value to as many players as possible. An example of that is bringing circularity to its production, so that 50 percent of its production is recyclable, which is likely



1:38 Click here to watch

Corporate responsibility is not only for the big brands. SMEs make the bulk of businesses in Egypt and in the world, and their contribution to the community could be through: local sourcing, better environmental practices, protecting and enhancing their labor conditions. Is your business doing that?

Make the story heard, share your company's unique knowledge and experience [here](#) and get spotlighted in our campaign.

POWERED BY

Coca-Cola



The American University in Cairo
School of Business

business forward

HOW CAN EGYPT'S PRIVATE SECTOR DRIVE ITS RECOVERY?

The private sector is crucial for Egypt's economic growth; fortunately, the government is realizing this with its current direction of inclusive private sector growth.

Speaking at the annual Business Forward event, titled "Egypt Resuming Growth: Opportunities and Barriers", three prominent economic experts weighed in on how Egypt's private sector can drive its

economic recovery and growth. President of American Chamber of Commerce Tarek Tawfik, Senior Resident Representative of the International Monetary Fund (IMF) in Egypt Said Bakhache, and Economic Adviser to the Prime Minister Gehan Saleh were on the panel, which was moderated by Dean of the AUC School of Business, Sherif Kamel.

Our growth rate recently is mainly triggered by public investment, which is largely generating jobs in sectors with low skills. This has been sustaining growth but if we want to move forward, we have to be changing our trajectory.

Download Tarek Tawfik's presentation [here](#)

Tawfik lauded Egypt's economic progress, particularly as it has taken far greater strides than many other countries in the direction of economic growth, although he added that there are still some issues. "FDI is not coming into the country, the private sector is shrinking, and the Purchasing Managers Index (PMI) has been below 50 for the last six to seven years, which is an

indicator that we are not growing as fast as we want," Tawfik explained.

As the economy's pillars remain relatively volatile, heavily depending on tourism, remittances, Suez Canal revenues, hot money, and the oil and gas sector, making Egypt more vulnerable to the effects of any crisis.

With Egypt's government spearheading a private sector inclusion program, this is likely to lead to state-owned enterprises gradually exiting the economy, structural reforms, mitigating red tape and furthered public-private dialogue, the president of the American Chamber of Commerce described. He also emphasized the importance of training and boosting the labor force's capacities.

Tawfik argued that our growth rate recently is mainly triggered by public investment, which is largely generating jobs in sectors that require low skills. This has been sustaining growth but if we want to move forward, we have to be changing our trajectory, he commented.

Tawfik recommended that the government should exit from what he referred to as 'wasted futures', and should avoid investing in industries that are saturated

and where the private sector has the skills and know-how to operate, using the textiles sector as an example. "This is not the role of the government, this is where crowding out happens, and is not a good sign," Tawfik said. "Governments should be investing in future industries, paving the way for the private sector, and carrying it through, rather than doing the same job the private sector is doing."

It's important for the government to identify the sectors in which their involvement is needed for strategic reasons or market failures. In sectors where this is not the case, it is important for the state to gradually withdraw.

Download Said Bakhache's presentation [here](#)

The recent Initial Public Offering (IPO) of the digital payments company e-finance and potentially six more State-Owned Enterprises (SOEs) in the next



1:29:23 Click here to watch

few months are promising first signs. As the government adopts more of an exit approach, this is likely to further the appetite of foreign investors. As a transitional year under a post-pandemic reality, 2022 will be a time when the government's commitment and its longer-term plans regarding SOEs will hopefully unfold with more clarity and transparency.

The IMF has been a key partner to the Egyptian government, particularly with the economic reform program in recent years. In this light, the Senior Resident Representative of the IMF in Egypt Said Bakhache emphasized the importance of reducing the state's footprint on the economy.

“[In other countries] it's not unusual to see the state involved in banking or public utilities. But it is really unusual for the state to be involved in the production of food, appliances, and textiles. The main issue is that these are not subject to the same disciplining factors that regulate [private] companies.”

“As I represent the IMF, we have a strong conviction that macro stability is an absolutely necessary condition for encouraging activity in the Egyptian economy. There is a need to reconsider the state's role in allowing more space for the private sector to freely operate and create goods and services.”

Bakhache noted that the private sector faces ample challenges because of the state's extensive and restrictive role in the economy. In his view, the private sector needs to be the engine of growth and job creation in Egypt. Additionally, a flourishing private sector requires a stable macro environment and a level playing field to optimize expected return, productivity and job creation potential.

He further emphasized the importance of strengthening the performance and governance of SOEs, improving accountability and competition practices among all economic actors, particularly by slashing the advantages often unduly granted to state-owned companies. This would allow the entire economic landscape to compete on the same level.

Additionally, Bakhache noted that the Egyptian economy is continually growing, but more can be accomplished by

developing private sector incentives. This is crucial since private investments currently contribute incredibly little to economic growth.

One aspect he flagged of prime importance is how the size of Egypt's working age population will massively increase by 2050, raising the need for high-quality, sustainable jobs to leverage the Egyptian economy's potential. The state has wide-ranging presence in numerous sectors, through over 20 public sector companies, military-owned enterprises and joint ventures across oil and gas, tobacco, construction, banking, hotels, railways, and even baby formula, among other sectors.

“[In other countries] it's not unusual to see the state involved in banking or public utilities. But it is really unusual for the state to be involved in the production of food, appliances, and textiles. The main issue is that these are not subject to the same disciplining factors that regulate [private] companies,” he said.

Bakhache also explained how evidence shows that SOEs underperform compared to comparator private sector companies as well as to SOEs in other countries, which has a real cost. “It's important for the government to identify the sectors in which

their involvement is needed for strategic reasons or market failures. In sectors where this is not the case, it is important for the state to gradually withdraw, and encourage private sector investment there.”

Gehan Saleh, economic advisor to the Prime Minister of the Government of Egypt echoed the points made by the other speakers, saying that “the enhancement of the private sector is not a luxury, it is crucial.” Saleh explained that with the high political instability during the years following the 2011 uprising, the government could not wait for private sector investment in key sectors like infrastructure and electricity. Following the economic reform program of 2016-2019, the government's vision is to start another phase of structural reforms, in which private sector enhancement is a core objective, prioritizing three sectors: ICT, Industry and Agriculture.

A major goal for the government is to see investments contributing to 25 percent of GDP growth, up from the current 15 percent, and to achieve that investments

needs to come more from the private sector and from FDI, Saleh stated.

A major goal for the government is to see investments contributing to 25 percent of GDP growth, up from the current 15 percent, and to achieve that investments needs to come more from the private sector and from FDI.

“We will soon announce the sectors and public companies that the government will entirely step out of in the short, medium and long term...The corona pandemic delayed the IPO of public companies; {yet} I am confident that we are on the right track,” Saleh stated, mentioning how this government strategy was formulated based on diagnostic studies and engagement with the private sector and international organizations.

Saleh also highlighted the dire need to fix the local ecosystem in order to position Egypt on the global value chain, and improve the competitiveness of Egyptian goods to boost exports, rather than focus

on reducing imports, which is not the pressing issue in our case.

Saleh finally mentioned that ‘Hayah Karima’ the mega national poverty-alleviation initiative is a good example of the government crowding in private investments in infrastructure, rather than crowding out.

“The perspectives of the private sector, international institutions and the government are all aligned, it’s now about moving into real action on the ground,” said Sherif Kamel, and added as he concluded the session, “For the economy to reach its true potential– based on the contributions of the panelists- it’s a matrix that includes an environment that is government-enabled, private sector-led, innovation-driven, youth-empowered and future-oriented.”

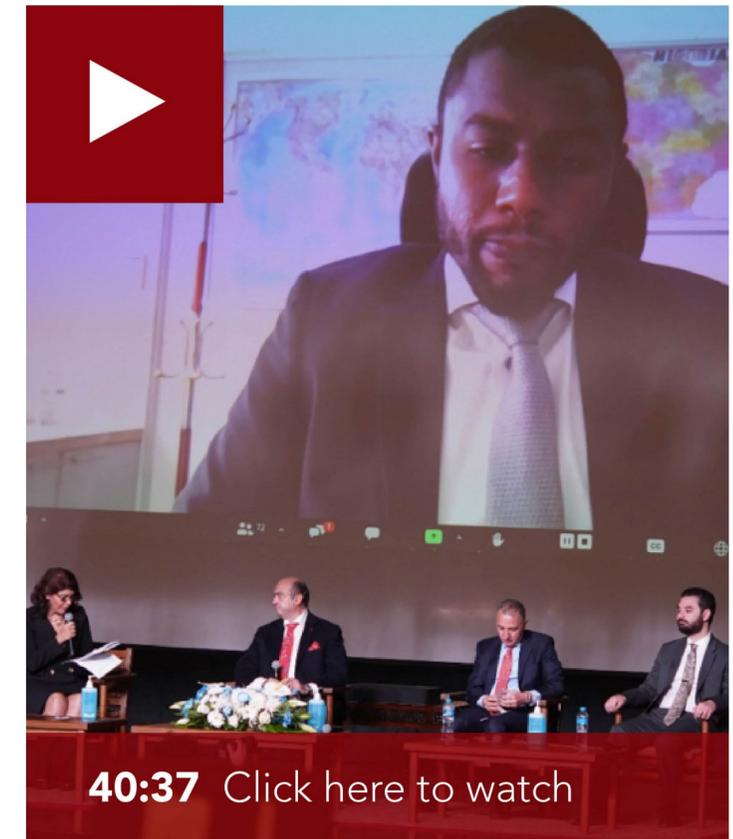
The rich discussions of the session indicated that reform and progress is not a mere three- or four-year timeline. The complexities of economic growth in a country that showed promise in the face of the past decade’s trials and tribulations are clear, yet the growth story Egypt has recently witnessed is clearly only the beginning of this new chapter.

For the economy to reach its true potential– based on the contributions of the panelists- is a matrix that includes an environment that is government-enabled, private sector-led, innovation-driven, youth empowered and future-oriented.

UNPACKING ECONOMIC INTEGRATION WITH AFRICA

In 2018, the African Continental Free Trade Agreement was founded, paving the way for free trade amongst 54 of the continent’s countries. This marked a new chapter for improving business and trade relations within the continent, but there remain many structural obstacles to achieving better economic integration.

Egypt has been placing economic integration with the rest of the continent at top of its agenda over the past few years.



Many Egyptian businesses, like El Sewedy Electric, CIB, Egypt Air, Orascom, Elevate Healthcare, Trella, Swvl and Pharco Corporation, to name a few, have launched operations across the continent, aiming at strengthening relations with Africa and exchanging expertise and know-how.

At the Business Forward annual event, a fireside chat, 'Unpacking Economic Integration with Africa' featuring prominent panelists was a platform for a conversation about the topic. Moderated by Christiane Abou Leahaf, senior manager of international cooperation at AfreximBank, the chat was joined by Ahmed El Sewedy, CEO of El Sewedy Electric, Mohamed Dagnote, executive director of Nigeria-based Dansa Holdings, Tarek Moharram, CEO of Elevate Healthcare Africa and Sherine Helmy, CEO of Pharco Corporation.

“Many Egyptian businesses, have launched operations across the continent, aiming at strengthening relations with Africa and exchanging expertise and know-how.”

Is doing business in Africa any different than elsewhere?

The short answer is yes, as per El Sewedy. His company, which mainly focuses on manufacturing cables and infrastructure, does business across the world, from

Europe to the Gulf. When attempting to penetrate the African continent, it became clear that a different approach is needed.

“There are a lot of challenges to working in Africa, it’s not easy. We had to think of a different way to work there than our approach to working in Europe or the Gulf. Our biggest market after Egypt is the UK. But I only need to visit the UK once every five years, since they know what they want; they need the price and quantity and we send the product. In Africa, it’s totally different,” explained El Sewedy.

“To work in Africa, you have to give a complete solution to the market needs and to be available on the ground. In most countries, we have people from a high executive level to discuss with the governments to determine their needs.”

“To work in Africa, you have to give a complete solution to the market needs and to be available on the ground.”

Move production to Africa or keep it in Egypt?

Presiding over a pharmaceutical company that played a critical role in Egypt’s widely acclaimed and successful Hepatitis C treatment campaign, Sherine Helmy, CEO of Pharco Corporation, seeks to export the experience to other African nations.

“We want to cure a million people in Africa and we will make the same system-transfer to other countries,” said Helmy, referring to the transfer of knowledge and expertise in order to undertake a similarly successful Hep C eradication campaign in the rest of the continent.

“By 2033, we have to be producing in Africa, 90 percent of Africa’s pharmaceutical needs are imported, with 70 percent of them being imported from outside the continent,” explained Helmy. “So every year in the coming 10 years, we should be building a new factory, and we are planning to be doing so.

With economies of scale, we can supply champagne on beers budget because with pharmaceuticals you have to have high quality products and highly efficient machinery.”

However, obstacles to achieving this goal are still very much significant.

“You cannot be in the middle of somewhere in Africa and you don’t have spare parts or the machine is not performing well,” said Helmy, adding that his company will start establishing production facilities in certain West African locations in order to get their life-saving products to reach 200 million West Africans.

“By 2033, we have to be producing in Africa. 90 percent of Africa’s pharmaceutical needs are imported, with 70 percent of them being imported from outside the continent.”

Healthcare shortages in Africa

From pharmaceutical production to healthcare, Tarek Moharram, CEO of Elevate Healthcare Africa, a healthcare fund that aims at exporting Egypt’s private

healthcare expertise to African markets, weighed in with his experience on working within the continent.

“We have seen that there are many countries that have a very high level of political maturity and stability and diverse economies, like Nigeria, Ghana, Kenya and Morocco,” said Moharram. “Despite their huge improvement, they continue to be in deep shortage when it comes to healthcare services.”

To explain just how big the shortage is, Moharram said that it would need a lifetime of consistent building of healthcare facilities in order to merely ‘scratch the surface’ of filling that gap.

“The gap that is there is tremendous and it’s a gap of know-how. It is not an investment gap; the capital is there and many people have an interest in those kinds of services in this kind of production. But they lack the technical know-how and they lack the appetite for getting out of their comfort zone,” he added.

“It’s definitely a huge opportunity for entrepreneurs, but it’s also a mission,” explained Moharram. “The best place to be is to be both serving a humanistic mission but also extending the soft power

of your country and doing great business as well.”

Missed economic opportunities due to lack of integration?

Joining in from Lagos, Nigeria, Mohamed Dangote, CEO of Dansa Holdings specializes in FCMGs, expressed his beliefs that fundamental issues need to be addressed in order for African economic integration to be a reality. He believes obstacles to realizing full integration trace back to colonial times.

“I think if you look at how Africa was designed, it wasn’t designed for us to co-exist. If you look at the colonial times that left their imprint and the infrastructure behind, it was designed for us to export,” affirmed Dangote. “And we are still exporting our natural resources until today. So in terms of the opportunities that are missed, I cannot describe how exponential they are.”

If we actually sit down and do this together as an African nation, not an African colonized nation but as an African independent nation, I believe the growth can be exponential,” he said.

“We want to set up the infrastructures. We

want to make sure we look at our industries. We want to look at our human capital and ensure that we can co-exist. We want to look at how do we trade currencies.”

“When we talk about Africa, I think one of the fundamental areas is, of course, language,” he added.

“*I think if you look at how Africa was designed, it wasn’t designed for us to co-exist. If you look at the colonial times that left their imprint and the infrastructure behind, it was designed for us to export.*”

EGYPT RESUMING GROWTH IN A SUSTAINABLE AND INCLUSIVE APPROACH



When Egypt's economic reform journey took off in 2016, officials focused on measures and policies that aim to stabilize macroeconomic indicators, and effectively prioritized fiscal and monetary reform policies. On the back of a rebounding tourism sector and heavy government spending on big infrastructure projects, the country's economy made leaps forward in terms of its GDP, foreign reserves, and ability to withstand market shocks.

That's why when the COVID-19 pandemic hit, Egypt was in a substantially better situation to address the economic fallout caused by pandemic-related shutdowns and restrictions.

But Egypt is not making it through the pandemic unscathed; its vital tourism sector continues to suffer heavy losses, and its external debt levels have risen to unprecedented levels as the government pursued an \$8 billion loan package from the International Monetary Fund in order to maintain the stability of its economy and avoid losing the achievements of its reform program thus far.

Macroeconomic reform, however, isn't always good news for everyone. Since 2016, poverty levels increased to 29.7 percent in 2020 as per CAPMAS, due to the

rise in prices of basic goods and services, including gas and electricity. Almost two years after the pandemic, Egypt now stands at a crossroad, with a pressing need to make its reform efforts more inclusive of those most economically vulnerable, and also needs to pave the way for the private sector to claim its essential role in driving economic growth. Economic growth was largely led by consumption and public investment in infrastructure, not the private sector. How can Egypt address those critical dilemmas?

Prolific economist, IMF executive director, and Egypt's former investment minister, Mahmoud Mohieldin, had much to share in his pursuit to answer this question in a special session moderated by Dina Abdelfattah, interim chair of the Department of Economics at the AUC School of Business.

Inflation front and center in 2022

One critical issue predicted to face not just Egypt, but the world economy, in 2022 is inflation.

"The talk of the day, the talk of the week, and perhaps even the talk of the next year is going to be inflation and how we are handling it," affirmed Mohieldin. "There

is a tricky balance between growth and inflation. If you're tightening inflation fast and hard, you may compromise recovery. You may end up compromising recovery and also not solving the problem of inflation."

There is a tricky balance between growth and inflation. If you're tightening inflation fast and hard, you may compromise recovery and also not solve the problem of inflation.

↓ [Download Mahmoud Mohieledin's presentation here](#)

Egypt, on the other hand, is projected to have its inflation levels within the target of its central bank for the coming year, which is 7 percent plus or minus two, explained Mohieldin. This is feasible due to the fiscal balance that has been improving since the reform journey took off in 2016. In order to maintain this upward swing and keep inflation within target, it is important to maintain "control of budget deficit, maintaining primary surplus, improving the capacity of the tax department and public

revenue, and enhancing growth." Economic growth in Egypt for 2022 is projected to reach 5.4 percent, which follows Egypt's ability to be one of a handful of countries to achieve positive growth in 2020. "Egypt was among the very, very few countries that managed to have positive growth last year and continue to do so this year," said Mohieldin. "For the current fiscal year, Egypt's growth is projected to be 5.4 percent."

Investments and GDP

Though Egypt had become over the last few years Africa's biggest investment destination, a worrying indicator is that its total investment to GDP ratio remains relatively modest. This indicator is crucial when determining how a country's investment levels are faring.

In the 1980s, the total investments to the GDP ratio was well above 30 percent, fluctuating over the years since then, reaching a low point of below 10 percent in the years following the 2011 revolution, and recently beginning its rebounding

journey, approaching 20 percent in 2020. Granted, it's a good achievement, however, it needs to be further boosted, commented Mohieldin.

“ Though Egypt had become over the last few years Africa's biggest investment destination, a worrying indicator is that its total investment to GDP ratio remains relatively modest. ”

One issue he noted is how Egypt's private sector is being crowded out by public investments in different sectors, which is seen as discouraging of private investments which are important for sustainable growth.

“Investments mean public and private, not just private and not just public, and of course foreign direct investment. The question here is not about crowding in or crowding out. The better question is, does Egypt have the adequate critical total investment as a percentage of GDP? No, not yet.”

Mohieldin believes that it's important to have a more pragmatic approach to the

issue of crowding out the private sector and formulate strategies that make both kinds of investments work together rather than against each other. What's important to consider here is what sectors are better well-suited for what type of investments. It has to be a case-by-case approach.

“There is a role for public direct investment to mobilize private investment in some particular sectors,” said Mohieldin. “The question here is sector-specific, firm-specific, location-specific. It's not really across the board.”

Public investments, he argues, play an essential role in attracting private investments, particularly in ‘a period of high uncertainty like the one we have today.’

Stock market and Egypt's 2030 vision

Egypt's stock market, compared to peer and regional markets, is performing quite poorly. That may have to do with the disproportionate share of informality in Egypt's economy. Recently, an effort to list state-owned enterprises in the stock market has been announced but is yet to become a reality.

“We need to be encouraging more public

listing, and by public listing, I don't mean just more from the country's public sector IPOs, but basically from more private sector, especially the family-owned companies with a track record,” argued Mohieldin. “I may upset some people but the issue here is that the stock market should act as a mirror of the economy, to be fully representative of it. So far, it's not.”

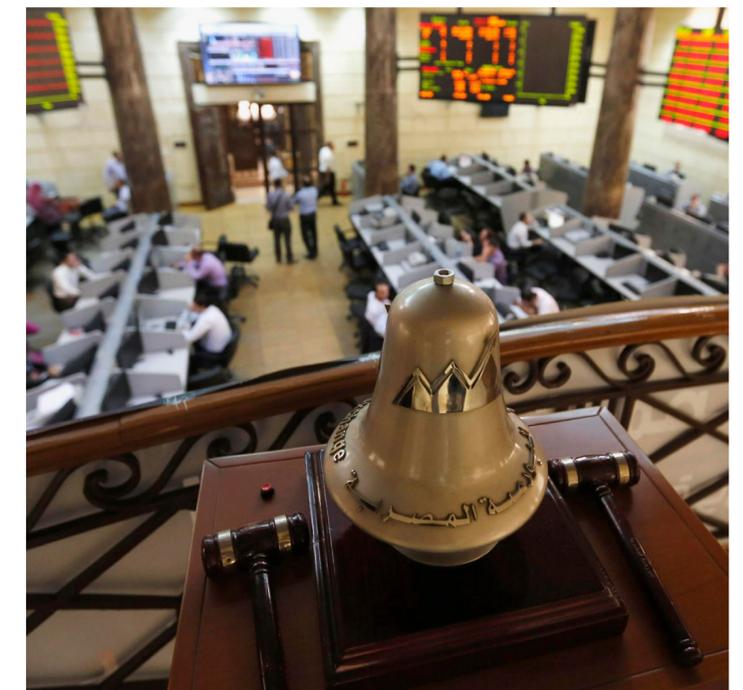
“We have many sectors almost absent from the stock market, so we need to encourage more public listing from different areas, especially the corporatized agriculture, [the] food and [the] manufacturing sectors, especially in governorates [other than Cairo],” explained Mohieldin.

“ We have many sectors almost absent from the stock market, so we need to encourage more public listing from different areas, especially the corporatized agriculture, the food and manufacturing sectors, especially in governorates other than Cairo. ”

Furthermore, Mohieldin believes that as far as the Egypt 2030 framework is concerned,

the business sector, particularly businesses listed in the stock market, plays a very important role.

“Businesses and stock markets don't work based on history but on the present with a forward-looking approach,” said Mohieldin. “So we really need to encourage more listings, and also need to see substantive incentives for businesses to do that, beyond tax incentives.”





Speaking of Sustainable Development Goals and Egypt's 2030 vision, the biggest potential milestone in reaching those goals could be the project of Hayah Karima.

Localization of SDGs – Hayah Karima

One of the most significant public investment projects announced by the Egyptian administration in recent years is the 'Hayah Karima' (Decent Life) project, a megaproject that aims at drastically improving quality of life in Egypt's poorer villages, with its total beneficiaries being 55 million Egyptians – more than half of Egypt's population.

"My biggest bet for being optimistic is the most important project being undertaken in Egypt, Hayah Karima," said Mohieldin. "I know our country has had many initiatives to invest in infrastructure, health, new cities and dealing with slums. But this one project is really the hope for Egypt."

More than just a poverty alleviating project, Hayah Karima is going to be instrumental in improving Egypt's business environment and making way for a new generation of self-made entrepreneurs.

“

My biggest bet for being optimistic is the most important project being undertaken in Egypt, Hayah Karima. I know our country has had many initiatives to invest in infrastructure, health, new cities and dealing with slums. But this one project is really the hope for Egypt.

”

"When you do these kinds of investments affecting 60 percent of the population in 20 governorates, just imagine the dynamics of such investments. You'll be unleashing huge potential. How many Mahmoud Elaraby can come out from this? How many people will benefit from such huge investments? In the short term, these investments will accelerate our achievement of the 2030 agenda, but in the long term, it will be helping generations of Egyptians with creativity and mentoring that they desperately need."

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"When we started working on the law itself, the process of consultation with the private sector was new to Egypt. This process hadn't been done in a systematic way before. We're very happy that now everyone saw the benefit of this exercise."

Financial inclusion of gig workers in Egypt: long overdue but possibly underway (available in audio)



"Gig workers see no incentive whatsoever in embracing the formal ecosystem; the message that's being transmitted to them "come join the formal financial ecosystem and pay taxes."

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