



The Government of the Arab Republic of Egypt

Ministry of Investment

General Authority for Investment and Free Zones

Policy Framework for Investment

The Case Study of Egypt

6th November 2006

OECD Global Forum on Investment II

Istanbul, Turkey

Table of Content

- I. The Policy Framework for Investment (PFI) as a tool of assessment for the Investment Climate.**
- II. Testing the PFI on Egypt.**
- III. Drawing results: Investigation of the first three chapters of the PFI.**
 - Chapter One: Investment Policy;**
 - Chapter Two: Investment Promotion & Facilitation;**
 - Chapter Three: Trade Policy.**

I- The Policy Framework for Investment as a Tool for Assessing the Investment Climate

The PFI: A different approach for Assessment

- Methods of assessing the business environment are various (quantitative assessment, qualitative assessment, comparative assessment...etc..).

- The Policy Framework for Investment (PFI) is particularly unique in incorporating a qualitative - and comprehensive approach:
 - Going beyond strict quantitative surveying;

 - Includes 10 chapters that look at the wider investment climate (Competition Policy, government and corporate governance policies, CSR policies etc...).

II- Testing the PFI on Egypt

The Case of Egypt

- Since the PFI was first drafted by the OECD Investment committee, Egypt has shown interested in its approach and methodology.
- Egypt participated in the discussion of the pre-final draft of the PFI at the OECD Investment Committee meeting held for that purpose on Feb 06, in Paris.
- Egypt volunteered to become a ‘Pilot Case Study’ of the PFI, given it’s recent experience in adopting a full-fledged Investment Climate Reform Strategy.
- The work started by selecting the first three chapters of the PFI (Investment, Investment promotion & facilitation, and trade policy) and launching the Investigation.

III. Drawing results:

Investigation of the First Three Chapters of the PFI

Chapter One: Investment Policy

- A strategy has been set to develop a sound broad-based business environment
 - Since July 2004 the Government has adopted a reform strategy to improve the business climate in Egypt.
 - The strategy has been based on 6 main pillars: legislative reform, monetary and banking reform, tax reform, trade policy reform, investment policy reform, and expanding role of private sector;

- Progressive establishment of timely, secure and effective methods of ownership registration for land and other forms of property
 - Reduction of property registration fees to a unified flat fee of LE 2000, replacing multiple and often inflated registration fees;
 - Drafting of a new 'Unified Construction Law' aiming at simplifying necessary procedures for construction licensing;
 - Relaxation of rules governing foreigners' real estate ownership
 - The framework for formalization efforts

Chapter One: Investment Policy

(Cont.)

-
- Laws and regulations for the protection of intellectual property rights have been implemented
 - Greater emphasis on implementation of rules protecting IPR;
 - Egypt has signed the TRIPS Agreement of the WTO and currently sticks to its commitments;
 - IMC Innovation Policy based on linking research centers with SMEs and streamlining procedures for patent registration

 - Dispute settlement continues to be a challenge, but:
 - Expanding role for Ministerial Committee for Investment Disputes (GAFI);
 - Growing role of arbitration (local and International) and role of Cairo Centre for International Commercial Arbitration based on UNCITRAL rules;
 - Proposed draft law for Special Economic Courts;

Chapter One: Investment Policy

- Guarantees for Investment

- Compulsory pricing, expropriation, and nationalization of investment, all illegal under investment law;
- Total freedom for expatriation of capital, proceeds, dividends in law and in practice;
- General principle of non-discrimination well established in Constitution and in judicial practice;
- Role of GAFI as “Defender” of investment;
- Growing emphasis on transparency of rules (GAFI rulebook);
- New Competition Authority.

Chapter One: Investment Policy

(Cont.)

- Comprehensive review of existing international treaties & commitments in collaboration with UNCTAD
 - The Ministry of Investment (MoI) has developed a unit which coordinates with the General Authority for Investment and Free Zones (GAFI) to review all of Egypt's bilateral and regional treaties;
 - Egypt is currently developing a Bilateral and Regional Investment Agreement 'Model' to be adopted vis a vis counterpart countries, and which ensures compliance with international investment laws and regulations from one side, and investment promotion and facilitation for investors from the other side.

Chapter Two: Investment Promotion & Facilitation

- Restructuring GAFI (mandate, strategy, structure, and internal operations)
- The promotion and facilitation structure, procedures, systems are designed by the Multilateral Investment Guarantee Agency (MIGA)
- Structure is benchmarked against global best practices like those of the IPAs of Ireland, Singapore, Malaysia, and Czech Republic
- Adequate self-funding through revenues from land lease in free zones and independent GAFI budget
- Private sector board of directors with regular performance evaluation
- A policy advocacy role for promoting strategic improvements in the business environment (regulatory and sectoral)

Chapter Two: Investment Promotion & Facilitation

(Cont.)

- Performance indicators include new projects registered, FDI funds attracted, jobs created, and investor's perception of the country

Year	Company Issued Capital (Billion LE)	Net FDI (Billion \$)	% of Greenfield FDI
2003/2004	25,0	2,0	20%
2004/2005	40,0	3,9	35%
2005/2006	45,0	6,1	55%

Recent independent unemployment panel sample survey shows reduction during 1998 to 2006 from 11.5% to 8%

Chapter Two: Investment Promotion & Facilitation

(Cont.)

- An investor after-care program to promote dialogue with existing investors, solve problems, and promote expansions
- Establishment of GAFI's One-Stop-Shop with streamlining procedures (reduction of company establishment 4 months to 3 days)
- Facilitating SMEs access to finance, technical assistance, linkages program, investment awareness programs, and partnerships with local investors and business associations (Outreach Program)
- Strategic partnerships and information sharing through joint business councils, foreign embassies, regional and international banks, and consulting firms
- Moving from reactive to proactive promotion (communication campaign, direct marketing, competitive benchmarking, and international events)

Chapter Two: Investment Promotion & Facilitation

(Cont.)

- Participation in international investment networks
 - Co-chairing the MENA-OECD investment program with the UK
 - Founding and active member of ANIMA IPAs network
 - Regional Director for Africa and the Middle East within the Steering Committee of the World Association of Investment Promotion Agencies (WAIPA)
 - Founding and board member of the COMESA regional investment promotion agency

- Participation in technical assistance initiatives
 - Investment Climate Assessment on Egypt by the World Bank
 - Assessment of Free Zones in Egypt by the World Bank
 - Investment Policy Review of Egypt by the UNCTAD
 - Institutional and Capacity Building by MIGA
 - EU-Twinning Program with European IPAs
 - IMF Assistance on FDI statistics

Chapter III: Trade Policy

- The Government of Egypt has undertaken many steps to reduce the compliance cost of customs, regulatory and administrative procedures at the border
 - Tariff Reduction:
 - ✓ Number of tariff lines in the tariff schedule were consolidated from 13,000 to 6,000
 - ✓ Weighted average tariff has fallen from 14.6% to 9%
 - ✓ Currently, applied tariff rates are well below Egypt's WTO tariff bindings
 - Standards Harmonization:
 - ✓ A program has been launched to harmonize Egyptian mandatory standards with international norms (including those related to health, safety and impact on environment);
 - ✓ Technical requirements related to Egypt's imports have been reviewed to comply with the notification and transparency requirements of the TBT and SPS rules.
 - Trade Facilitation:
 - ✓ The National Council for Accreditation (AGAC) currently devises a system that ensures that labs follow guidelines of ISO concerning lab accreditation standards for inspection and testing and other international regulations (e.g. the International Lab Accreditation Council - ILAC) ;
 - ✓ Incorporation of WTO customs valuation principles since 2001;
 - ✓ Procedures of electronic signature for customs clearance have been adopted.
 - ✓ Introducing automation and risk assessment techniques for inspection

Chapter III: Trade Policy

(Cont.)

- The Government has taken many steps to reduce trade policy uncertainty and to increase the trade policy predictability for investors
 - Investors are consulted on planned changes in trade policy;
 - Business council representatives participate in national committees of trade negotiations;

- Getting committed to increasing investment opportunities through market-expanding trade agreements & through the implementation of WTO commitments
 - Egypt is seeking to liberalize its trade regime, on an MFN basis through WTO negotiations and unilateral tariff reductions;
 - Egypt seeks meaningful multilateral liberalization, and supports greater multilateral trade liberalization in mode 4;
 - Egypt is also WTO plus within its regional and bilateral related agreements.
 - COMESA, GAFTYA, EU, and QIZ trade agreements

Chapter III: Trade Policy

(Cont.)

- Trade and Investment
 - Reduced customs rate for raw materials and capital inputs thus reducing the cost of international sourcing
 - Exports finance, technical support, and marketing support for investors

THANK YOU