Role of the business sector

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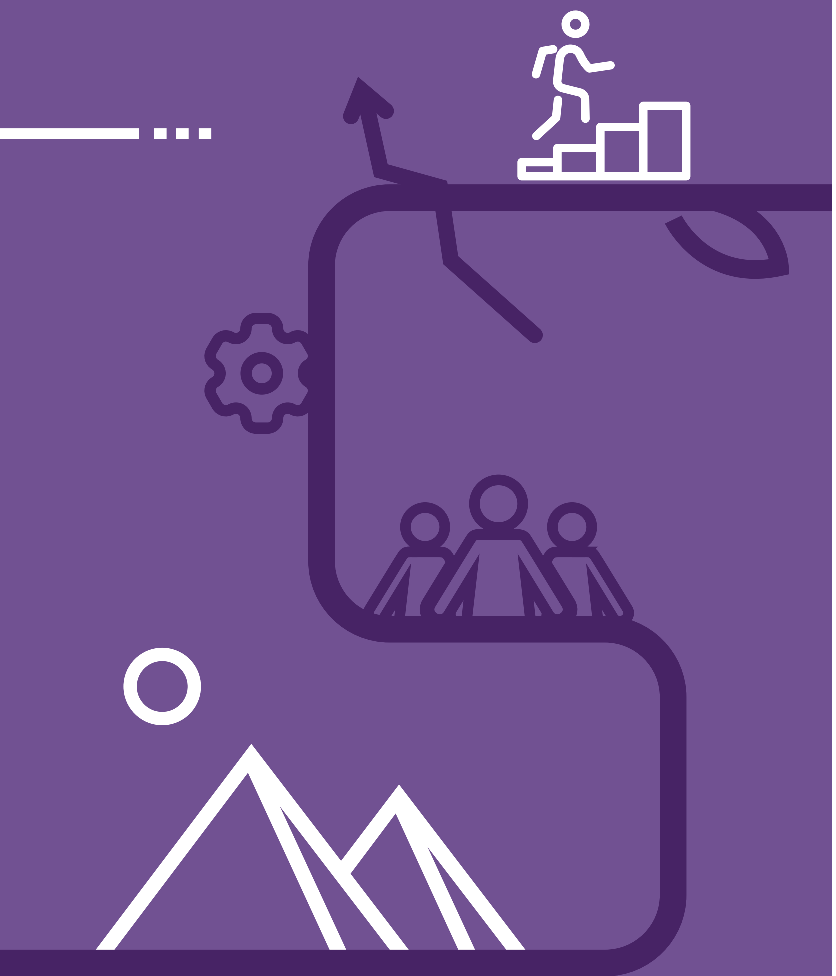
> Public and private investments should complement one another to maximize development results and ensure sustained and inclusive growth.



Background

In order to realize the Egypt Vision 2030, billions of dollars and advanced technical and managerial expertise must be mobilized and invested in national development projects, with a view to bridging the gaps in the economic and social infrastructure and achieving the SDGs.

The role of the business sector in development has evolved over time and is gaining in significance as pressure increases on government resources and technical capacities across the globe. Egypt is therefore keen to create a conducive business environment that would help to grow a private sector-led economy and streamline the role of business in public service delivery.

By highlighting the business sector's activities and contributions to the Egyptian economy, this chapter will provide insights into the status of investment performance within the economy and possible opportunities for the business sector, especially given the increasing number of government initiatives that allow national and foreign business actors to increase participation and invest in development through various mechanisms.

A. The role of business in achieving the Sustainable Development Goals: an international perspective

The business sector plays a multifaceted role in achieving the SDGs. Public and private investments should complement one another to maximize development results and ensure sustained and inclusive growth. This section highlights the international context for business sector contributions for achieving the SDGs.

1. The sustainable development investment gap

Financing the SDGs is a global challenge, especially for developing and least developed countries. When the 2030 Agenda was launched in 2015, it was an ambitious vision for a better world. Despite its noble intentions and aspirations, there is a consistent shortfall in the funding required to achieve these goals, particularly in low- and middle-income countries. An estimated $3.9 trillion in annual investments is needed to finance the SDG targets in developing countries by 2030. Current levels of investment are hovering around $1.4 trillion, leaving an annual gap of approximately $2.5 trillion.[1]

There is a global consensus that the world must make more robust efforts and actions to achieve the SDGs. The business sector is called on to increase investments to bridge the funding gap left by public investments, and governments are called on to facilitate and streamline private sector engagement in development projects.

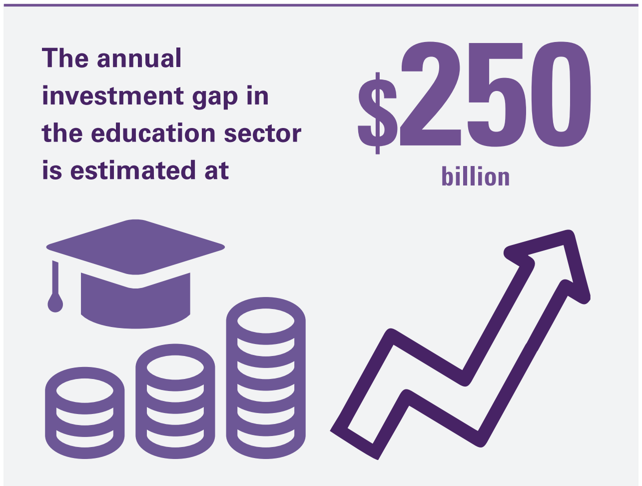
In that regard, the Addis Ababa Action Agenda of the Third International Conference on Financing for Development recognizes that both public and private investments have key roles to play in infrastructure financing, including through public-private partnerships. It also calls for the promulgation of guidelines for the appropriate structure and use of such partnerships.

For low- and middle-income countries, the average annual cost to develop a new economic infrastructure to achieve the full

Table 12. Sustainable Development Goal infrastructure investment requirements for low- and middle-income countries (2015–2030)

Scenario and sector	Percentage of GDP		2015 (in billions of dollars)	
	New investments	Maintenance	New investments	Maintenance
Low spending				
Electricity	0.90	0.30	300	110
Transport	0.53	1.10	160	550
Water and sanitation	0.32	0.48	120	30
Flood protection	0.06	0.01	20	10
Irrigation (including maintenance)	0.12	-	40	-
Total	**1.93**	**1.89**	**640**	**700**
Optimum spending				
Electricity	2.20	0.60	780	210
Transport	1.30	1.30	420	460
Water and sanitation	0.55	0.75	200	70
Flood protection	0.32	0.07	100	20
Irrigation (including maintenance)	0.13	-	50	-
Total	**4.50**	**2.72**	**1,550**	**760**
High spending				
Electricity	3.00	0.80	1,020	280
Transport	3.30	2.10	1,060	700
Water and sanitation	0.65	0.75	230	70
Flood protection	1.00	0.14	340	40
Irrigation (including maintenance)	0.20	-	100	-
Total	**8.15**	**3.79**	**2,750**	**1,090**

Source: Rozenberg, J. and M. Fay, eds. (2019). Beyond the Gap: How Countries Can Afford the Infrastructure They Need while Protecting the Planet – Sustainable Infrastructure Series. Washington, D.C.: International Bank for Reconstruction and Development/World Bank.



range of the SDGs by 2030 is estimated to range between $640 billion (2 per cent of GDP) and $2.7 trillion (8.2 per cent of GDP). The power and transport sectors require the largest investments, representing 43 per cent and 32 per cent, respectively, of the total infrastructure investments needed. It is also estimated that maintenance costs will vary between 1.9 per cent and 3.8 per cent of GDP. These costs should be carefully considered in the Government's infrastructure spending plans, as they are vital to conserving society's assets, extending their lifespan and ensuring uninterrupted service delivery. Maintenance costs also reduce pressure on the general budget by conserving the financial resources that would otherwise be required to replace those assets more frequently.[2]

Table 12 reflects the high cost of maintenance in the transport sector, which sometimes exceeds spending on capital investment costs. This highlights the importance of calculating the maintenance costs of new capital investments in infrastructure, especially for assets with high depreciation rates.

Using data from its Private Participation in Infrastructure database, a recent World Bank report reveals that low- and middle-income countries spend between 3.38 per cent and 5 per cent of GDP on infrastructure, with considerable variations among regions. Spending ranges from 2.5 per cent in sub-Saharan Africa to 5.7 per cent in East Asia and the Pacific. These figures reflect the substantial resources required for SDG-related infrastructure investments in sub-Saharan Africa and other developing regions in order to achieve the SDGs by 2030.

Investment gaps in the social infrastructure in developing countries are also significant. The annual investment gap in the education sector (e.g. infrastructure investments for building new schools) is estimated at $250 billion, with private sector participation at an expected 15 per cent. In the health sector, the annual gap in related investments (infrastructure, and research and development) amounts to $140 billion, and the private sector's expected contribution is approximately 20 per cent.[3]

Based on estimates in the UNCTAD SDG Investment Trends Monitor, it is evident that the private sector is more inclined towards commercially profitable projects in the energy and telecommunication sectors, where its participation reaches 80 per cent, while its contributions are minimal in social services, water and sanitation, and climate-related investments.

According to the IMF, improving outcomes in five economic and social infrastructure sectors (education, health, roads, electricity, and water and sanitation) to align with the 2030 Agenda would require annual spending of approximately $2.1 trillion in emerging market economies and $0.5 trillion in low-income countries. The private sector is well placed to contribute to development in areas that blend with private investment, such as infrastructure and clean energy, through public-private partnerships.[4]

2. Public-private partnerships

The business sector can contribute to meeting national development objectives by investing in infrastructure projects through economic profitability models. These include specialized investment vehicles, such as sovereign wealth funds, impact funds, infrastructure funds and green bonds. They also include special contractual arrangements for specific projects under public-private partnership models (i.e. build-operate-transfer and build-own-operate-transfer models), as well as other forms of legal and economic frameworks that support the business sector in delivering public utilities, public services and infrastructure to assist a country in realizing the SDGs.

Public-private partnership is considered an effective tool for financing development projects. Empirical evidence and literature on the determinants of public-private investment confirm that overall macroeconomic conditions supported by a sound institutional and regulatory framework are critical for public-private markets to grow.[5]

Data from the World Bank show that total investment commitments in public-private partnership projects between 1990 and the first half of 2020 totalled nearly $2 trillion in 8,296 projects distributed among 121 low- and middle-income countries. These funds were critical in responding to ambitious plans to construct roads, bridges, light and heavy rail, airports, power plants, and energy and water distribution networks. The electricity sector received the greatest number of private investments, with total commitments reaching approximately $952 billion, or 48 per cent of the total capital, invested in 3,862 projects.

From 1990 to 2020, Brazil, China, India, Mexico and Turkey alone attracted approximately $1.2 billion, representing nearly 60 per cent of total investments in infrastructure-related public-private partnerships. These countries also accounted for approximately 56 per cent of all new projects during that period.[6]

Increased participation by the private sector could help to close gaps in SDG financing. Hypothetically, increasing private investments in infrastructure in low- and lower-middle-income countries to $368 billion could bring the achievement of the SDGs within reach, when combined with increased domestic revenue mobilization efforts and cross-border flows.[7]

Public-private partnerships continue to face challenges as a result of unforeseen fluctuations in economic and sectoral contexts, poor project planning and a lack of effective contract monitoring. Disputes and differing interpretations of contracts resulted in numerous renegotiations and some cancellations. During the period 1990–2013, 68 per cent of public-private partnership projects in Latin America were renegotiated, usually within the first three years of financial closure.[8]

The private sector in the MENA Region continues to face a number of obstacles that hinder growth, expansion and the achievement of the SDGs. According to the Enterprise Survey, political instability, high levels of corruption, low productivity, weak technological and innovation capacities, and limited access to finance are all factors that cause private sector investment to lag.[9]

In addition, several legal and regulatory barriers affect the region's investment climate, including cumbersome licensing processes and complex regulations. Opaque bidding and procurement procedures, particularly for public procurement, further restrict private sector contributions to public projects. These restrictions are associated with the elevated time and financial costs of regulatory and administrative barriers as well as deficiencies in the judicial system, the rule of law and the protection of property rights.[10]

The Economic Commission for Europe (ECE) introduced a new concept for public-private

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68%

of public-private partnership projects in Latin America were renegotiated

partnerships, prioritizing the creation of value for people and the scaling up of impact to make such partnerships truly fit for purpose for the SDGs. The ECE noted that the SDGs should play a fundamental role in a public institution's decision to enter into such an agreement. Public-private partnerships must therefore be measured against impacts that align with the SDGs.[11]

B. The current state of the Egyptian business ecosystem

In recent years, the Egyptian Government has taken significant measures to enhance the investment landscape, with a view to restoring macroeconomic stability and fostering private sector-led growth. These measures included the implementation of a three-year fiscal consolidation programme that aimed to reduce the budget deficit, improve the tax system (i.e. introducing the VAT) and restrict inefficient energy subsidies in order to enhance the overall public financial management framework in a context of general macroeconomic stabilization policies. While there is a great deal of new legislation that supports the business environment, including entrepreneurship and MSMEs, this section focuses specifically on the principal legislation that facilitates the business sector's engagement in public service delivery through investments in economic and social infrastructure.

Law No. 72 on investments was issued in October 2017 and amended by Law No. 141 in 2019 as part of the reform programme to introduce a new set of incentives and guarantees to level the playing field for both domestic and foreign investment projects. It targeted the development of priority economic sectors and encouraged investments in regions lagging behind. The new investment law represents a more comprehensible and enabling legislative framework to reinforce investors' trust in the stability and certainty of the Egyptian regulatory and institutional ecosystem. The law classifies incentives based on three criteria: (i) by geographical location (Suez Canal special economic zone; Golden Triangle special economic zone; and other less developed regions, as determined by a Cabinet decision); (ii) by type of investment (labour intensive, SMEs or export oriented); and (iii) by industry (renewable energy; tourism; automotive; wood, packaging and chemicals; pharmaceuticals; and food and agricultural products).

In addition to this major legislation, a set of amendments were made to Law No. 159 of 1981 on companies, governing joint-stock companies, partnerships limited by shares and limited liability companies. The new amendments work in tandem with the law on investments to reduce bureaucracy and simplify many processes by introducing more corporate governance rules and minority protections. This was followed by issuing Law No. 11 of 2018 on restructuring, preventive reconciliation and bankruptcy in Egypt, which first introduced a non-jurisdictional restructuring mechanism for bankrupt businesses. The law allows businesses to restructure through the court and reach possible settlement arrangements through mediation mechanisms.

The Egyptian Government has taken significant measures to enhance the investment landscape, with a view to restoring macroeconomic stability and fostering private sector-led growth.

These legislative reforms aimed to promote domestic and foreign direct private investments focusing on competition in the region. They also sought to stimulate inclusive growth and development, job creation, exports, entrepreneurship, the development of MSMEs and investments for development impact.

One of the most important laws that can be used to promote investments in SDG-related projects is Law No. 67 of 2010, which regulates partnerships with the private sector in infrastructure projects, services and public utilities. This law was issued in collaboration with development partners and is based on the United Kingdom public-private partnership model. It allows the Government to enter into contracts with private entities, thus enabling the private sector to finance, construct and operate large infrastructure projects and public utilities under contracts lasting up to 30 years.

The Government is working on amending the public-private partnership law to increase private sector investment in infrastructure and public utilities projects. A comprehensive reform framework will provide more clarity on the role of the private sector, including in the project's design, which is not allowed under the existing law. The private sector will therefore be able to design, finance, build, operate and maintain a facility. Amendments will also allow the private sector to rehabilitate and operate existing facilities and perform any activities separately or collectively, as long as the financing and maintenance are secured. This will streamline the implementation of public-private partnership projects and ensure that the private sector becomes a dependable source for implementing such projects. It will also remove the ambiguity in the tendering and bidding processes.

Another important development in creating an enabling environment in which the business sector invests in public services was the establishment of the Sovereign Fund of Egypt, with a total issued capital of $13 billion and paid-in capital of $320 million, in accordance with Law No. 177 of 2018. The aim of the Fund is to promote investment in Egypt and co-investing in State-owned assets to maximize their value and efficiency. In order to further operationalize the Fund and streamline its contribution to achieving investment targets in coordination with the private sector, it contains four subfunds, each with an issued capital of $2 billion and paid-in capital of $30 million. The four funds target co-investments between institutional investors and private sector companies in their respective sectors, as per the articles of incorporation.

Finally, Law No. 203 of 1991 on public enterprises was amended by Law No. 185 of 2020 to enhance working rules and companies' regulations by improving conditions, using assets more efficiently, increasing their contributions to the national economy, improving competitiveness in domestic and foreign markets and increasing the effectiveness of investment mobilization in achieving the SDGs.

C. The business sector's contribution to the Egyptian economy

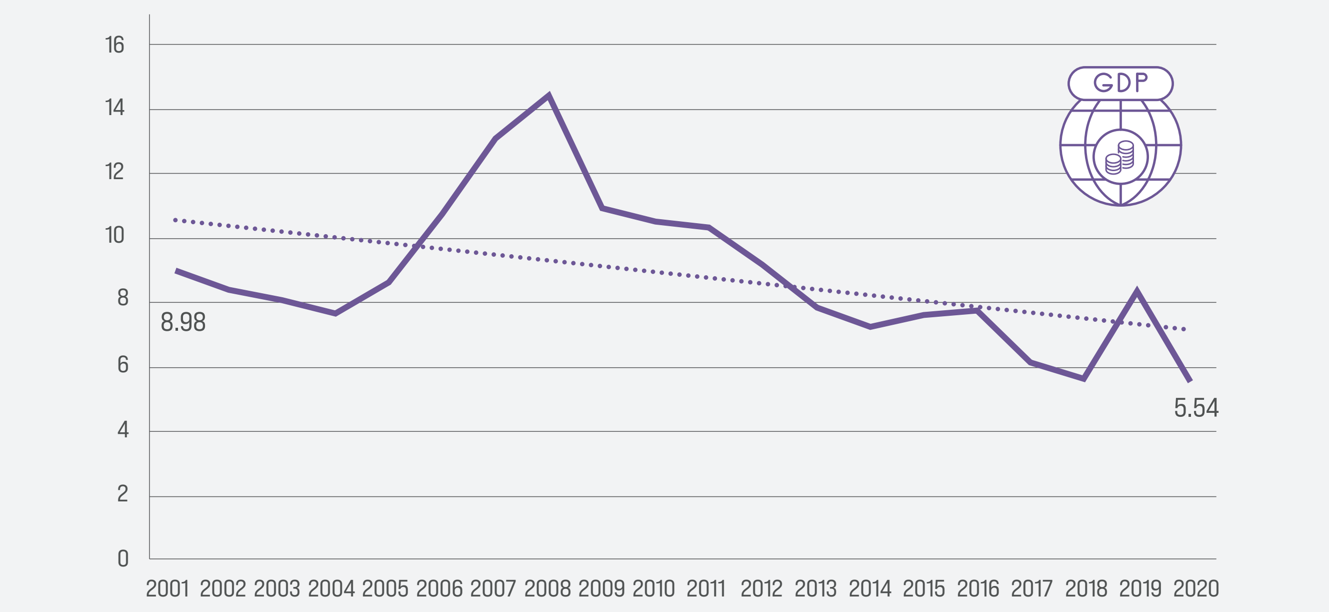
Investment remains a key driver for growth, job creation and the achievement of the SDGs in Egypt. Greater efforts must be made to promote domestic and foreign investments in lucrative business opportunities that would contribute to implementing SDG-related projects and creating new job opportunities.

In general, economic growth dynamics are associated with investments. Egypt will require the mobilization of both public and private resources to fully realize its growth potential and achieve the relevant SDG targets. In this context, trends and structure of capital formation (public versus private) are among the key determinants of inclusive and sustainable growth. Investing in sectors deemed competitive with large domestic value added and linked to domestic and local market demand will promote economic growth that is more productive and has higher economic returns. Moreover, investing in projects that are linked to achieving the SDG targets provides an opportunity to promote inclusive growth and job creation.

Figure 55. Gross capital formation, as a percentage of gross domestic product

Source: World Bank (2021). World Development Indicators Database. Available from: https://databank.worldbank.org/source/world-development-indicators. Latest update: 15 September 2021.

Figure 56. Private sector's share of gross fixed capital formation, as a percentage of gross domestic product



Source: World Bank (2021). World Development Indicators Database. Available from: https://databank.worldbank.org/source/world-development-indicators. Latest update: 15 September 2021.

1. Investment trends

Gross capital formation as a percentage of GDP represents a small figure in Egypt when compared to the MENA Region and lower-middle-income countries (figure 55). This indicates a low level of investments that are essential to achieving target growth rates and contributing to government efforts to realize the Egypt Vision 2030.

GDP figures from 2018/19 show that gross capital formation was equal to LE 922 billion, representing 17.7 per cent of GDP. While the private sector's share of gross fixed capital formation has been on a downward trend since 2001, it reached its peak during the period 2006–2010, averaging 9 per cent of GDP. The latest figure for the private sector's gross fixed capital formation was slightly above 5.5 per cent (figure 56).

2. Structure of investments

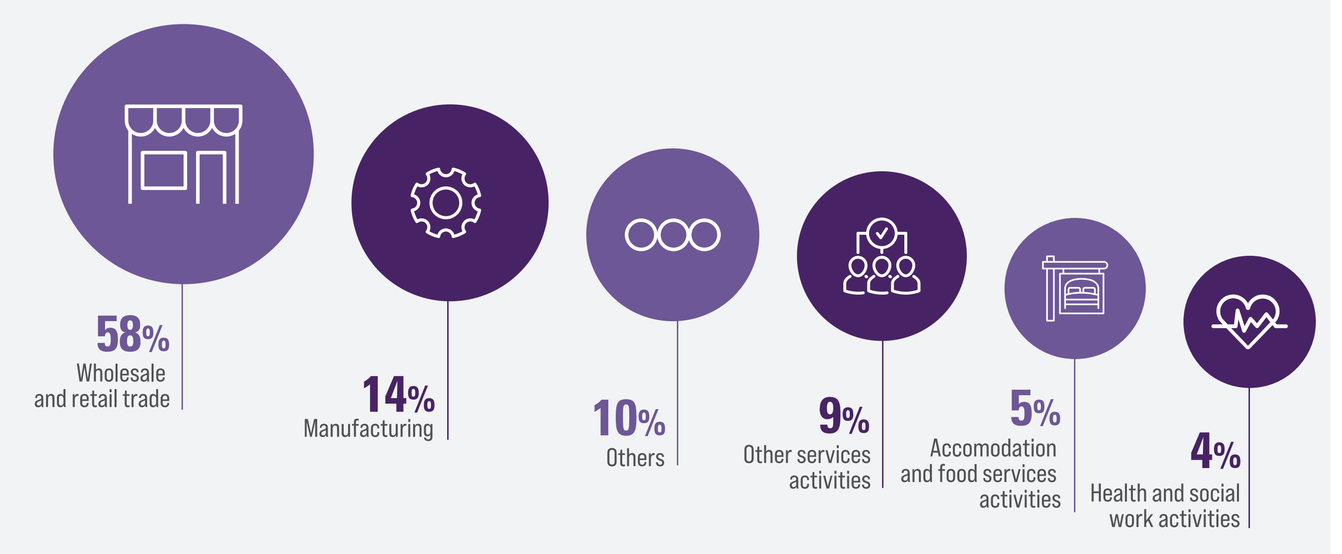
The Egyptian economy is dominated by private sector companies, which account for over 99 per cent of business enterprises. While SOEs play a crucial role in the business sector, especially in oil and gas and public utilities, the private sector is dominant in other sectors, primarily in manufacturing, real estate, communication and tourism. The public sector and SOEs (e.g. the Suez Canal Authority, oil companies and electric companies) typically invest in the infrastructure and energy sectors.

(a) Domestic private investments

Data from the latest economic census from fiscal year 2017/18 indicate that there are a total of 3,742,562 economic establishments in Egypt, with 3,741,026 private establishments. Ninety per cent of private sector companies are active in the top five industries with private sector involvement. Figure 57 demonstrates the relative weight of the number of private establishments per industry.

The most dominant activities are in the retail and wholesale industry, which encompasses approximately 2.2 million private establishments, followed by 0.55 million manufacturing establishments. Private establishments working in health and social work represented only approximately 4 per cent of total establishments, while those in education represented less than 1 per cent (table 14).

Figure 57. Top 5 industries with private sector involvement



Source: Author, based on Central Agency for Public Mobilization and Statistics, Egypt, (2018). *Results of the Fifth Economic Census 2017/2018 for Egypt by Economic Activity and Governorates.*

Table 13. Micro- and small enterprises

Invested capital (in thousands of Egyptian pounds)	Number of establishments	Percentage of total enterprises
Less than 100	2,613,110	69.85
499–100	1,040,209	27.80
Total	**3,653,319**	**97.65**

Source: Author, based on Central Agency for Public Mobilization and Statistics, Egypt (2018). *Results of the Fifth Economic Census 2017/2018 for Egypt by Economic Activity and Governorates.*

Table 14. Number of private sector establishments by industry

Industry	Number of private establishments	Percentage of total
Wholesale and retail trade	2,178,017	58.20
Manufacturing	522,761	13.97
Other service activities	319,323	8.53
Accommodation and food service activities	182,443	4.87
Health and social work activities	156,147	4.17
Agriculture	134,296	3.59
Professional, scientific and technical activities	80,826	2.16
Administrative and support service activities	44,049	1.18
Other	123,165	3.29
Total	**3,741,027**	**100**

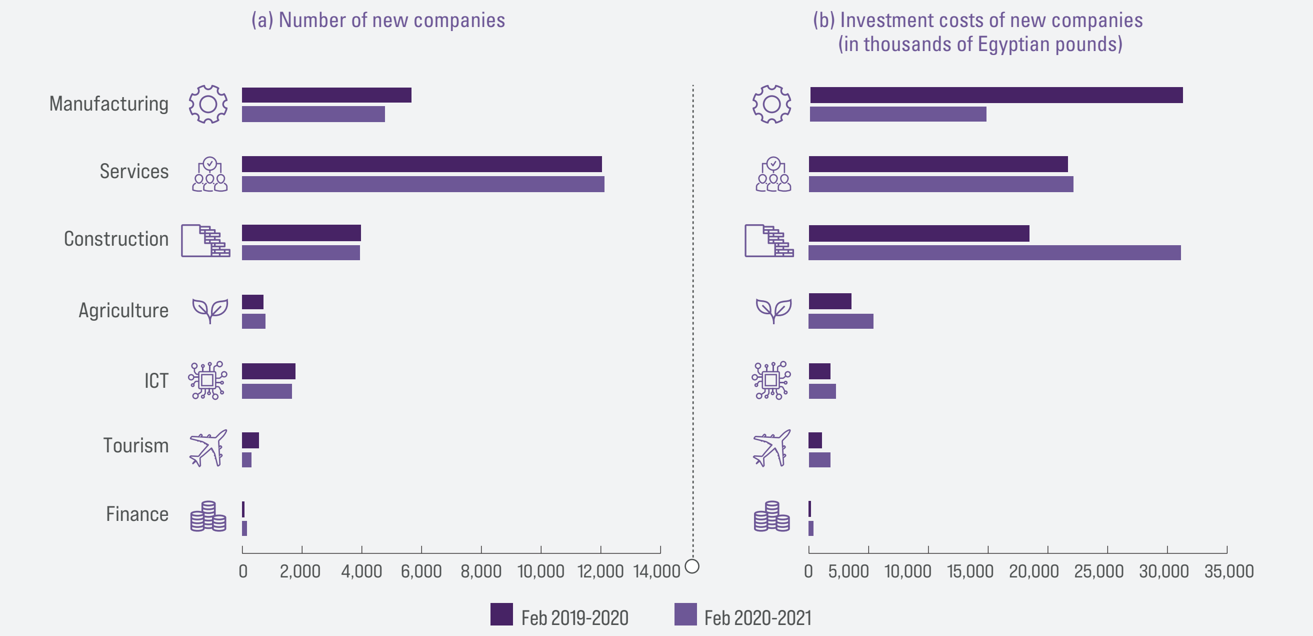
Source: Author, based on Central Agency for Public Mobilization and Statistics, Egypt (2018). *Results of the Fifth Economic Census 2017/2018 for Egypt by Economic Activity and Governorates.*

The economic census does not provide relevant categorization for micro- and small enterprises as defined by the new Law No. 52 of 2020 on the development of MSMEs. For the purposes of this chapter, all establishments with less than LE 100,000 of invested capital are considered micro enterprises, and those with between LE 100,000 and LE 500,000 of invested capital are considered small enterprises (table 13).

Approximately 36 per cent of private companies are located in the Greater Cairo area (Cairo, Giza and Qalyubia) and Alexandria. This reflects the considerable geographic concentration of activities.

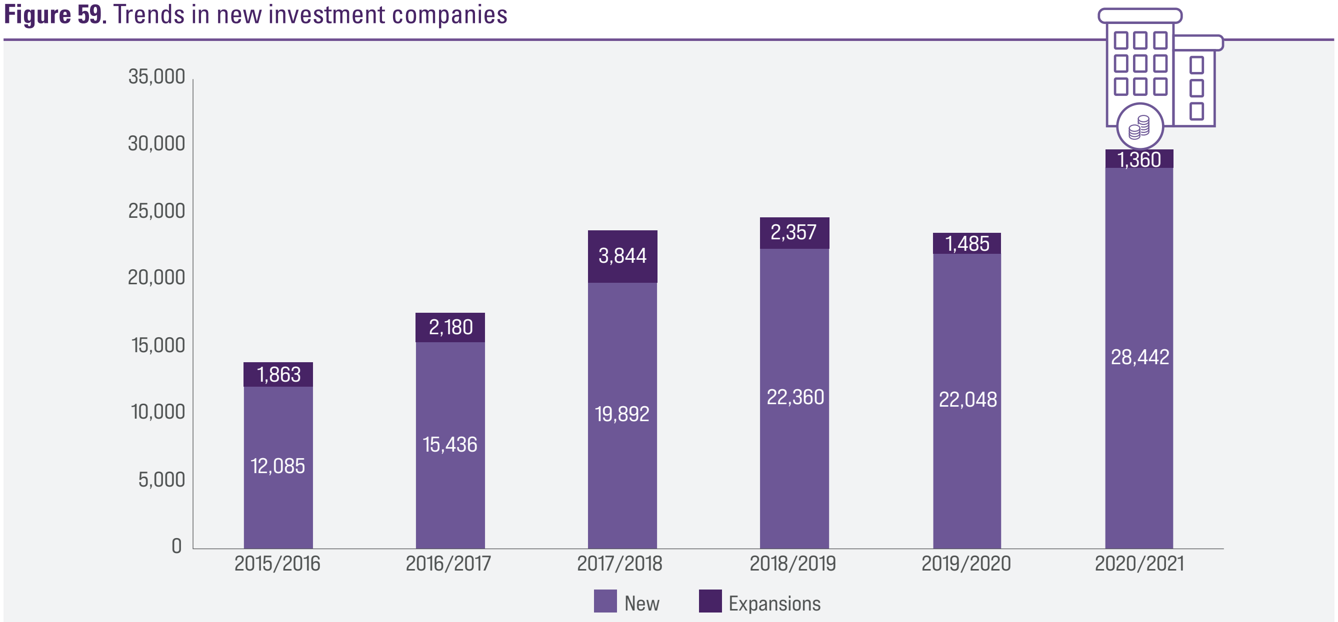
The COVID-19 crisis has taken a toll on the establishment of new investment companies. Data from the General Authority for Investment and Free Zones show the variance in the number of new companies and their investment costs established between February 2019 and February 2020 compared to those established between February 2020 and February 2021 (figures 58 (a) and (b)). The greatest impact was on the manufacturing sector, which witnessed a 14 per cent decline in the number of new companies and a 54 per cent decline in invested capital. The financial sector followed a very different pattern; it witnessed a notable increase of over 119 per cent in invested

Figure 58. Number and investment costs of new companies



Source: GAFI, 2021. Companies Information Database (unpublished data).

Figure 59. Trends in new investment companies



Source: GAFI, 2021. Companies Information Database (unpublished data).

capital during the same period. Investments in the construction sector also increased significantly. Despite the negative impact of the COVID-19 crisis on the number and value of new companies incorporated in the manufacturing sector in particular, the overall number of new companies established by the end of fiscal year 2020/21 recorded growth of 27 per cent. The number of companies that expanded capital decreased by 8 per cent for the same period (figure 59).

Nevertheless, the private sector in Egypt still lacks dynamism, as reflected in the comparatively low entry and exit rates. On average, only three limited liability companies are created annually for every 10,000 working-age persons, compared to an average of 20 in developing countries.[12] This low rate is a challenge that requires significant government effort to promote entrepreneurship and provide support to the private sector to promote effective participation in economic development.

(b) Foreign *direct investments*

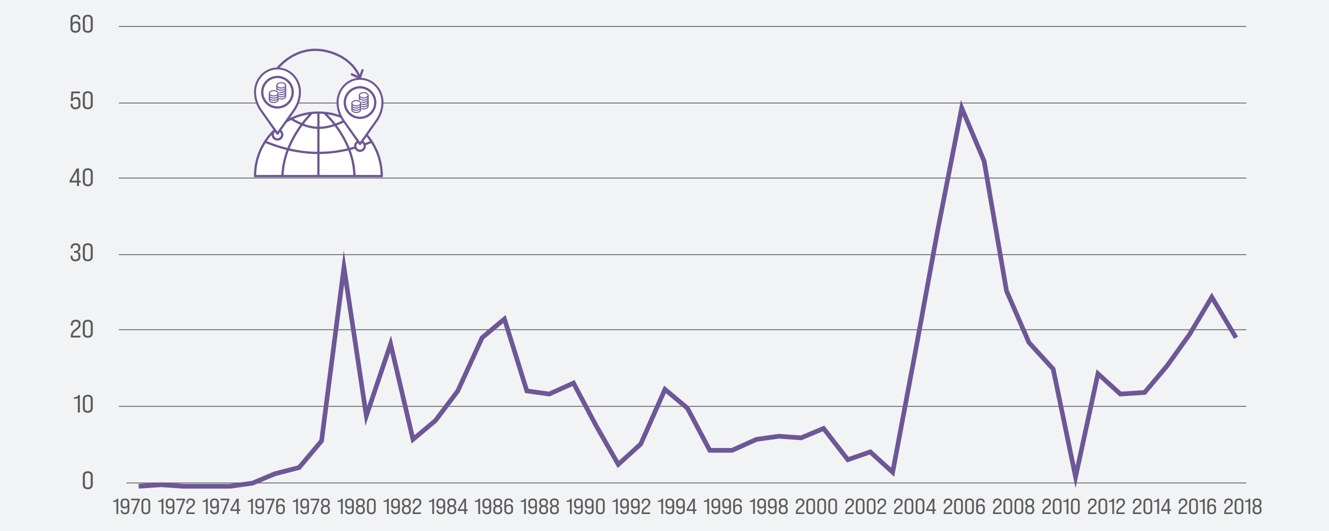
Foreign direct investment plays a significant complementary role to the domestic business sector in mobilizing funds. It usually introduces new technologies and technical expertise to the national workforce. In addition, multinational corporations can offer essential export market information to boost national exports.

Although global foreign direct investment flows rose by 3 per cent in 2019 to reach $1.54 trillion, inflows to North Africa decreased by 11 per cent, to $14 billion. Inflows were reduced to all countries except Egypt, which has remained the largest recipient of foreign direct investment in Africa over the past three years. Inflows increased by 11 per cent to reach $9 billion, driven primarily by the oil and gas industry, telecommunications, consumer goods and real estate. Flows to developed and transition economies increased, while those to developing economies declined marginally. Retained earnings accounted for approximately 41 per cent of inflows in Egypt.[13] In the wake of the COVID-19 crisis, foreign direct investment flows into North Africa contracted by 25 per cent, to $10 billion. Half of that total was directed to Egypt, which nevertheless witnessed a decline of nearly 35 per cent in comparison to the previous year.[14]

Foreign direct investment still does not represent a significant component of national investments in Egypt. It averaged approximately 16 per cent of total gross fixed capital formation between 2008 and 2018 and represented roughly 2.8 per cent of GDP in 2019 (figure 60).

The latest available data from the General Authority for Investment and Free Zones show that total foreign direct investment stock in Egypt is nearly $163 billion, distributed across nine economic sectors as defined by the Authority. The highest stocks are in financial services which amount to $38.5 billion, followed by oil and exploration with a total $34.8 billion and manufacturing which has a total stock of nearly $32.7 billion. These three sectors represent almost 65 per cent of total foreign direct investment stocks in Egypt.

Figure 60. Foreign direct investment, as a percentage of gross fixed capital formation in Egypt (1970–2018)



Source: UNCTAD (2020). *World Investment Report 2020: International Production Beyond the Pandemic.* New York: United Nations Publications.

While manufacturing and oil are among the largest contributors to these stocks, their compound annual growth rates between 2011 and 2019 were 6.6 per cent and 8.7 per cent, respectively, which is significantly lower than less productive sectors. Real estate witnessed a compound annual growth rate of 17.1 per cent during the same period, followed by construction at 14.4 per cent. The agricultural sector had the lowest growth, at 3.52 per cent, and tourism was at 3.9 per cent.[15]

Foreign direct investments are made in natural resources, real estate, construction and light manufacturing. Most of these sectors have limited innovation potential owing to their relatively low complexity. Meanwhile, greenfield investments are being made in promising sectors such as chemicals and renewable energy. Foreign direct investment is also highly concentrated in specific geographical areas. The top 5 governorates accounted for 90 per cent of investments, while the remaining 22 governorates share 10 per cent. This unequal distribution of investments within Egypt is also found in other emerging countries.

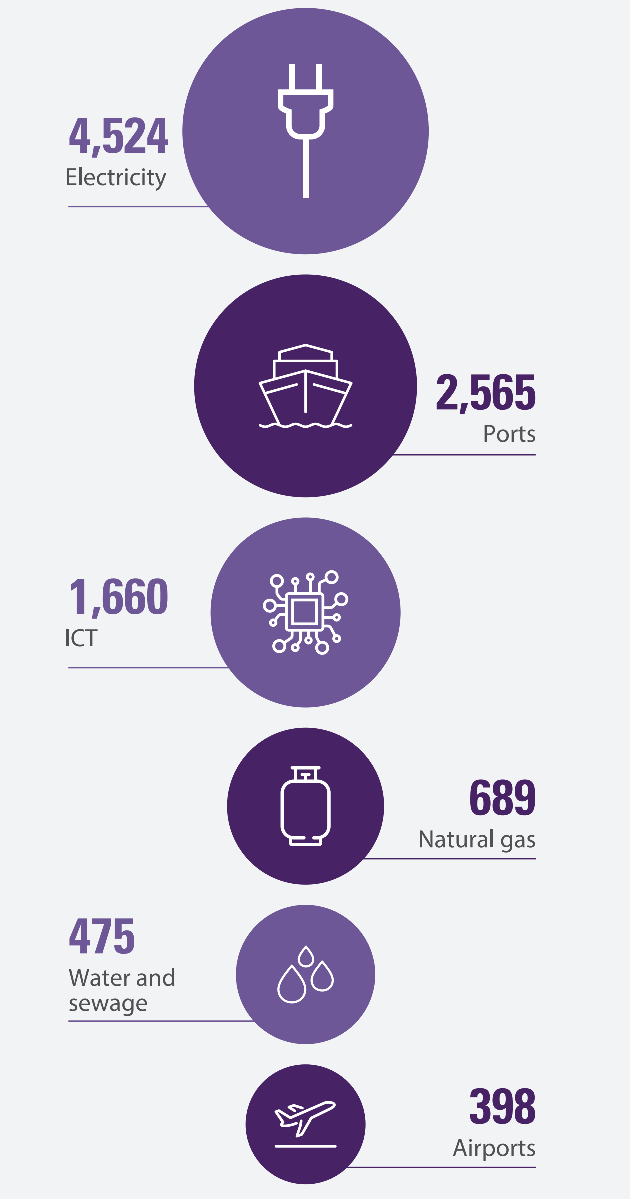
Promoting foreign direct investment in SDG-related activities is a challenge. Global trends show stagnant or declining private sector investment in the SDGs, which is insufficient to close the investment gap. The power, renewable energy and transport infrastructure sectors draw the majority of investments in developing economies, which are often led by a few large economies.[16]

The Government must therefore focus on attracting more foreign direct investment in SDG-related sectors, which can be done in cooperation with other developing countries and international organizations. Egypt recently endorsed the Guiding Principles for Investment Policymaking for the Countries of the D-8 Organization for Economic Cooperation and Development (OECD), which was jointly developed with UNCTAD. The Principles provide guidance for investment policymaking with a view to promoting inclusive economic growth and sustainable development and aligning investment promotion and facilitation policies with the SDGs.

(c) Public-private partnerships

Egypt has a good regulatory framework for public-private partnership projects that aims to use this mode of investment to boost economic growth and development by improving and expanding infrastructure services. The framework was developed in coordination with the Public-

Figure 61. Distribution of public-private partnership investments (in millions of dollars)



Source: World Bank, 2021. PPP Projects in Infrastructure in Egypt. Available from: https://pppknowledgelab.org/countries/egypt. Accessed December 2021.

Private Infrastructure Advisory Facility in order to attract private capital, facilitate the development of domestic financial markets, and harness private sector innovation and improve efficiency in public service delivery by transferring operational risks to the private sector.

Between 1990 and 2019, only 55 public-private partnership projects have been implemented, with total investments amounting to $10.3 billion distributed across the energy, telecommunications and transport sectors. No contracted projects in Egypt have been cancelled under this model. The majority of the projects fall under the electricity sector, which accounts for 32 projects with total investments amounting to nearly $4.5 billion (almost half of the total value of investments under the public-private partnership model).[17] The average size of projects in the electricity sector is relatively small, particularly when compared to the transport sector. There are six port-related projects with a total investment value of $2.6 billion. The average project size is therefore approximately $427.5 million, compared to $141.4 million for electricity projects (figure 61).

The top 10 investors in public-private partnership projects account for approximately 44 per cent of the total value of investments in Egypt, invested in 19 projects. The list includes three Egyptian companies that invested approximately $1.2 billion in six projects (table 15).

The top 10 public-private partnership projects acquired slightly more than 57 per cent of total investments. This list includes the flotation of the Egyptian telecommunications company on the stock exchange (table 16).

Table 15. Top 10 public-private partnership investors in Egypt

Company	Country of origin	Investment (in millions of dollars)	Number of projects
France Telecom	France	749	1
1 Malaysia Development Berhad (1MDB)	Malaysia	678	2
Toyota Tsusho Corporation	Japan	550	2
Orascom	Egypt	548	3
AP Moller - Maersk	Denmark	492	2
Solar Millennium	Germany	315	1
Amiral Holdings Limited	Egypt	314	1
Kato Investment	Egypt	289	2
Siemens Gamesa	Spain	276	1
Alcazar Capital Limited	United Arab Emirates	272	4
Total		**4,483**	**19**

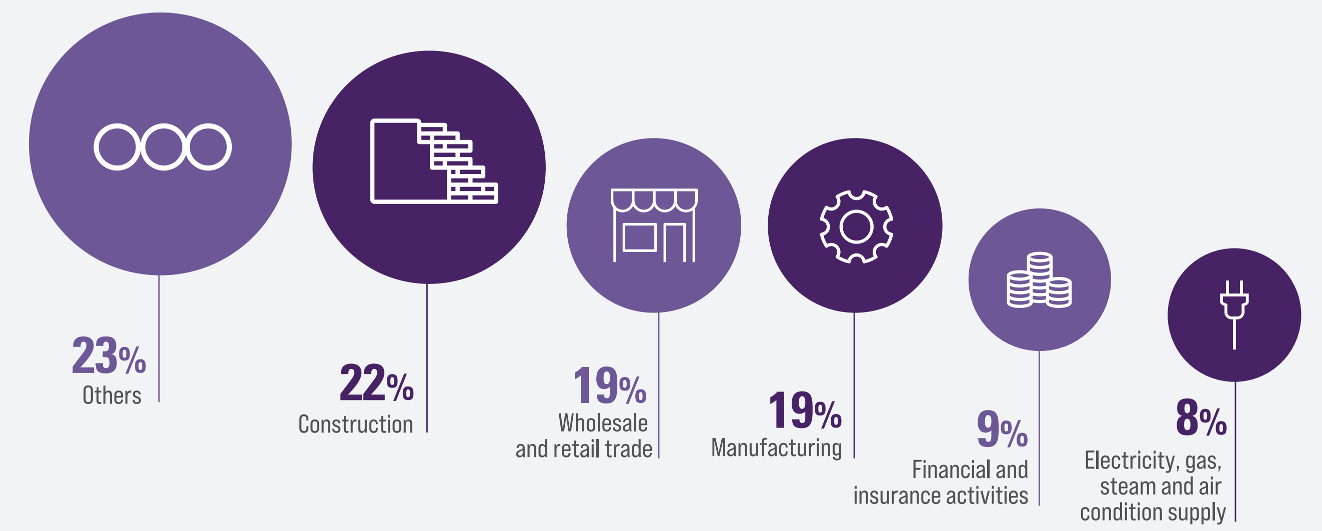
Source: World Bank, 2021. PPP Projects in Infrastructure in Egypt. Available from https://pppknowledgelab.org/countries/egypt. Accessed December 2021.

Table 16. Top 10 public-private partnership projects

Project	Investment (in millions of dollars)
Suez Canal Container Terminal	894
Telecom Egypt	892
Mobinil	757
Damietta Port	640
Sokhna Port Bunkering Phase III	498
New Cairo Wastewater Treatment Plant	475
East Mediterranean Gas Pipeline Company	469
Scatec Solar Portfolio	450
Sidi Krir Power Station	414
Ras Ghareb Wind Farm	400
Total	**5,889**

Source: World Bank, 2021. PPP Projects in Infrastructure in Egypt. Available from https://pppknowledgelab.org/countries/egypt. Accessed December 2021.

Figure 62. Top 5 industries for the public sector



Source: Central Agency for Public Mobilization and Statistics, Egypt (2018). *Results of the Fifth Economic Census 2017/2018 for Egypt by Economic Activity and Governorates.*

Egypt is still considered a lucrative market for public-private partnership investors, given its supportive frameworks, the number of high-quality projects implemented during the previous 30 years and the major milestone achieved with the issuance of Law No. 67 in 2010. The successful implementation of public-private partnership projects requires more consultation among stakeholders to guide project selection and secure public support, using current success stories as marketing tools to attract new investments.

(d) Public business sector

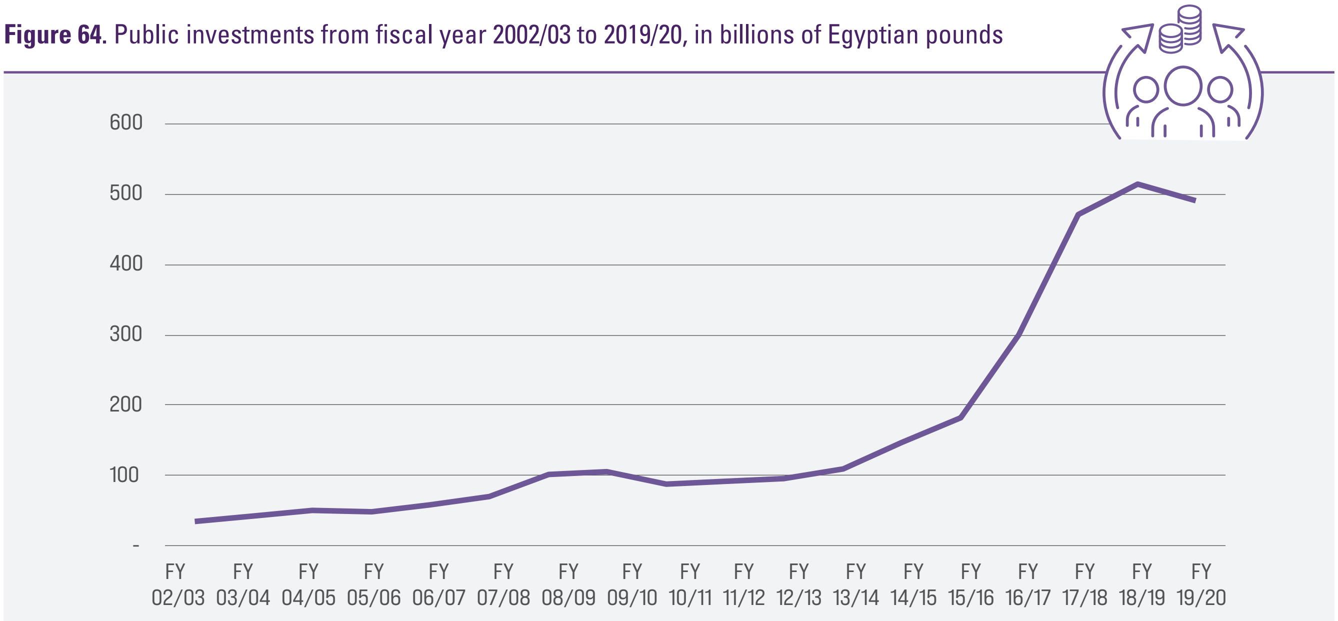
The Egyptian public sector has historically played an important role in the economy. Data from the economic census reports 1,536 state-owned establishments. The top five industries for the public sector encompass approximately 80 per cent of the total establishments, distributed across the construction; trade; manufacturing; financial services; and electricity, gas, steam, and air conditioning supply sectors (figure 62).

In addition to central government bodies, the Egyptian economy still relies on government economic authorities and public business enterprises as critical sources of gross capital formation, particularly given the large government infrastructure projects being implemented (figure 63).

Figure 63. Gross fixed capital formation, as a percentage of gross domestic product (2001-2020)

Source: World Bank (2021). World Development Indicators Database. Available from: https://databank.worldbank.org/source/world-development-indicators. Latest update: 15 September 2021.

Figure 64. Public investments from fiscal year 2002/03 to 2019/20, in billions of Egyptian pounds



Source: Ministry of Planning and Economic Development, Egypt, 2020. Data for Public Investments. Available from: www.mped.gov.eg. Accessed October 2021.

Infrastructure development is an important component of the Egypt Vision 2030. It is one of the economic development pillars, alongside the development of human resources and skills to support a modern industry and innovation base, as well as improved governance to maximize the positive effects of reforms. In particular, the economic pillar of the Egypt Vision 2030 incorporates infrastructure megaprojects such as the development of the Suez Canal economic zone.

Egypt embarked on an ambitious public investment programme beginning in fiscal year 2014/15 to upgrade and improve the national infrastructure. This programme was implemented through public enterprises and private subcontractors. This led to a significant increase in investments from the Government and public enterprises, with an average annual growth of 38 per cent during the period 2014/15–2018/19 (figure 64).

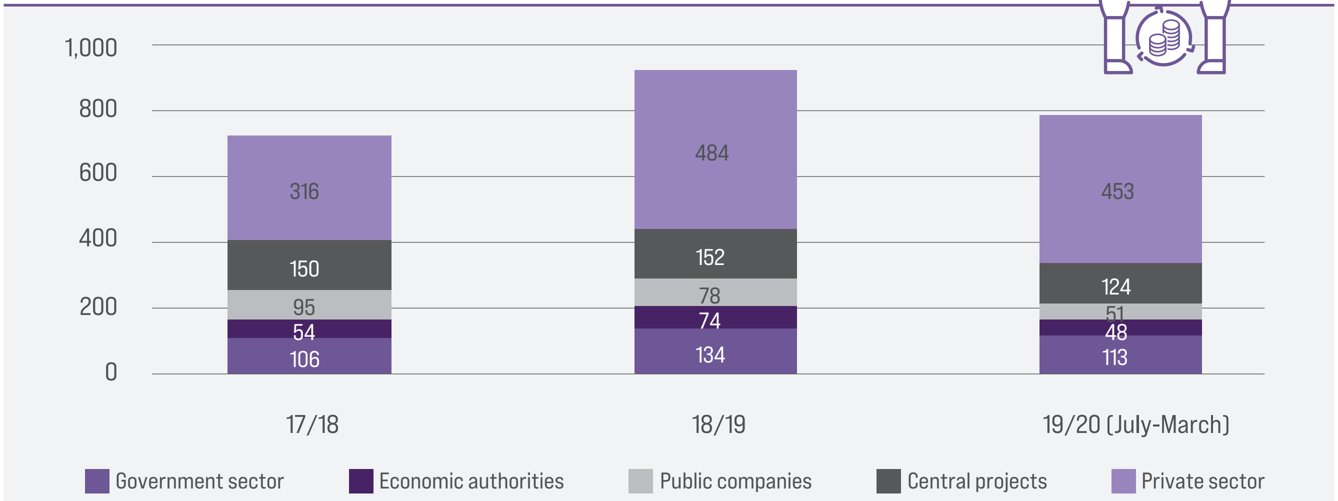
High-quality infrastructure guarantees better standards of living for citizens and helps to improve productivity and efficiency in the business sector, especially the private sector. This includes public utilities such as power stations, water supply, sanitation and sewage, ICT, piped gas, and solid waste collection and disposal. It also includes public works and transport facilities like roads, railways, urban transport, airports, and ports and waterways.

During the period from fiscal year 2017/18 to March 2020, figures showed that central government projects received the largest share of government investments, while the public companies' share was consistently declining. The most significant investments made through public companies are investments in the Egyptian Electricity Holding Company, which is responsible for the construction of new power plants and investments in electricity transmission networks.

It should be noted that the private sector's share of investments increased from 43.9 per cent to 57.5 per cent over this period (figure 65).

Although government investments represent a significant share of the national gross capital formation, as mentioned previously, public companies and economic authorities are not the main contributors to investment activities. The share of investments from public companies is declining, and the most significant economic authorities contributing to investments are the Suez Canal Authority and the Egyptian General Petroleum Corporation.

Figure 65. Distribution of total investments from 2017/18 to 2019/20 (July-March)



Source: Central Bank of Egypt, 2020. Total Investments. Available from: https://www.cbe.org.eg/ar/EconomicResearch/Statistics/Pages/TimeSeries.aspx. Accessed October 2021.

Foreign direct investment still does not represent a significant component of national investments in Egypt.

SOEs in Egypt dominate the utilities, infrastructure and finance sectors, the performance of which affects broad segments of the population and the business sector. Good governance of SOEs is critical to ensure that they contribute to economic efficiency and competitiveness. They can address market failures, guarantee quality public service delivery and contribute to the broader economy when they operate efficiently, transparently and on a level playing field with private enterprises.

The 228 SOEs employ approximately 450,000 employees and are subject to Law No. 203 of 1991 on the public business sector. There are eight holding companies with 119 subsidiaries owned by the Ministry of Public Business Sector. The remaining companies are owned by the Ministries of Petroleum and Mineral Resources, Agriculture and Land Reclamation, Electricity and Renewable Energy, Trade and Industry, Planning and Economic Development, Water Resources and Irrigation, International Cooperation, Defense and Military Production, and Supply and Internal Trade.

The latest available financial data for 2017/18 show an increase of 21 per cent in SOE revenues, approximately LE 103 billion, compared with the previous year. The total net profit was nearly LE 11 billion, an impressive 52 per cent annual growth in net profit. Commodity and service exports for SOEs amounted to LE 16.5 billion, with a growth rate of 48 per cent compared to 2016/17.

D. Opportunities for the business sector

This section will highlight opportunities for the business sector to contribute to the SDGs in Egypt by investing in economic and social infrastructure, which is considered the backbone of sustainable economic development. While this discussion is meant to reflect on profitable business opportunities from investments in SDG-related projects, it is also important to mention the role of corporate social responsibility activities to support public service delivery, particularly the social infrastructure. The Egyptian business sector has long supported local communities through activities related to corporate social responsibility.[18]

There are a number of business initiatives in Egypt that align with this trend. The Egyptian chapter of the United Nations Global Compact Local Network was launched in 2004. The Industrial Modernization Center and the Egyptian Institute of Directors jointly launched the Egyptian Corporate Responsibility Center, the mandate of which is to empower businesses to develop sustainable business models and to improve the national capacity to design, apply and monitor sustainable policies on corporate social responsibility.

These developments reflect the readiness of the Egyptian business sector to contribute more effectively to achieving the SDGs through a disciplined framework that upholds internationally recognized principles for mainstreaming sustainability in business activities in a manner that complements government efforts to achieve development objectives.

1. Economic infrastructure gaps

According to a World Bank study on infrastructure investment in Egypt, the country has benefited historically from a high share of public investment in infrastructure among countries in the MENA Region; however, public infrastructure investment has been declining without a corresponding rise in private investments.[19]

According to the Global Infrastructure Outlook of the G20, Egypt will face a significant infrastructure financing gap between 2018 and 2038, estimated to be at least $230 billion. During this period, the estimated financing capacity for the Government could reach $445 billion, while the total needed for infrastructure investments would be approximately $675 billion.[20] Among the greatest challenges are the maintenance of existing infrastructure, limited connectivity, the lack of multimodal transport, an overreliance on roads and a fragmented port system that leads to high transport costs and poor logistics performance compared to other countries in the region.[21]

Table 17. Potential pipeline for infrastructure business opportunities

Sector	Primary SDG	Secondary SDG	Potential opportunities
Transport	11 SUSTAINABLE CITIES AND COMMUNITIE 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	3 GOOD HEALTH AND WELL-BEING 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	• International air cargo hubs. • Improvements to freight capacity in Egypt. • Dry ports and logistics centres at Alexandria, the Greater Cairo Metropolitan Area, the Nile Delta and Upper Egypt. • New railways connecting ports, dry ports and logistics hubs. • Mass transit in the Greater Cairo Metropolitan Area.
Energy	7 AFFORDABLE AND CLEAN ENERGY	13 CLIMATE ACTION 11 SUSTAINABLE CITIES AND COMMUNITIE	• 800MW of solar photovoltaic and wind power plants. • Interconnections between Port Said and the Suez Terminal and Ain Sokhna, plus upgrades to the existing pipeline. • Pipeline links from Ain Sokhna to Suez; the construction of oil terminals with a storage capacity of 1 million m^3 at both Suez and Mersa el Hamra.
Water and sanitation	6 CLEAN WATER AND SANITATION	3 GOOD HEALTH AND WELL-BEING 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIE	• Desalination plants. • Wastewater treatment plants. • Irrigation solutions.

Source: Author, based on data from the World Bank.

In partnership with government investment vehicles, the private sector can promote innovations and high-quality standards in infrastructure development. At the same time, infrastructure development can have a positive impact on businesses by creating investment opportunities and increasing production capacity (table 17). It is also a primary driver of job creation and reduced unemployment.

2. Social infrastructure gaps

In addition to improving the economic infrastructure, promoting human development is one of the pillars of the Egypt Vision 2030. Mobilizing investments in social infrastructure (i.e. education and health) is essential to achieving the related SDG targets.

According to PricewaterhouseCoopers: "Egypt represents an excellent opportunity for investors and education providers looking for growth in the MENA Region", owing to its favourable investment conditions, including sustainable demand for education.[22] The Government should identify workable business models to allow the business sector to contribute to the investments necessary for public schools rather than limiting investors to establishing private schools.

The Ministry of Education and Technical Education announced the first phase of schools to be built under the public-private partnership model in 2016, under which the Government would provide the private sector with land and the investor would build and operate the schools. The first contracts were not signed until January 2019. This delay reflects serious problems with the programme's implementation. While it aims to build 1,000 schools by 2030, there were only 24 schools in six governorates offered in phase one and 60 schools to be offered in phase two.[23]

Figure 66. Egypt expenditure on health, as a percentage of gross domestic product

Source: World Bank (2021). World Development Indicators Database. Available from: https://databank.worldbank.org/source/world-development-indicators. Latest update: 15 September 2021.

The public-private partnership model must be implemented effectively in the education sector to enable the Government to expand its educational services while improving quality. Corporate social responsibility can also play a very important role in supporting the basic education system. According to a survey of 104 companies carried out by the American Chamber of Commerce in Egypt, almost 90 per cent of respondents reported being engaged in corporate social responsibility and education was the most common area receiving support from the private sector.[24]

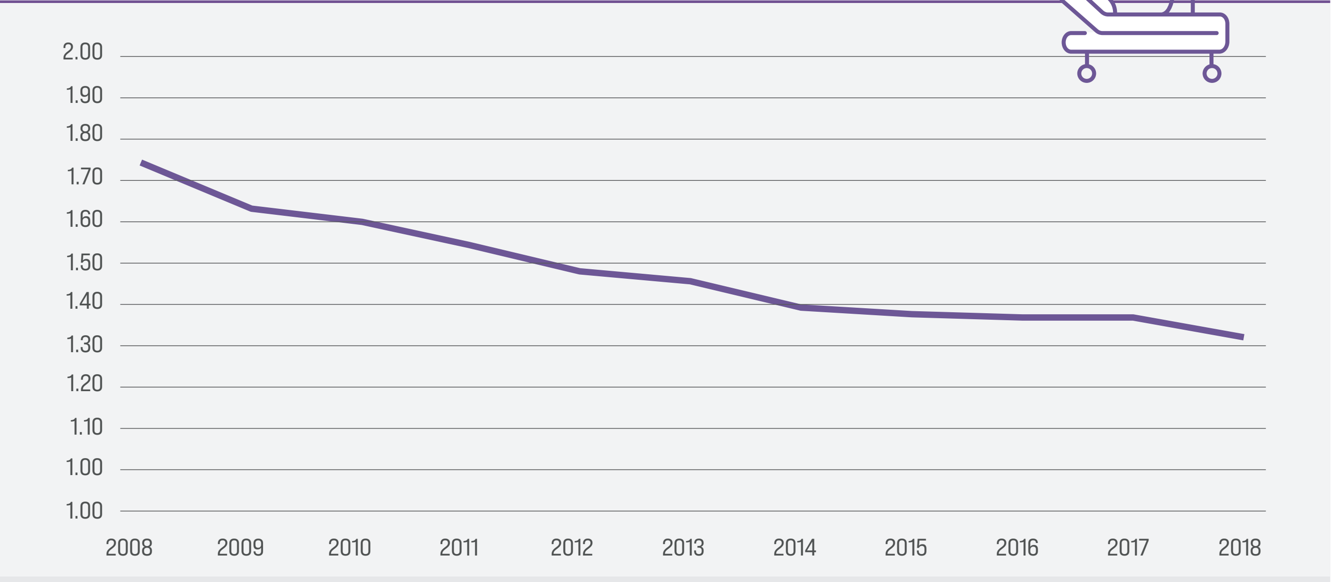
To achieve its SDG targets, Egypt faces a critical challenge in improving technical education and shifting society's negative perception of this type of education. The Ministry of Education and Technical Education is planning to expand enrolment in the dual education system by 10 per cent by 2030, in partnership with investor associations in different governorates. Based on the country's economic development priorities and investment map, the Ministry also plans to increase the number of applied technology schools to 100 by 2030, in partnership with large enterprises.

A high degree of involvement from the business sector is necessary to implement the programme, and the tendering and licensing processes must be streamlined to ensure that the model is applied successfully and smoothly, based on the mutual interests of the State and the business partner. This is particularly important since many companies are already investing in their own training programmes. The Government must therefore be more adaptable to the needs and capacities of the business sector.

Although the Government is constitutionally mandated to allocate not less than 3 per cent of GNP to the health sector and to increase that amount to be on par with global levels, the sector is one of the most underfinanced in Egypt (figure 66). Between 2006 and 2017, average government spending on the health sector did not exceed 1.5 per cent of GDP, while the global average hovered around 5.7 per cent and OECD countries spent 7.2 per cent.[25]

The investment gap in the health sector is mentioned in many studies and reports. Data from the 2014 Demographic and Health Survey indicate that progress on health sector indicators is slowing down and there are growing disparities when compared to global and regional indicators, despite significant improvements made since 1990 in key health indicators.[26]

Figure 67. Number of hospital beds per 1,000 people



Source: Author, calculated based on data from the Central Agency for Public Mobilization and Statistics, Egypt.

Table 18. Forecasts for cumulative investment requirements in the health sector

Year	Scenario 1: 1.5 beds per 1,000 people				Scenario 2: 2 beds per 1,000 people			
	Beds	Buildings (in billions of dollars)	Equipment (in billions of dollars)	Total (in billions of dollars)	Beds	Buildings (in billions of dollars)	Equipment (in billions of dollars)	Total (in billions of dollars)
2030	51,000	12–7	5–4	17–11	110,000	26–15	11–9	37–24
2050	102,000	25–14	10–8	35–22	178,000	43–24	18–14	61–38

Source: Colliers International (2017). The Pulse, 7th Edition: Egypt Healthcare. Dubai.

Government plans in the health sector require massive investments and harmonized actions with the business sector. The Government has recently launched a specialized investment fund to provide seed capital and equity financing for health-care projects. This is a positive signal to the private sector to seriously consider investing in this lucrative market.

Some investment reports estimate that in order to cater to the needs of the health sector, an additional 51,000 beds are needed by 2030, assuming the current ratio of beds per 1,000 people. However, Egypt must increase the ratio of beds per 1,000 people to a minimum of two beds in order to improve the quality and quantity of health-care services (figure 67). At that ratio, 110,000 beds are needed by 2030 and a staggering 178,000 beds are needed by 2050, along with approximately 203,000 additional doctors. This creates a great demand for hospital buildings and clinic spaces, as well as 62,000 long-term care beds.[27]

Table 18 shows the number of additional beds and the potential investments in real estate and health care (e.g. medical fit-outs and equipment) that are needed to cater to the demands of the growing population in the upcoming years.

While there is a significant opportunity for health-care providers to invest in the sector, public-private partnership faces challenges as a result of the poor benefits offered to private providers and the ambiguity in the public-private partnership framework in this sector. The new universal health insurance system will create opportunities for more public-private partnerships with its vision for standardizing health-care services and improving the quality, responsiveness and pricing of medical services offered to citizens.

E. Conclusion and policy recommendations

Egypt and all other developing countries are facing significant challenges in mobilizing the funds required to implement public investments in the physical and social infrastructure, which would enable them to meet their development targets under the 2030 Agenda. The Addis Ababa Action Agenda identifies the role of the private sector as a key partner in implementing the projects needed to complement Governments' investments in order to bridge the financing gap, which cripples countries' abilities to achieve their development objectives. The business sector, including public enterprises and the private sector, has great potential to contribute to government investment activities in order to provide public services and improve public infrastructure and facilities.

Although the role of the business sector in financing development or participating in achieving the SDGs is new, there are several frameworks and mechanisms that can promote effective partnerships between governments and the business sector to encourage investments in projects that have an impact on development. Public-private partnership is a crucial investment framework that facilitates private sector contributions to public projects. Studies and reports show that this model is an essential component in national investment mobilization schemes, and its implementation strongly correlates to an enabling macroeconomic and regulatory environment. While the public-private partnership framework in Egypt is considered advanced, it is still limited by government bureaucracy and bottlenecks in implementation, particularly with regard to the relevance and availability of pipeline projects to be offered to investors.

The private sector around the world is increasingly streamlining environmental, social and governance criteria for investments and focusing on corporate social responsibility activities related to the SDGs across their internal operations and value chains. This has become a priority despite the global challenges they might face in applying those principles in developing countries.

The Egyptian legal and regulatory business environment has recently witnessed many reforms and improvement initiatives to allow both the domestic and foreign private sector to actively engage in the implementation of public service projects and to encourage investors to participate in public service delivery in collaboration with the Government or under its supervision. Gross capital formation as a percentage of GDP in Egypt, used to measure the value of investment, is lower than the average across the MENA Region as well as the average in lower-middle-income countries. This reflects the need and the potential for new investment opportunities across all sectors, including a variety of public services.

Foreign direct investment is still a fraction of total inland investment and, consequently, a much lower percentage of GDP. It is concentrated in the oil and gas sector and light manufacturing, with a limited impact on innovation and technology transfer.

The private sector is predominantly composed of micro- and small enterprises with limited financial capabilities. Moreover, their activities are concentrated in wholesale and retail trade, with minor contributions to the manufacturing and hospitality sectors. SOEs are still important economic players, but their contributions to national investments have decreased significantly over the years. The Government announced measures to improve the transparency and efficiency of SOEs, with a view to creating a level playing field for public and private companies as a means of enhancing the overall business environment. While private sector-led job creation is the only pathway for sustainable economic inclusion, the private sector still suffers from limited growth, low productivity, narrow potential for job creation and a lack of competition in some sectors.

In light of the information presented in the chapter, the following policy recommendations can be made:

1 Translate the national planning framework, based on the Egypt Vision 2030 development objectives, into quantifiable metrics that clearly identify gaps and required investments, highlighting the potential for private contributions. This should involve an enriched public-private dialogue to better adjust policies and should be led by well-organized business associations and clear policy advocacy mechanisms.

2 Ensure that public investment priorities are results oriented, based on clearly defined policy goals, realistic, well informed and founded on evidence. They should also be robust, with investments that can position the country competitively in the global context. Investment plans should also be resilient; identify social, environmental and economic impacts; ensure value for money; and adapt efficiently to changes in resource allocation.

3 Pursue complementarities and reduce divergence among sectoral strategies, identify joint investment priorities and maximize the potential for investments to work towards unified purposes. Moreover, investment plans should precisely reflect the specificities and assets of different geographic locations and adopt effective instruments for coordinating across national and subnational levels of Government to bridge any fiscal, information or policy gaps.

4 Provide upstream support for public-private partnerships, including project feasibility studies and economic, social and environmental impact assessments, to improve the Government's ability to design and formulate a high-quality bankable public project pipeline. This includes improving availability, harmonization, clarity and the dissemination of timely, comparable and quality information about relevant investment opportunities. The Government must also develop the skills needed to manage public-private partnership programmes and refine the processes for project appraisal and prioritization.

5 Improve investment support by reinforcing the expertise of public officials and institutions involved in facilitating investments and public-private partnerships at the national and subnational levels. This is essential to laying the foundation for a streamlined business environment and efficient tendering processes for public projects selected for private sector contributions.

6 Align measures to facilitate business and reduce regulatory burdens with sustainable development objectives. This should coincide with improved corporate governance measures, labour rights protections, environmental and health standards and measures to fight corruption, and promote business integrity.

> The Egyptian legal and regulatory business environment has recently witnessed many reforms and improvement initiatives.

7 Create a national platform to engage with the private sector on sustainability and the green economy and promote their relevance to core business processes, products and services. Establish mechanisms to ensure a minimal level of disclosure about the metrics used for corporate reporting on SDG impact, which can play a significant role in raising awareness in the business sector and improving its level of commitment.

8 Develop and apply targeted strategies to promote foreign direct investment focused on SDG sectors. Priority should be given to the proactive promotion and facilitation of SDG investments and to the creation of a continuous pipeline of bankable, green and inclusive projects to be offered to foreign investors.

9 Support businesses' corporate social responsibility activities through relevant tax and non-tax incentives and improve the processes for project creation and selection by employing a participatory programmatic approach that actively engages local communities in the design and implementation phases.

"There are several frameworks and mechanisms that can promote effective partnerships between governments and the business sector.

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