

The background is a complex digital collage. At the top, a hand in a suit sleeve holds a pen, poised to write on a globe. The globe shows Africa and Europe. Overlaid on the globe are various financial data visualizations: a bar chart with blue bars, a line graph with a red trend line, and a candlestick chart. In the bottom left, a stack of gold coins is visible. The overall color palette is dominated by blues, greens, and golds, with a dark green diagonal split at the bottom right.

# LOGIC INS!GHTS


# UK MEETS EGYPT


The Potential Gateway for  
UK's Expansion into Africa

In 2022, Africa's economic landscape stood out favorably on the global stage, demonstrating resilience in the face of obstacles like tightening global financial conditions and exacerbated supply chain disruptions resulting from the Russian-Ukrainian war, unlike many other regions worldwide. Growth is expected to rebound to 4% by the end of this year and stabilize at 4.3% in 2024, showcasing Africa's resilience to shocks.<sup>1</sup>


# 1. AFRICA AT A GLANCE

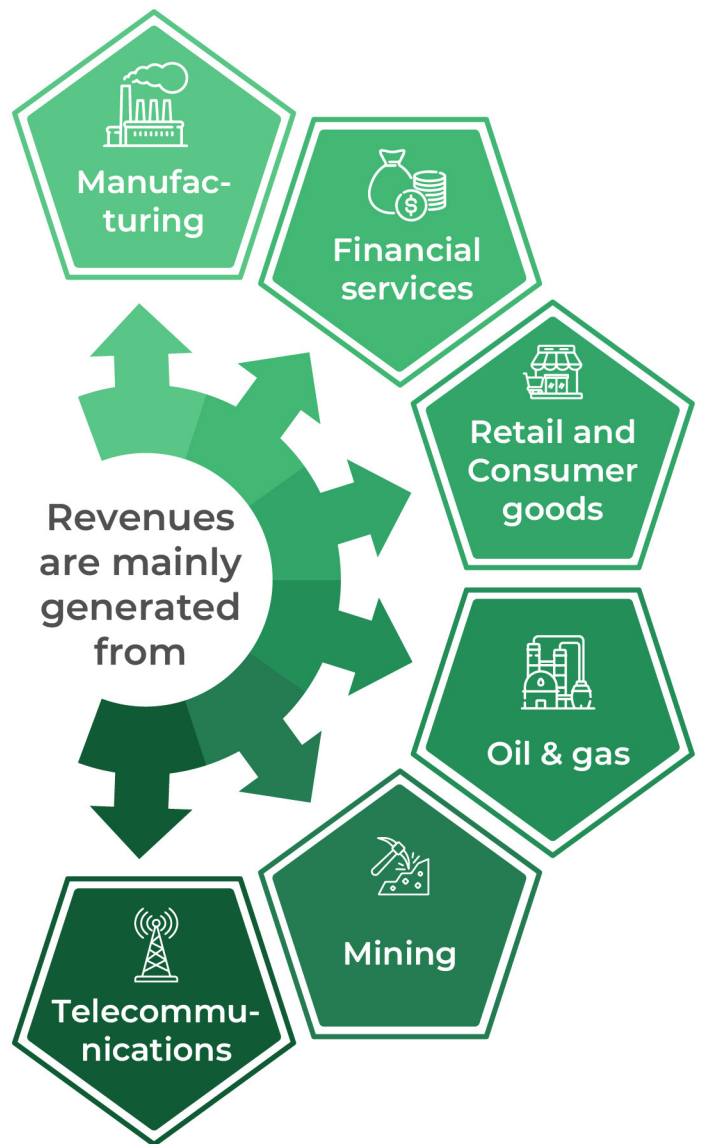
## I. The Business Titans of Africa

 There are around 345 companies in Africa that generate yearly revenue of \$1 billion or higher.

 They jointly generate over \$1 trillion in revenues.

 Out of the 345 companies, 230 were founded by local entrepreneurs in African countries.

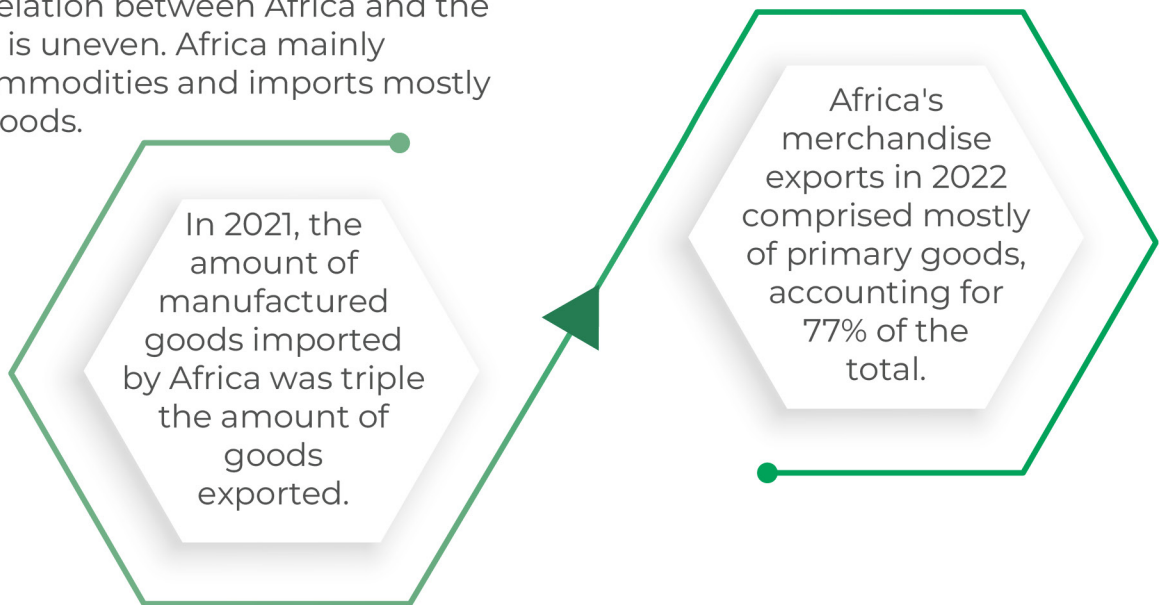
 These major corporations are present in all sectors across the continent.



<sup>1</sup>African Economic Outlook 2023 | African Development Bank Group - Making a Difference (afdb.org)

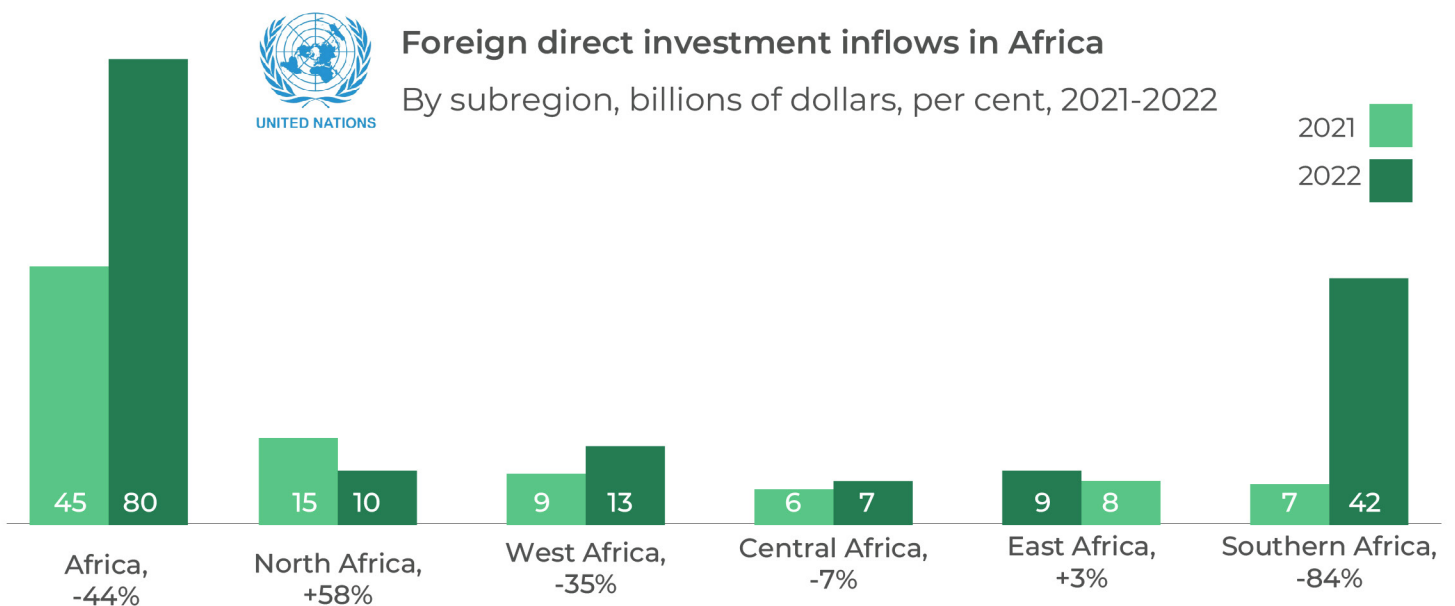
## II. The Status of Africa's Trade Affairs

The trading correlation between Africa and the rest of the world is uneven. Africa mainly exports basic commodities and imports mostly manufactured goods.



## III. FDI Inflows Across Africa

Over the past 5 years, foreign direct investment (FDI) inflows have increased in four African regional economies. Although intraregional investment has grown, it still makes up a small portion of all projects; intraregional greenfield projects showed a slight increase from 13% to 15% in 2022. While international project finance deals for Africa declined by 47% in value in 2022, the number of projects increased by 15%. On the other hand, Egypt has witnessed a substantial surge in FDI, with cross-border (M&A) transactions driving a twofold increase in overall investment, reaching a total of \$11 billion. This increase in FDI has also resulted in a doubling of greenfield projects in the country. Conversely, Morocco has seen a minor dip of 6% to \$2.7 billion in FDI flows.<sup>2</sup>

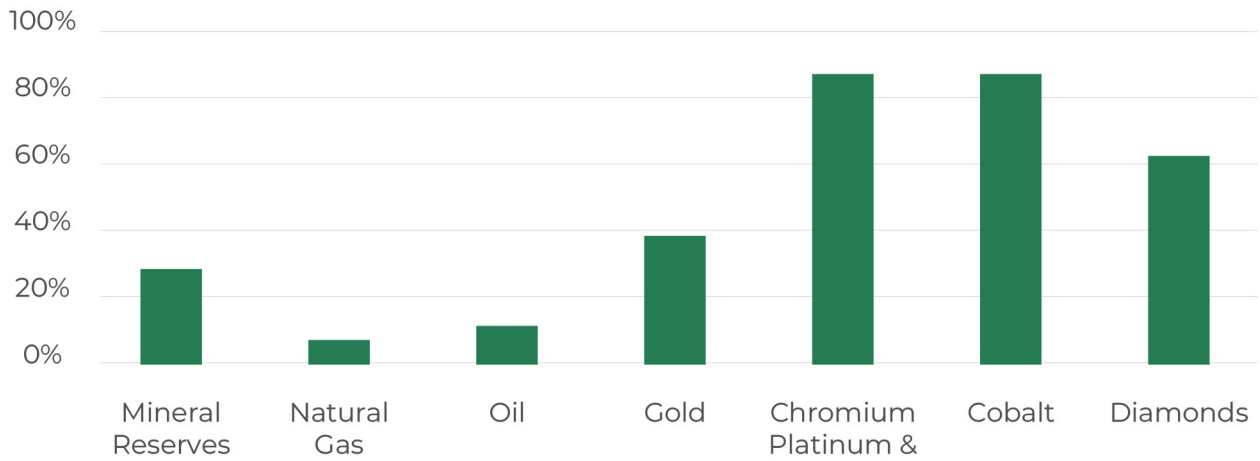


Source: UNCTAD, FDI/MNE database (<https://unctad.org/fdistatistics>)

### III. Africa's Natural Treasures

In 2018, the estimated value of Africa's natural capital was \$6.2 trillion.<sup>3</sup>

Africa's Share in Global Natural Resources



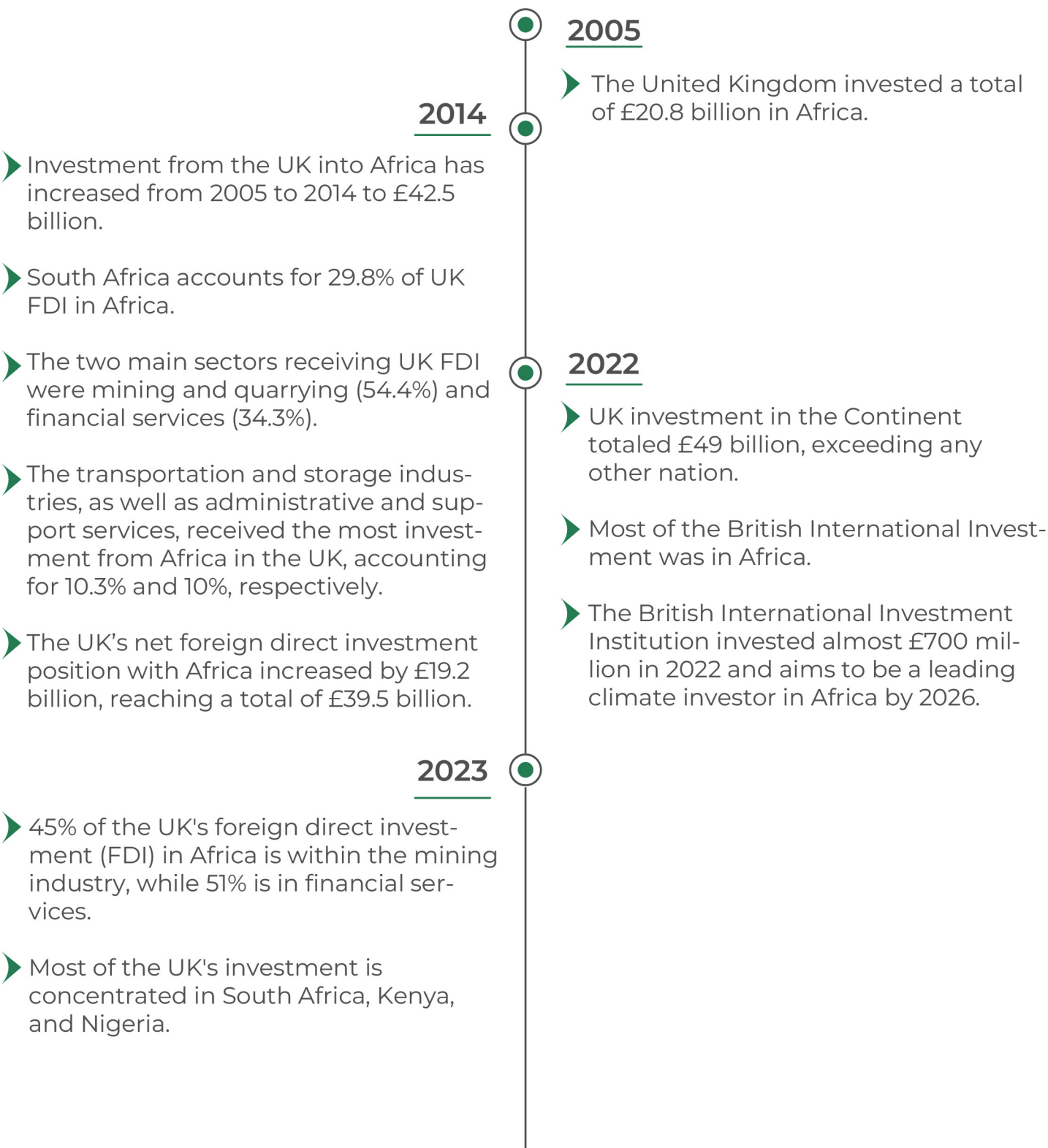
It is worth noting that Africa has 65% of the world's arable land and significant fresh-water resources, which makes up 10% of the planet's internal renewable freshwater source.<sup>4</sup>



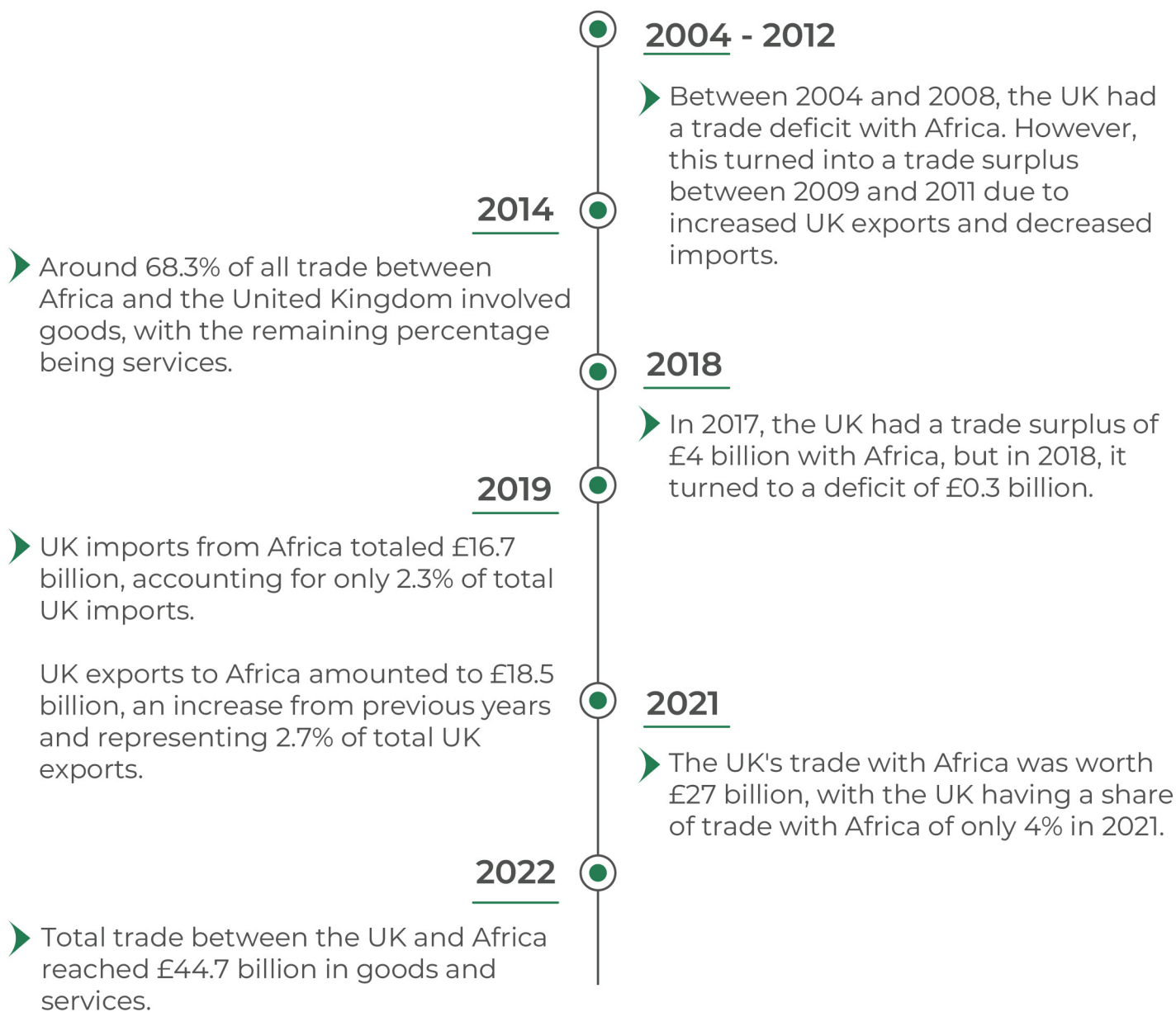
<sup>2</sup>) Investment flows to Africa dropped to \$45 billion in 2022 | UNCTAD  
<sup>3</sup>) African Economic Outlook 2023 | African Development Bank Group - Making a Difference (afdb.org)  
<sup>4</sup>) Our work in Africa | UNEP - UN Environment Programme

## 1.1 UK-AFRICA TRADE AND INVESTMENT

### I. INVESTMENT



## II. TRADE



The United Kingdom serves as a substantial origin of FDI in Africa, extending its influence across a wide array of sectors. These sectors encompass energy, mining, telecommunications, agribusiness, financial services, technology, healthcare, and infrastructure. The scale of investment varies from one country and sector to another, underscoring the dynamic nature of the UK's involvement in African investments.

## 2. EGYPT AT A GLANCE

Egypt's economy, characterized by its diverse array of sectors, holds significant prominence within the global economic arena. With a rich historical backdrop, it boasts a dynamic structure molded by numerous factors, which collectively shape the economic narrative of this North African nation.

### An Overview of Egypt's Economic Scenery Pre & Post-Pandemic

	Pre-Pandemic	Post-Pandemic
<b>GDP</b>	\$318.68 billion (2019) <sup>5</sup>	\$387.11 billion (2023) <sup>6</sup>
<b>Growth Rate (Y-o-Y)</b>	5.6% (2018-2019) <sup>7</sup>	3.7% (2022-2023) <sup>8</sup>
<b>Sectors With High Growth Potential</b>	Tourism, Real estate, and ICT were the main drivers of the Egyptian economy. <sup>9</sup>	<ul style="list-style-type: none"> <li>▶ ICT</li> <li>▶ Energy and materials</li> <li>▶ Urban Development</li> <li>▶ Health</li> <li>▶ Education</li> <li>▶ Agriculture</li> <li>▶ Manufacturing<sup>10</sup></li> </ul>
<b>FDI inflows</b>	\$8.14 billion (2018) \$9.01 billion (2019) <sup>11</sup>	\$5.12 billion (2021) \$11.4 billion (2022) <sup>12</sup>
<b>FDI inflows Growth Rate</b>	10.69% (2018 - 2019)	122%. (2021 - 2022) <sup>14</sup>

Egypt received the highest volume of foreign investment in Africa in 2022, with 25%, followed by South Africa and Ethiopia.

<sup>5</sup> GDP (current US\$) - Egypt, Arab Rep. | Data (worldbank.org)

<sup>6</sup> Arab Republic of Egypt and the IMF

<sup>7</sup> GDP growth (annual %) - Egypt, Arab Rep. | Data (worldbank.org)

<sup>9</sup> Expanding Opportunities for the Egyptian Private Sector in the Post-COVID Era | United Nations Development Programme (undp.org)

<sup>10</sup> 21-00780-UNDP-Opportunities-Egypt-Private-Sector-En-Pages\_1.pdf

## 2.1 Investment Enablers in Egypt

### 1. Amendments to Egypt's Investment Law in 2023:

On May 16<sup>th</sup>, 2023, the Supreme Council for Investment unveiled its most recent significant measures aimed at fostering and incentivizing investment in Egypt

#### Amendment 1: Act No. 7 of 2017

##### Objective

Ease and facilitate import procedures for foreign investors.

##### Changes

Allow foreign investors entry and subscription into the importers' registry for 10 years, regardless of nationality.

#### Amendment 2: Clearing System

##### Objective

Speed up refunds and procedures.

##### Changes

Directing the Ministry of Finance to create a clearing system between investors' dues, taxes, or other burdens with a 45- day limit for value- added tax refund.

#### Amendment 3: State's Fiscal Policy Document

##### Objective

Eliminate tax legislation instability and multiplicity of mandates.

##### Changes

Expedite the publication of the State's fiscal policy document over the next five years.

#### Amendment 4: Profit Transfer Law for Holding Companies and Subsidiaries

##### Objective

Reduce taxes and avoid double taxation to stimulate domestic and foreign investment.

##### Changes

Mandate the Ministry of Justice to quickly conclude amendments to the law.

<sup>11</sup> Foreign direct investment, net inflows (BoP, current US\$) - Egypt, Arab Rep. | Data (worldbank.org)

<sup>12</sup> UNCTAD: Egypt comes first in foreign investment flows into Africa in 2022-SIS

<sup>13</sup> Foreign direct investment, net inflows (BoP, current US\$) - Egypt, Arab Rep. | Data (worldbank.org)

<sup>14</sup> UNCTAD: Egypt comes first in foreign investment flows into Africa in 2022-SIS



## Amendment Related To Natural Gas-Based Industries

Policy Amendment

- › The Egyptian presidency announced a new decision allowing licensing for natural gas- based industry projects to operate in the free zone.

## Trade Barrier Reduction

- › The government is required to eliminate trade barriers, such as tariffs and non- tariff obstacles.
- › This opens the domestic market to foreign competition, decreases prices, and broadens consumer choices.

## 2. Privatization:

In February 2023, Prime Minister Mostafa Madbouly announced that the State Ownership Policy would be implemented by offering 32 state-owned companies to private investors.<sup>16</sup> The main goal of this initiative is to address the \$17 billion funding shortfall that Egypt is expected to face over the next four years. This will involve injecting US dollars into the local market and creating more opportunities for the private sector to contribute to the economy.

In fact, the private sector's share of economic activity is set to increase from 30% to 65%, which is a significant commitment from Egypt to the International Monetary Fund. As part of this commitment, Egypt will receive a \$3 billion loan in installments until FY2025/2026.<sup>17</sup> The list of companies offered to the private sector spans various sectors, including banking, oil and petrochemicals, real estate, insurance, and ports.<sup>18</sup> Finally, the Egyptian government plans to increase the private sector's role in the economy and raise \$40 bn by 2026 through privatization.<sup>19</sup>

## 3. Devaluation

Currency devaluation in Egypt poses a potential risk to foreign investors, primarily because it introduces heightened uncertainty and greater economic instability. Devaluation often leads to elevated import expenses and disrupts the local market, potentially eroding profit margins for companies dependent on imported goods or materials. Furthermore, continued devaluation may result in a diminished real return on investment.

However, to instill trust in the Egyptian economy, which has taken a significant hit in the past year, the IMF granted Egypt a \$3 billion arrangement under the Extended Fund Facility in December 2022, with privatization included. Anticipating a long-term increase in Foreign Direct Investment (FDI) in Egypt hinges on the government's successful implementation of the accompanying economic reform package and its commitment to maintaining a flexible exchange rate.<sup>20</sup>

<sup>16</sup> Assessing Egypt's State Ownership Policy: Challenges and Requirements - Carnegie Middle East Center - Carnegie Endowment for International Peace

<sup>17</sup> Egypt's privatisation programme: Updates, potential moves - Economy - Business - Ahram Online

<sup>18</sup> Rebooted privatization program to see stakes in 32 companies sold to strategics, public investors | Enterprise

<sup>19</sup> Egypt offers 32 state-run companies to private investors within a year - Dailynewsegypt

## 4. Trade Agreements:

### The African-Egyptian Economic Agreements & Initiatives

Egypt has established robust economic ties with the African continent, not only due to its geographical proximity but also as a result of its strategic alignment aimed at bolstering regional economies. Egypt has formed numerous economic agreements with African nations, forging alliances that have had a significant impact on the region's economic landscape, with an impact that continues to persist.



**The African Continental Free Trade Area**  
(AfCFTA)

AfCFTA is the largest free-trade area globally.<sup>21</sup> The Phase One Protocol on Trade in Goods committed State Parties to gradually eliminate tariffs on 90% of traded goods. The recently concluded Phase Two Protocols on Investment, Competition Policy, and Intellectual Property Rights will enhance African economic integration. The AfCFTA Guided Trade will prioritize Trade in Services for Tourism, Transport, Business, Communication, Finance, and Travel.<sup>22</sup>



**The Common Market for Eastern and Southern Africa**  
(COMESA)

The COMESA Agreement, aiming to create a free trade area and eventually a common market among member states, was a pivotal economic move. Egypt, alongside 20 other nations, joined COMESA in 1998, thereby committing to a full exemption of customs duties for goods bearing COMESA origin certificates. The agreement stipulates that customs exemptions apply to all imports of products originating in a member country with a value-added amounting to 45%. Furthermore, monetary union plans are slated to be in place by 2025.<sup>23</sup>

**The UK-Egypt Association Agreement**

In December 2020, the United Kingdom and Egypt formalized a new bilateral Trade Agreement. This agreement ensures the continuation of preferential access to each other's markets. Furthermore, Egypt's association with several beneficial trade agreements, such as GAFTA and COMESA, shall provide the country with favored access to growing markets within the region. Notably, the free trade agreement between Egypt and the UK exempts UK companies trading with Egypt from tariffs on industrial products. This trade agreement has already provided benefits, as evidenced by the £1.1 billion worth of UK exports to Egypt in 2015.<sup>24</sup>

<sup>20</sup> Egypt - United States Department of State

<sup>21</sup> AfCFTA aspirations - Egypt - Al-Ahram Weekly - Ahram Online

<sup>23</sup> Gafi- Trade Agreements

<sup>22</sup> AU Summit 2023: Powering trade through AfCFTA | Africa Renewal (un.org)

<sup>24</sup> Trade & Investment - EBCC (theebcc.com)



## 2.1 UK'S THRIVING INVESTMENTS IN EGYPT

### Britain is The Largest Foreign Investor in The Egyptian Market

Numerous British firms are directing their investments towards Egypt's education, infrastructure, health, oil, and gas sectors. Egypt welcomes additional investments from Great Britain, be it new ventures or expansion of current ones in both the productive and service domains. Egyptian officials are actively engaged in dialogues with their British counterparts to further enhance cooperation in multiple areas, with particular emphasis on healthcare and education.<sup>25</sup>

#### Key Investors:

##### I. CDC

Since 2003, CDC, a Development Finance Institution based in the UK, has invested in Egypt's private sector and supported 20 companies, creating jobs for over 9,000 individuals. In addition, CDC issued a loan of \$97 million to private firms involved in the operation and management of Benban Solar Park. This move aims to aid Egypt in meeting its green energy targets while generating employment opportunities.<sup>26</sup>









##### II. British International Investment (BII)

BII has invested over \$760 million in Egypt across several critical sectors, including clean infrastructure and energy, healthcare, manufacturing, and financial services. BII investments currently assist more than 50 businesses and over 32 thousand jobs in the country.



<sup>25</sup> Egypt and United Kingdom-SIS

<sup>26</sup> UK-Egypt\_Joint\_Statement\_on\_Economic\_Cooperation.pdf (publishing.service.gov.uk)

Sector	Investment	Goals
<b>Infrastructure</b> 	Sokhna port	Trade with the Middle East and Asia will be easier, creating 1.4M+ jobs and improving access to goods.
<b>Healthcare</b> 	\$100 million in Alfa Medical Group	Investment in one of Egypt's largest healthcare providers to support access to quality medical care.
<b>Healthcare</b> 	\$150 million in Kelix bio	Manufacturing life-saving drugs; A part of this commitment was utilized in acquiring ADWIA Pharmaceuticals in Egypt
<b>Finance</b> 	\$100 million in Commercial International Bank (CIB)	Aimed to bolster Egypt's economy during the COVID-19 pandemic by enabling lending to export sectors.
<b>Venture Capital</b> 	\$12 million in Sawari Ventures Fund I (2018)	Supported companies like SWVL, MoneyFellows, and Si-Ware.
<b>Venture Capital</b> 	\$5 million in Paymob's Series B round (2022)	Helps businesses and merchants accept digital payments.

### Other Key Investors:

According to the Egyptian General Authority for Investment & Free Zones (GAFI), over 900 UK companies are operating in Egypt as of 2020, such as AstraZeneca, BP Egypt, GSK, HSBC, Vodafone Egypt, Shell, and Unilever.

Information Source: British International Investment reaffirms climate partnership with Egypt and reveals ambition to invest \$100 million in Egyptian start-ups - British International Investment (bii.co.uk)









<sup>27</sup>Interview: Egypt-UK Economic Relations on an Upward Trend - EgyptToday

<sup>28</sup>Leading British companies discuss investment in Egypt-SIS

## 3. EGYPT THE ULTIMATE GATEWAY TO AFRICA:

### 3.1 Offering Unparalleled Opportunities For Investment

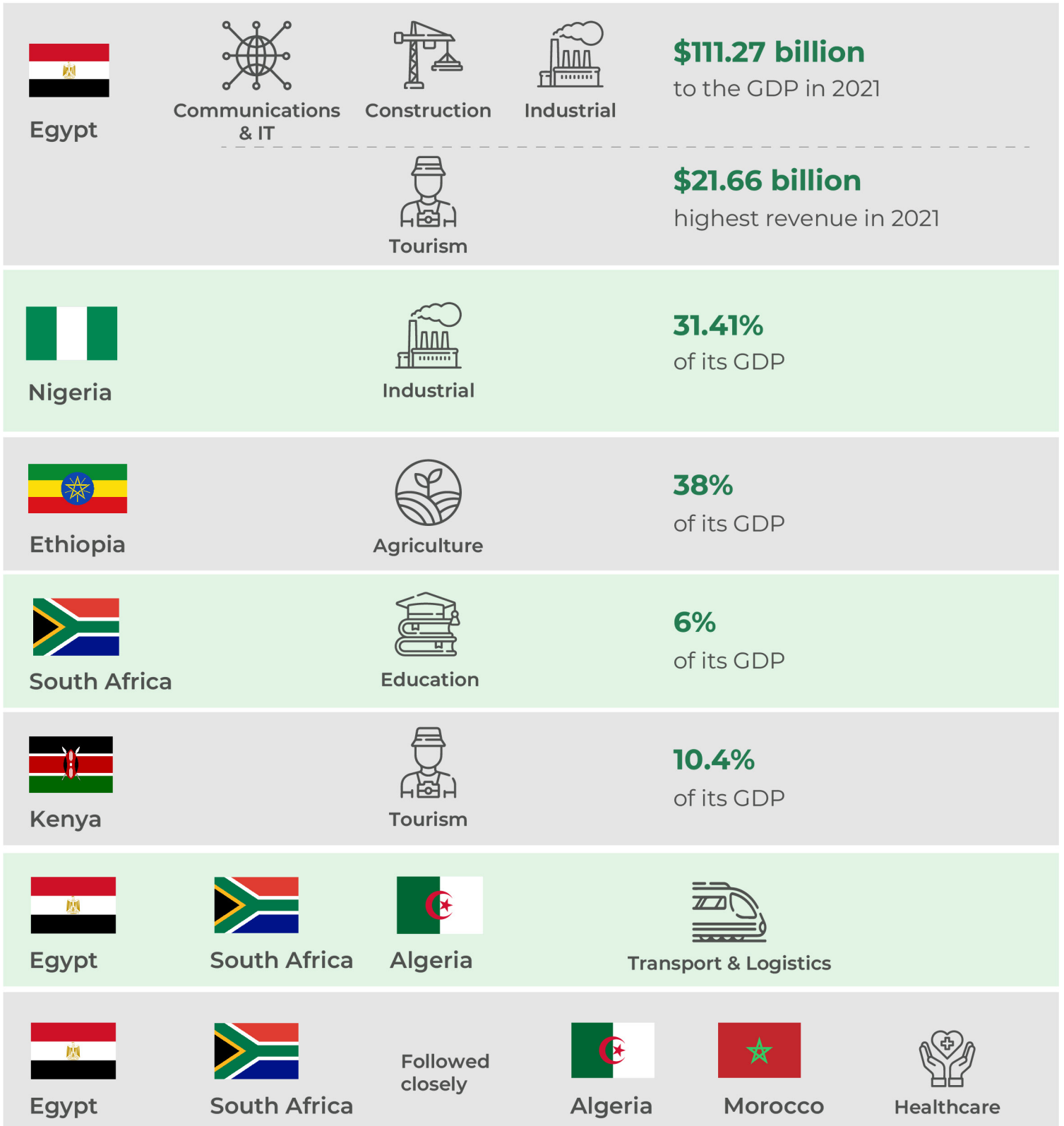
Opportunity sizes within Egypt differ among sectors, with some showing more significant potential than others. As indicated in the table provided, the sectors with the most promising opportunities in Egypt, include Communications & IT, Industrial, Agriculture, and Construction. Following closely are Transport & Logistics, Education, Healthcare, and Tourism. These sectors offer abundant investment prospects for those interested in the Egyptian market. They can also serve as a gateway for investors looking to extend their presence across other African countries with comparable potential in these sectors.

Sector		Contribution % to GDP	Growth Rate	Private Investment	Opportunity Size in Africa* (Bn USD)
Industrial		16.3%	2.5%	EGP 21.3 bn	454.18
Agriculture		12.5%	10.8%	EGP 13.3 bn	271.32
Construction		7.2%	14.5%	EGP 5.9 bn	128.47
Transport & Logistics		5.2%	11%	EGP 13 bn	114.39
Communications & IT		2.7%	19.1%	EGP 18.9 bn	132.01
Healthcare		2.5%	12.8%	EGP 3.5 bn	65.39
Education		2%	11.7%	EGP 4 bn	71.62
Tourism		1.8%	0.8%	EGP 5.6 bn	80.77

The above analysis on opportunity size is based on the sectors' contribution to the biggest 7 African economies GDP (Egypt, Nigeria, South Africa, Algeria, Morocco, Ethiopia, Kenya). These 7 countries account for <70% of the continent's GDP.

## 3.2 Spotlighting Investment Opportunities in African Countries

The African continent is home to seven huge economies: Egypt, Nigeria, South Africa, Algeria, Morocco, Ethiopia, and Kenya. These nations have a combined GDP of approximately \$1.9 trillion, with various sectors showing remarkable performance.



## Meet the Contributors

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