



Summary notes of the ECES Roundtable Discussion on:

The Launch in Egypt of the Global Competitiveness Report, 2015-2016

Wednesday, 30 September 2015, 3:00-4:30 pm

Speakers:

- **Omneia Helmy**, Director of Research, ECES
- **Nihal El Megharbel**, First Assistant to the Minister of Planning, Monitoring and Administrative Reform
- **Seif Allah Fahmy**, Chairman, Egyptian National Competitiveness Council (ENCC)
- **Amina Ghanem**, Executive Director, ENCC

Session Moderator:

Mohamed Taymour, Vice Chairman, ECES

Main Points:

- According to the 2015-2016 Global Competitiveness Index, the Egyptian economy has witnessed a slight improvement for the first time in five years, ranking 116 out of a total of 140 countries compared to its previous ranking of 119 out of a total of 144 countries in the 2014-2015 report. "Relative stability" can rightly describe Egypt's rank this year as the number of countries covered by the report declined from 144 to 140 countries.
- The improvement of Egypt's performance can be attributed to progress achieved in the "Basic Requirements" and "Efficiency Enhancers" pillars. Improvement in the former is mainly due to better institutional environment and quality of infrastructure, while in the latter it can be ascribed to better performance in financial market efficiency and market magnitude. A slight improvement has also been achieved in the labor and commodity markets. Egypt's rank in the "Innovation and Business Sophistication" pillar remained unchanged.
- Macro indicators exhibited some decline due to the increase in inflation and budget deficit, and low national savings rate. Basic and university education as well as health indicators have also declined. Conversely, Egypt's sovereign rating improved.

- Despite slight improvement in this year's report, the Egyptian economy has yet to undertake intense reforms in order to further integrate into the global economy as a competitive economy capable of attracting investment rather than an aid-dependent economy. Despite the limited areas on which the report builds its evaluation, macro and educational policies remain the most important aspects that must be covered by reform efforts.
- Needed reforms in managing the economy include the importance of coordination between fiscal and monetary policies. The monetary policy should also take into account the optimal interest rate, which avails credit to investors at a reasonable cost. It is also important to revisit the exchange rate policies that kept the pound isolated from the change in the price of world currencies, resulting in the pound's appreciation by 15 percent *vis-a-vis* a basket of currencies, which was reflected in the deterioration of the trade balance. It must also be emphasized that economic reform should take place as part of an inclusive development framework.
- Investment in education is one of the most important ways to move the economy to more advanced stages of competitiveness. Egypt is in need of launching a national project of education reform along the lines of the Suez Canal project. This national project should benefit from the mistakes of previous policies and realize that reform is a long-term plan that requires sustainable implementation and coherent decision-making. Policy predictability should also be observed. A case in point is the decision to establish a new independent portfolio for technical education, a decision which was soon reversed, integrating it instead as part of the existing education ministries. In the same vein, adequate attention should be given to training to avail human resources capable of innovation and coping with change in policies, legislation and procedures.
- Egypt's Sustainable Development Strategy - 2030 has among its objectives the importance of improving Egypt's rank in the Global Competitiveness Index to become among the top thirty countries. To that end, the strategy has established sub-objectives related to macroeconomy, education, health, innovation and sectoral policies.
- The Egyptian National Competitiveness Council will hold a series of meetings to discuss what is needed to enhance the performance of the Egyptian economy in the various pillars of the Global Competitiveness Index. It will also work on establishing a competitive index at the governorate level using the same methodology employed by the World Economic Forum. This will help local governments improve their own competitiveness.

- In a comparative setting, the Global Competitiveness Index shows that if Egypt's performance in "Basic Requirements" improves to be on par with that of Morocco, Egypt's score in this pillar will rise from 3.8 to 4.7, and its rank will improve from 115 to 55. If Egypt's performance in "Efficiency Enhancers" improves to be on par with that of the UAE, Egypt's score in this pillar will rise from 3.6 to 5.1 and its rank will improve from 100 to 17. If Egypt's performance in "Innovation and Sophistication" improves to be on par with that of Jordan, Egypt's score in this pillar will rise from 3.2 to 4, and its rank will improve from 113 to 40.