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## **On the Government 2024 Work Program (No. 2) Third Pillar: Building a Competitive and Investment-attractive economy**



Building on the previous edition of “Views on News,” dated 17/7/2024, regarding the broad outlines of the government work program (2024-2027), this issue discusses the third pillar of the work program entitled “Building a Competitive and Investment-attractive Economy.”

[\*\*Link\*\*](#)

# Our Views

The pillar of “Building a Competitive and Investment-attractive Economy” comprises four strategic objectives, 14 main programs, and 40 sub-programs, as shown in the following table:

Strategic goals	Main Programs	Sub-programs		
<b>The first strategic objective.</b> Consolidating the foundations of economic progress and maximizing national economic capabilities	Achieving strong, sustainable, inclusive, and balanced growth rates	Enhancing the pace of economic growth and improving its quality	Ensuring economic empowerment and balanced spatial development	
		An inclusive economy capable of creating more job opportunities	Increasing the contribution of the green economy to GDP	
		Correcting the imbalance between the supply and demand sides	A competitive economy based on digital knowledge	
		Increasing the competitiveness of Egyptian exports		
	Continuing the economic reform process by adopting macro-economic reforms	Financial discipline and enhancing financial sustainability		
		Continuing the process of structural and institutional reform		
	Adopting sectoral economic reforms	Increasing the competitiveness of the industrial sector	Enhancing the development of the tourism sector	
		Expanding extractive industries	Transforming Egypt into a global logistics and trade hub	
		Developing the agricultural sector	Enhancing the construction sector	
		Developing communications systems and localizing the information technology industry	Enhancing the development of the civil aviation sector	
Enhancing resilience, flexibility and proactivity in crisis management	Promoting proactive management, turning crises into supportive opportunities	Adopting policies to enhance the resilience and flexibility of the Egyptian economy		
<b>The second strategic objective:</b> Empowering the private sector and enhancing local and foreign investments.	Raising investment rates	Promoting local and foreign investments		
	Continuing to implement the policy of state ownership of assets	Enhancing private sector participation		
	Governance of state-owned assets	Regulating state ownership in state-owned enterprises	Maximizing the return on state-owned assets	
	Ensuring competitiveness and competitive neutrality Enhancing the competitiveness and attractiveness of the business environment	Promoting fair competition in productive markets		
		Continuing to improve the business environment and facilitating business activity	Raising the efficiency and qualification of the workforce	
		Simplifying the legislative, regulatory and supervisory framework	Supporting and enhancing financial services and digital payment, and facilitating access to various sources of financing	
	Raising the efficiency of public services and facilities and enhancing infrastructure	Effective settlement of disputes and speedy resolution of economic issues, and resolving the challenges facing investors		
<b>The third strategic objective:</b> Regulating prices and reducing inflation	Ensuring the availability of all goods in the markets	Ensuring that the needs of the local market are met	Expanding agricultural and food production	
		Ensuring price stability		
	Controlling supply chain disruptions	Supply chain development	Digitization of major commodity markets	
<b>The fourth strategic objective:</b> Egypt is a regional hub for transportation, logistics and transit trade.	Development of road and bridge network	National roads project	Nile transportation axes	
		Overpasses and tunnels		
	Railway system upgrading	Development of railway network infrastructure		
	Construction of the subway and electric traction network	Development of Metro and urban transport networks		

First, it should be noted that multiplicity in the main programs and sub-programs included in this pillar is a problem in itself, especially in light of the absence of implementation mechanisms and the difficulty of assigning responsibilities among different entities.

In general, comments on this pillar can be summarized in the following four main points:

1. Ambiguity of the general strategic direction of economic development
2. Continuation of some directions that must be reassessed
3. Ambiguity in main and sub-programs
4. Foundations on which some quantitative targets were set have not been disclosed

Below are the most important comments for each main point.

## **1. Ambiguity of the general strategic direction of economic development**

- There are multiple strategic directions, and they are often conflicting. At times, emphasis is placed on a balanced growth approach that drives all sectors, while at other times, specific sectors such as agriculture, industry, and telecommunications are highlighted as leading sectors. Consequently, there is lack of clarity regarding the government's strategic direction, and difficulty in establishing a sound structure for incentives and policies, especially in light of the absence of a national strategy for industrial development and a well-defined industrial policy.

## 2. Continuation of some directions that must be reassessed.

- Continued reliance on asset sales to solve deficit financing problems; the program included the establishment of an asset liquidation committee affiliated with the Ministry of Finance, aiming to achieve EGP 20-25 billion annually in proceeds from exits.
- The export strategy focuses on sectors heavily dependent on natural resources. The program targets industrial exports, particularly those relying on primary resources and raw materials, and considers petroleum as a promising export sector.
- The prevailing mindset maintains that employment opportunities are created by targeting labor-intensive industries, rather than raising growth rates and creating high-quality job opportunities. This is a direction that must be reconsidered in light of the Fourth Industrial Revolution and the expansion of artificial intelligence applications that require different management of the labor market to keep pace with these developments with a sound approach.

### 3. Ambiguity in the main and sub-programs

This pillar is ambiguous, and this ambiguity stems from several factors, as follows:

- Lack of clarity in the concepts used, and confusion between different terms.

The program refers to a number of general and broad terms that have more than one definition, without specifying the definition upon which targets have been set such as the digital economy, green economy, economic vulnerability, export gap, leading sectors and pioneering sectors, in addition to using the terms competitiveness and competition interchangeably as if they were one and the same, which is misleading.

- Some programs are unclear and repeated in more than one form
  - For example, regarding the labor market, the second sub-program, “continuing the structural and institutional reform process,” refers to the establishment of a national labor market information system without mentioning details. It is also not clear to what extent it differs from what was called “the national labor market information platform,” included in the human development pillar.

- Repeated reference to supporting the private sector, increasing investments, and reforming the customs system in more than one form; sometimes as a strategic direction, other times as a main program, and several times as sub-programs.
- Fragmentation and lack of a comprehensive coverage of all elements included under each main program.

Examples of this are as follows:

- Limiting the correction of supply and demand gaps in the labor market to the labor market information system. This disregards other important dimensions, including the institutional and legislative frameworks that regulate the labor market, demand issues, job creation, etc.
- Limiting administrative and institutional reform to the independence of internal audit units and governance within ministries and governorates, which is incorrect. This also represents a relapse from the more comprehensive approach that was addressed in several studies conducted by the Egyptian Center for Economic Studies on institutional reform.<sup>1</sup>

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<sup>1</sup>[eces.org.eg](http://eces.org.eg)

- Focusing on stimulating exports and increasing the competitiveness of Egyptian products through the export support program and market penetration mechanisms, disregarding the fact that stimulating exports begins with supporting investment and enhancing the competitiveness of Egyptian products.
- With regard to the transportation and logistics sector, the focus is on the projects planned for implementation without addressing the strategic and legislative framework for this sector, which needs serious revision.
- The program touched on some of the platforms that were launched to support the private sector, such as the “Hafez” platform of the Ministry of International Cooperation, and others to support entrepreneurship. These are partial efforts that alone will not lead to fundamental changes in the business environment, and will not be sufficient to restore investor confidence in the Egyptian economy.

#### **4. Foundations on which some quantitative targets were set have not been disclosed**

- The structural transformation goals were modified by targeting an increase in the shares of agriculture, industry and communications to 38% of GDP in this program, compared to 35% in the structural reform program issued in 2021, without any evaluation of what has actually been achieved.

- Some goals are unrealistically ambitious and not feasible within the designated timeframe, such as targeting 85% insurance coverage for the population by 2026/27 and about 94% coverage of local production of medicines for market needs (2026/27).
- It is unknown on what basis the target of raising rural household income to no less than 77% of the average urban income was set.
- Doubling the number of projects for the Upper Egypt Development Program, while the results of the current projects have not been announced.
- Targeting an annual growth rate of 31% for industrial sector production at current prices in 2026/2027. The growth rate should be real, i.e., at constant prices.

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