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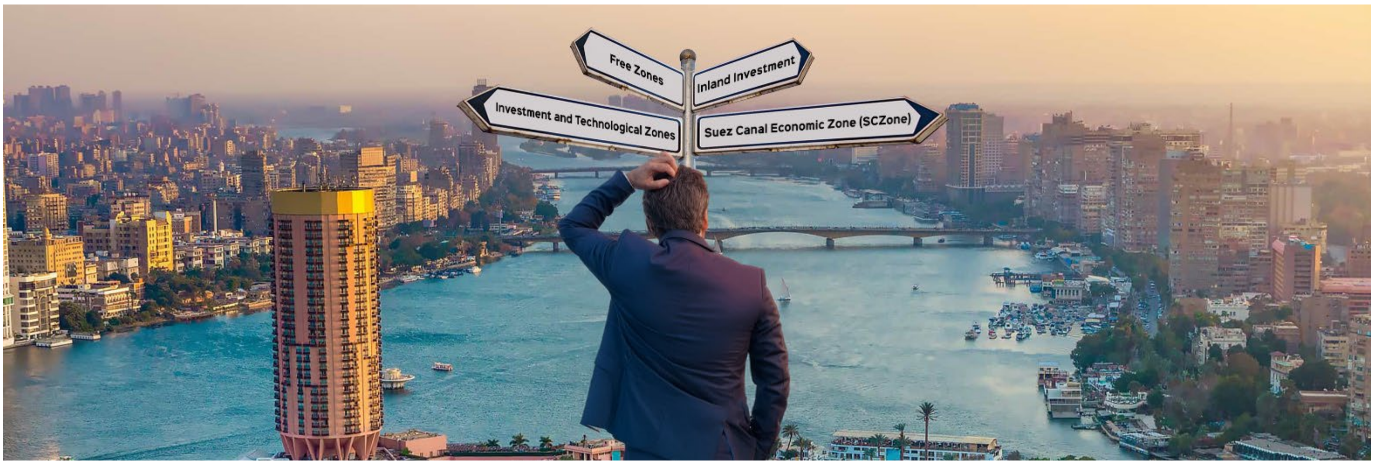
Beyond Incentives: How Do Investors Choose Among Egypt's Investment Regimes?



Introduction

Over the past few years, Egypt has expanded its investment regimes, giving investors several options for establishing their projects. Each regime differs in its regulatory framework, management mechanisms, and the activities it targets. Under Investment Law No. 72 of 2017, these options include **Inland Investment, Public and Private Free Zones, Investment and Technological Zones,** as well as **the Suez Canal Economic Zone (SCZone).** This reflects the state's approach to providing diverse investment alternatives that respond to the needs of different projects.

With these multiple alternatives, the central question addressed in this Economic Lens is: What determines the choice of the most appropriate investment regime? Is it enough to consider the incentives offered by each regime, or are there other factors on which the choice should be based?

This Economic Lens examines this question with two main objectives. First, it seeks to help investors make more efficient investment decisions, consistent with the role of the Egyptian Center for Economic Studies (ECES) through its Investment Guide. Second, it aims to help the state identify the factors that most influence investment attraction, thereby contributing to the development of investment policies and enhancing the competitiveness of the business environment.

Multiple Regimes, But What Are the Differences?

The following table addresses this question by presenting Egypt's main investment regimes and the differences among them, together with a brief definition of each regime and the key incentives it provides.

Table 1. Egypt's Main Investment Regimes

Investment Regime	Definition	Key Tax Incentives	Key Non-Tax Incentives	Key Challenges / Advantages
Inland Investment	Establishing a project in Egypt under Investment Law No. 72 of 2017, outside the free zones, while benefiting from the general, special, and additional incentives provided by the law.	• Incorporation contracts and credit facilities are exempt from stamp tax and notarization fees for five years. • A unified customs duty of 2% applies to machinery and equipment required for project establishment. • An investment deduction of 50% of costs applies to Sector (A) projects and 30% to Sector (B) projects. • A cash incentive for industrial activities ranging from 35% to 55% of the tax paid.	• The state bears the cost of utility connections and part of the cost of technical training. • Half the value of industrial land is refunded if production begins within two years. • Importing and exporting without registration in the importers' or exporters' registers. • Employment of foreign workers at a rate of up to 10% (rising to 20%), with investor residency throughout the life of the project. • Golden License: A single self-executing approval for establishing and operating the project.	Complex land allocation procedures, multiple authorities, and delays in servicing land after allocation. Investors may commit funds to a project and then wait long periods for basic utilities (electricity, water, and sewerage) to be connected, increasing costs and delaying the start of operations.
Investment and Technological Zones (Industrial Developer Model)	A geographically defined area with specified boundaries, allocated to one or more specialized and complementary investment activities, and developed and provided with infrastructure by a zone developer.	• Eligible for the general and special incentives stipulated in the Investment Law. • Technological zones: Tools, equipment, and machinery required for the activity are exempt from taxes and customs duties (Article 32).	• Fully serviced land and industrial units. • One-stop shop: All approvals and licenses are obtained through GAFI. • An operating license is sufficient before all state agencies, without the need for registration in the Industrial Register. • No administrative authority may take action within the zone without GAFI's approval. • GAFI represents investors before administrative authorities and provides guidance and follow-up. • Golden License: A single self-executing approval for establishing and operating the project.	The availability of fully serviced, investment-ready land, unified management, and licensing through a single authority accelerates the start of operations and reduces dealings with government bodies.

Public and Private Free Zones	Areas operating under a special customs and tax regime outside Egypt's customs territory. Public free zones accommodate multiple projects, while private free zones are allocated to a single project whose activity or location requires this regime.	• Exports and imports are not subject to customs duties, VAT, or other taxes and duties. • Tools, machinery, and means of transport required for carrying out the activity are exempt. • Projects and distributed profits are not subject to the tax and fee laws in force in Egypt. • Note: The general and special incentives under the Investment Law do not apply to free zones.	• Exports and imports are not subject to import and export rules or customs procedures. • Subject to approval by the Supreme Council of Energy, licenses may be granted for petroleum, fertilizer, iron and steel manufacturing, gas liquefaction and transportation, and other energy-intensive industries. • Golden License: A single self-executing approval for establishing and operating the project. • Waste generated by free-zone activities may enter the domestic market for recycling or safe disposal.	High occupancy rates, the need to establish new zones, and investor complaints about operational challenges, such as shortages in some support services within the zones, including machinery and equipment maintenance services.
Suez Canal Economic Zone (SCZone) (Special Economic Zone)	An integrated economic zone comprising industrial zones and ports, managed by an independent authority under a special law and classified as Category (A), the category most in need of development.	• Highest tax incentive: 50% of investment costs for seven years from the start of activity. • Zero-rated VAT on exports and on goods supplied to the Zone from the domestic market. • Customs exemption on imports required to manufacture products for export. • Sales tax, stamp duty, and state development fees do not apply. • Profits arising from mergers, demergers, and changes in legal form are exempt.	• A single window for all incorporation and post-incorporation services. • Golden License: A single self-executing approval for establishing and operating the project. • Not subject to laws regulating imports and exports or to registration in the importers' and exporters' registers. • The Authority pays part of the cost of technical training for Egyptian workers. • Joint inspection committees and customs outlets to expedite the release of goods.	

Source: Prepared by the Egyptian Center for Economic Studies (ECES) based on data from the General Authority for Investment and Free Zones (GAFI) and the Suez Canal Economic Zone Authority (SCZone).

The analysis of the above table shows the following:

First, the incentives and benefits announced under Egypt's different investment regimes are largely similar from one regime to another.

Second, each investment regime is associated with a set of advantages and challenges that affect its attractiveness to investors. While investment zones (the developer model) are characterized by streamlined procedures and the availability of fully serviced land, inland investment faces challenges related to land allocation and utility connections. **Free zones** also face operational challenges, including high occupancy rates due to growing demand and shortages in some support services.

Third, some non-tax incentives, particularly under the **inland investment regime**, are not automatically granted to all investors but are subject to specific conditions and procedures. For example, the **Golden License** is not granted to all projects; it requires submission by the competent minister and approval by the Cabinet. Other benefits are also linked to conditions, procedures, and criteria that are not always clear or publicly announced.

If investment incentives are broadly similar, what other factors should be taken into account when choosing an investment regime?

The analysis of the investment regimes above shows that the choice of an investment regime is determined by a set of factors related to the nature of the project and its needs. The project's objective or economic activity, for example, determines the most appropriate investment regime, as shown in Table 2.

The choice of a location within the selected regime is also influenced by other factors, including the type of product, proximity to sources of raw materials, availability of labor, access to transport networks, ports, and logistics services, as well as infrastructure readiness and ease of procedures, as shown in Table 3.

Table 2. Impact of the Activity's Objective on the Choice of Investment Regime

Investment Regime	Most Suitable Purpose or Activity
Free Zones	Exporting to foreign markets.
The Suez Canal Economic Zone	Industries linked to exports, ports, and logistics services.
Investment Zones and Inland Investment	Serving the domestic market, with the possibility of exporting.

Source: Prepared by the Egyptian Center for Economic Studies (ECES), based on its analysis of Egypt's investment regimes.

Table 3. Impact of the Nature and Type of Activity on Location Choice Within the Investment Regime

Factor	Importance in Choosing the Location	Real-World Example
Nature of the Product or Activity	Identifying the location most suitable for production requirements	Dairy plants are located near livestock production areas, as in the case of Danone's dairy operations (with collection centers in Nubaria) and Beyti's Nubaria plant, ensuring quick access to raw milk, preserving its quality, and reducing transport costs.
Proximity to Sources of Raw Materials	Reducing transport costs and ensuring continuity of supply	MOPCO (fertilizers and ammonia) in the Damietta Free Zone, due to its proximity to natural gas sources and Damietta Port.
Availability of Labor	Facilitating labor attraction and	**The Nasr City Free Zone** can easily attract labor because it is located within the major urban area, whereas the **New Borg El**

	reducing commuting time and cost	**Arab Industrial Zone** faces difficulty in securing labor because of its relative distance from population centers (about 55 km from Alexandria).
Infrastructure and Logistics Services	Improving operational efficiency and facilitating transport	The Amreya Public Free Zone, due to its proximity to the port and airport, and the presence of an industrial base and advanced logistics services.
Integration with Existing Projects	Benefiting from feeder industries and supply chains	Robbiki Leather City, established as an integrated leather complex in which the tanning stages are integrated with feeder industries (glue and gelatin) and then with final-product factories (footwear and bags).

Source: Prepared by the Egyptian Center for Economic Studies (ECES), based on its analysis of Egypt's investment regimes.

The effects of these factors are evident in practice. Clear differences can be seen in levels of activity and investment among locations operating under the same investment regime, despite benefiting from the same incentives and regulatory framework, as shown in Table 4.

Table 4. Impact of the Above Factors on Activity Indicators Within the Same Investment Regime

Investment Regime	Zone	Activity Indicators	Factors Explaining the Location's Attractiveness
Public Free Zones	Nasr City Public Free Zone – Cairo	About 206 projects, with investments of approximately US$6.8 billion (2025).	Its location within the urban area and easy access to labor and banking and logistics services.
	Qift Public Free Zone – Qena	Only seven projects, with investments of US$15.4 million, and vacant areas available for allocation.	Its relative distance from markets and ports, and weaker support services compared with other zones.
The Suez Canal Economic Zone	Ain Sokhna Industrial Zone	**547 projects**, with investments of **US$33.1 billion, more than 133,000 direct jobs**, and **88 supporting service activities.**	Its proximity to Sokhna Port, integrated infrastructure, and the availability of logistics and industrial services.
	Qantara West Industrial Zone	**52 projects**, with investments of **US$1.5 billion.**	A location less connected to ports, with support services that remain less developed.

Source: Statements issued by the General Authority for Investment and Free Zones (GAFI) and the Suez Canal Economic Zone Authority (SCZone), published between January and March 2025/2026.

In light of the above, the following conclusions can be drawn:

- **The state's efforts to attract investment should not be limited to developing traditional incentives.** They should also extend to improving the business environment, identifying priority economic activities, and creating a stable operating environment with fewer challenges and greater prospects for project success.
- **Market indicators point to the importance of expanding the industrial developer model** as a successful model that helps reduce the challenges investors face by providing fully serviced, investment-ready industrial land and assuming responsibility for development and site preparation, thereby reducing implementation burdens on investors.

- **Growing demand for free zones reflects the attractiveness of this investment regime**, given the streamlined procedures and speed with which activities can commence. This calls for a carefully planned expansion in the establishment of new free zones in line with rising demand.
- **Inland investment has improved significantly in recent years,** particularly with regard to industrial land allocation procedures. This reflects the state's efforts to address one of the most important challenges investors have faced, while underscoring the continuing need to complete broader business-environment reforms.
- **The stability of investment policies is one of the key determinants of investment attractiveness.** Investors need a stable, predictable environment in which no fundamental changes are made to investment policies or conditions over a reasonable period, typically five to ten years. Such stability strengthens confidence and encourages long-term investment.
- **Non-tax incentives and investment privileges that fall outside the traditional incentive framework should be based on clear and transparent criteria.** The emphasis should be on strengthening equal opportunities among investors, thereby limiting reliance on administrative discretion in granting benefits without publicly stated grounds.