

Assessment and recommendations

Egypt is among Africa's heavyweights, and a fast-growing economy. While the country reacted quickly to the COVID-19 pandemic, the global outlook remains uncertain. To advance on its path to prosperity, Egypt needs to continue implementing effective reforms, relying on a continental agenda that prioritises trade integration and industrialisation, a government capable of implementing reforms and a private sector ready to leverage new drivers of competitiveness. The country needs to address some persistent structural challenges, which are hampering future progress, notably continuing upgrading infrastructure, transforming its economic specialisation, innovating more and benefiting more from trade. Despite progress, the reforms agenda for Egypt remains vast. Among several areas, three issues appear as game changers for future reforms:

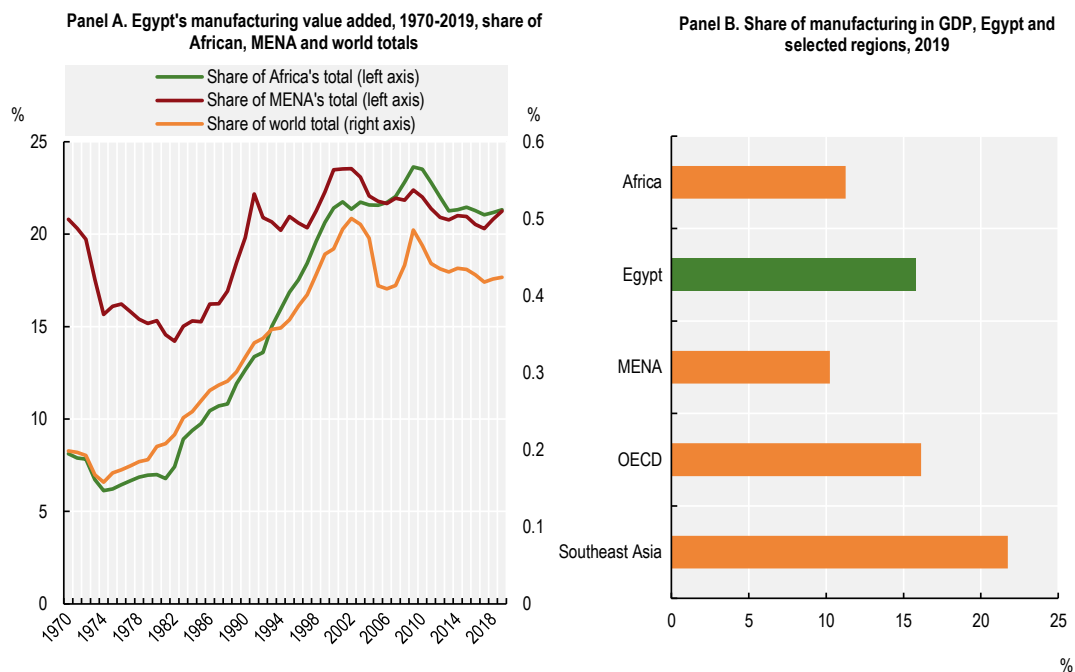
- i) investing in making the African Continental Free Trade Area (AfCFTA) a real development driver;
- ii) engaging the private sector in innovation and;
- iii) getting the policy-making process ready for the future.

Egypt is among Africa's heavyweights

Egypt is among Africa's heavyweights. The country has a strategic position linking Africa, Europe and the Middle East. Egypt is Africa's third-largest economy by GDP after Nigeria and South Africa, accounting for 12.5% of continental GDP. With nearly 100 million inhabitants, Egypt is also the third-most-populous country, after Nigeria and Ethiopia.

Although Africa is a relatively small player in global manufacturing, Egypt is a top hub in the continent. Africa generates approximately 2% of the world's total manufacturing value added (MVA) and Egypt is the continent's top manufacturer, accounting for 22% of continental MVA, a share that has remained somewhat stable in the last two decades (Figure 0.1). Egypt also has the second largest share (21%) of MVA in the Middle East and North Africa (MENA) region, behind only Saudi Arabia. In Egypt, manufacturing accounts for 12% of employment, up from 4% in the 1980s, and for 16% of GDP, up from 14% in the 1980s, putting it on par with the OECD average, and above Africa's average of 11% and MENA's of 10%. The figure remains, however, smaller than in Southeast Asia (22%). Egypt's manufacturing production is diversified with refined petroleum, food and beverages, textiles, chemicals and engineering (a sector grouping used in Egypt that encompasses transport equipment, electronics and electrical (E&E), basic metals, fabricated metal products and machinery), among the main sectors.

Figure 0.1. Egypt is Africa's top manufacturer



Note: MVA: manufacturing value added.

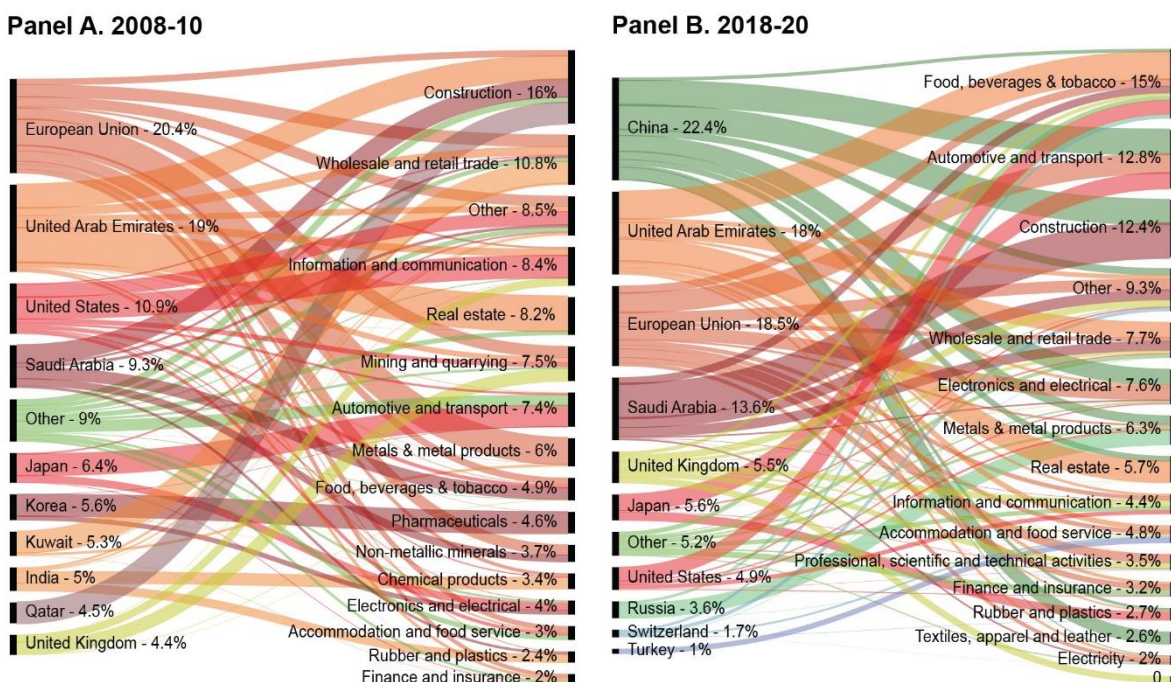
Source: Authors' elaboration based on UN National Accounts (2021), *Analysis of Main Aggregates* (database), <https://unstats.un.org/unsd/snaama/>.

Egypt's fast-growing economy has been increasingly attracting the attention of international investors. The country's annual foreign direct investment (FDI) inflows have averaged 3.3% of GDP during 2017-19, nearly double the average for MENA (1.7%) and higher than sub-Saharan Africa (1.9%). In addition to traditional partners – such as the European Union, the United States and countries in MENA, such as the United Arab Emirates and Saudi Arabia – in the last decade new investors have emerged as key partners

for Egypt. For example, the People's Republic of China (hereafter "China") accounted for 22.4% of total jobs created in 2018-20 (up from less than 1% during 2008-10) and Russia accounted for 3.6% of total during in 2018-20, up from 1.4% a decade ago (Figure 0.2).

Figure 0.2. New partners are investing in Egypt

Share of total jobs created by greenfield FDI in Egypt, top 10 source countries and main economic activities, 2008-10 and 2018-20



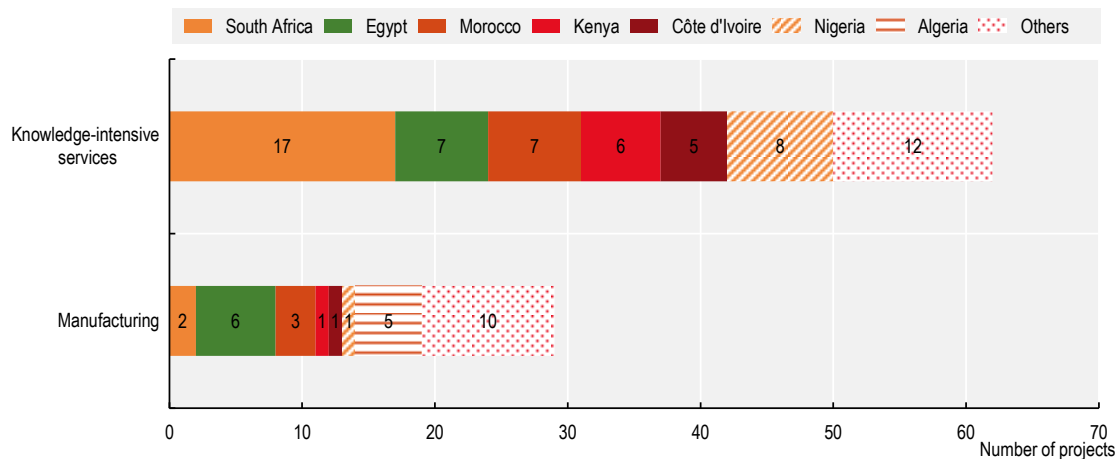
Note: Economic activities are listed according to the International Standard Industrial Classification (ISIC) rev. 4.

Source: Authors' elaboration based on Financial Times (2021), *fDi market database*, <https://www.fdimarkets.com>.

A growing number of firms are choosing Egypt to produce for the African continent and the Middle East. This is occurring in multiple sectors including in medium- and high-tech sectors, such as electronics (e.g. Samsung and LG). During 2017-20, Egypt attracted the highest percentage of FDI in electronics and electrical (E&E) manufacturing in Africa (21% of the total number of projects), and the second highest of knowledge-intensive ones (14%) (Figure 0.3). The number of FDI projects in E&E going to Africa, and Egypt within it, is small with respect to global trends. Mexico alone attracted 47 manufacturing projects and 39 knowledge-intensive service projects during the same period, compared to 29 and 50 respectively for the whole of Africa. Egypt has also positioned itself on the global investment map as an attractive location for digital services in Africa, building on traditional business-process outsourcing (BPO) services, and has recently increased investments in emerging areas, such as the Ericsson Artificial Intelligence (AI) and Analytics Hub established in Cairo.

Figure 0.3. Egypt is among the top two hubs in Africa for FDI in E&E

Number of greenfield FDI projects in E&E in Africa, by type, 2017-20



Note: Knowledge-intensive services include research and development (R&D), headquarters and business services.

Source: Authors' elaboration based on Financial Times (2021), *fDi market database*, <https://www.fdimarkets.com>

The country can leverage important assets to achieve prosperity

Prior to the onset of the COVID-19 pandemic, Egypt had embarked on a march towards prosperity leveraging on its fast-growing economy. During 2015-19, Egypt's GDP growth outperformed the African average, and was the fastest growing economy in MENA, with GDP rising at an annual rate of 4.4%. During 2020, Egypt's economy continued to grow by 3.6% despite the challenging global circumstances caused by the pandemic, compared to a contraction of 4% in the Middle East, of 1.9% in Africa, and of 3.3% globally, according to estimates by the IMF.

Egypt reacted quickly to mitigate the economic effects of the COVID-19 pandemic. The country has been swift in mobilising resources and in implementing reforms to mitigate the adverse effects of the pandemic on the population and on businesses. The COVID-19 recovery package mobilised in 2020 accounted for 1.9% of Egypt's GDP, including tax breaks, lower interest rates, loan repayment deferrals and credit support to affected sectors, such as tourism, industry, agriculture and construction. In addition, several government ministries and agencies reacted quickly to offer services on line, increasing the scope for digital services in the economy in the process. For example, the Small and Medium Enterprise (SME) platform, which is run by the Micro, Small and Medium Enterprise Development Agency (MSMEDA), allowed firms to access online entrepreneurship training and marketing services, while the Ministry of Communications and Information Technology (MCIT) co-operated with other government agencies to provide healthcare and educational services on line and with internet service providers to increase the quota of home Internet subscribers by 20% to tackle increased browsing needs.

Despite having to continue supporting economic recovery from the pandemic – a longer process than expected – Egypt can continue advancing towards shared prosperity counting on the following assets.

A continental agenda prioritising trade integration and industrialisation for Africa

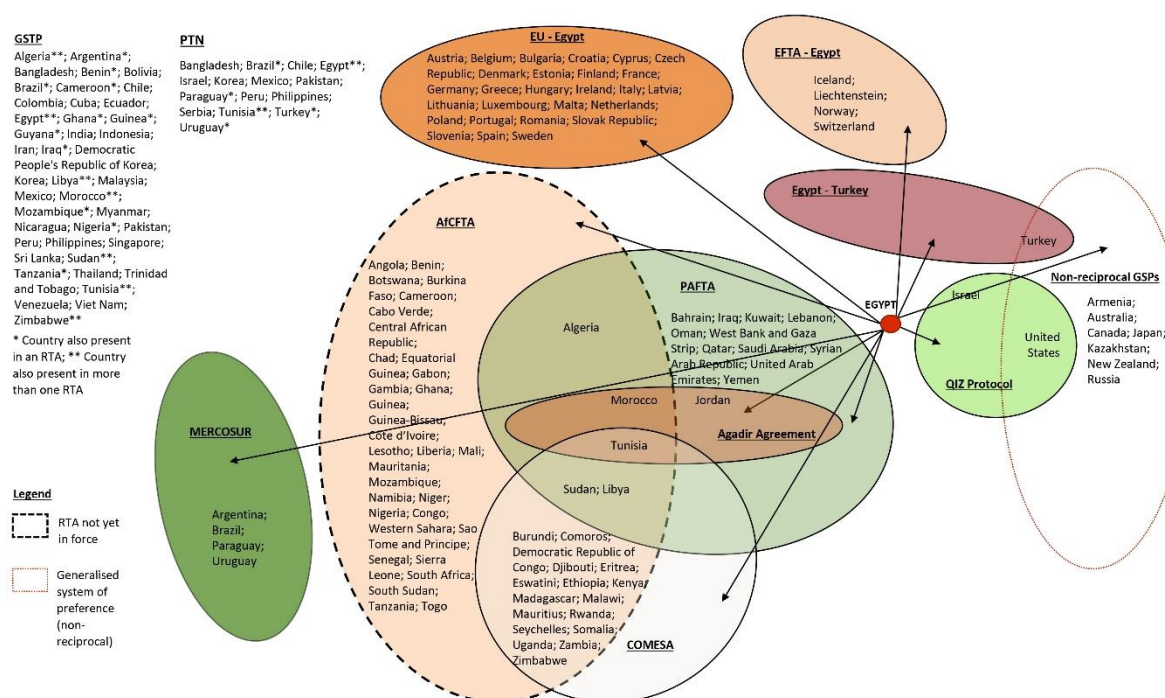
In 2019, the African Continental Free Trade Area (AfCFTA) entered into force. When fully implemented, the AfCFTA will create an integrated African market of 1.2 billion people and the world's biggest single market for goods and services by number of countries. The AfCFTA follows on the heels of the African

Union's *Agenda 2063: The Africa We Want*, adopted in 2015, which is putting industrialisation in the spotlight.

Africa is among the least integrated regions in the world. Intra-regional trade in the continent stands at 15%, compared to 67% in Europe and 52% in Southeast Asia. AfCFTA holds promise to change this. The AfCFTA is expected to add 32 new FTA partners for Egypt (Figure 0.4). This will include some of the continent's largest economies, including Nigeria and South Africa, providing opportunities to add scale to the country's exports. In addition, the AfCFTA could enable the country to better connect to traditional partners in Europe and the Middle East as well as to the overall global market, allowing Egypt to serve as a continental investment hub for manufacturing and services.

Figure 0.4. AfCFTA adds 32 new free trade partners to Egypt

Egypt's trade agreements and arrangements as of June 2020



Note: AfCFTA: African Continental Free Trade Area; COMESA: Common Market for Eastern and Southern Africa; EFTA: European Free Trade Association; EU: European Union; GSP: Generalised System of Preferences; GSTP: Global System of Trade Preferences; MERCOSUR: Southern Common Market; PAFTA: Pan-Arab Free Trade Area; PTN: Protocol on Trade Negotiations; QIZ: Qualified Industrial Zones.

Source: Authors' elaboration based on WTO (2020), *Regional Trade Agreements Database*, <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx>, and GAFI (2020), *Trade Agreements*, <https://gafi.gov.eg/English/Sectors/Pages/Trade-Agreements.aspx>

A government committed to implementing reforms

Since 2017, Egypt has been reforming its governance and regulatory framework in the areas of investment attraction, trade promotion and digitalisation for economic development. Reforms have included institutional strengthening, such as the establishment of MSMEDA and the Export Development Authority (EDA) in 2017, the strengthening of the Industrial Development Authority (IDA) with Law No. 95/2018, the establishment of the National Council for Artificial Intelligence in 2019 and the National Center for Telecommunication Services Quality Monitoring in 2020. Legal frameworks have also been modernised, such as Industrial Licencing Law No. 15/2017, Investment Law No. 72/2017, Bankruptcy Law No. 11/2018,

e-Payments Law No. 18/2019, Personal Data Protection Law No. 151/2020, MSMEs Law No. 152/2020, and Customs Law No. 207/2020. As part of the latter, the National Single Window (NSW), an online platform to speed up customs processes, was completed in 2021.

Egypt relies on traditional tools to foster industrialisation. For example, it offers fiscal incentives targeted to different zones, such as free zones (FZs) (private and public owned), special economic zones (SEZs) and qualified industrial zones (QIZs). The Export Development Fund (set up with Law No. 155/2002 and affiliated with MTI), grants non-repayable financial contributions to manufacturing exporters of up to 10% of the value of their exports, provided they meet local content requirements, with applications eligible up to a year after the product's export date. Beneficiaries have to be members of their respective sector's Export Councils. Egypt also fosters industrial development through local content. Decree No. 571/2019 by MTI has put the local content manufacturing ratio at 45% for licensing domestic automotive assembly operations and Law No. 72/2017 specifies that projects with more than 50% local content may be eligible for additional investment incentives.

Egypt has also been implementing new policies, for example to support start-up development. The Ministry of International Cooperation (MOIC) has partnered with the private sector to create Egypt Venture, which funds start-ups, accelerators and other funds, and also to set up two accelerators, Falak Start-ups and EPG EV Fintech. MCIT together with its agencies the Information Technology Industry Development Agency ITIDA and the Technology Innovation & Entrepreneurship Center (TIEC) also provides a full chain of support for ICT-related firms, including those developing Industry 4.0 technologies, from seed capital to incubation services, business consultancies and networking opportunities. Some of this is directed specifically at boosting Industry 4.0 technologies.

The country has also been active in creating markets for innovators. For example with the “Our Opportunity is Digital” Initiative, MCIT is also setting aside at least 10% of public digital transformation projects for SMEs and start-ups, boosting demand for their services. The country, through the National Telecom Regulatory Authority (NTRA), has also put in place challenges for robotics and autonomous vehicle research to stimulate R&D in this area.

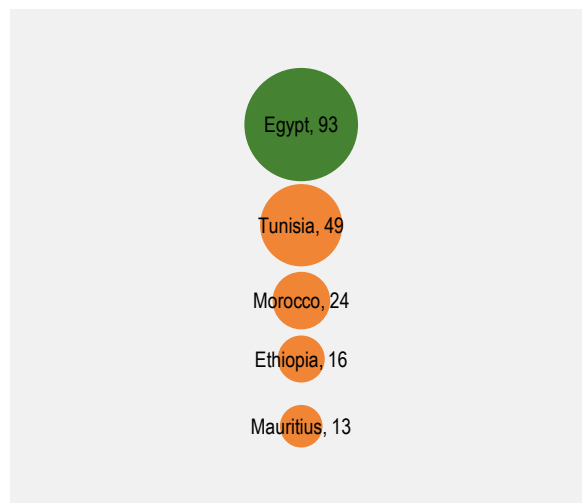
Finally, Egypt has a long-term vision for development enshrined in the *Sustainable Development Strategy: Egypt Vision 2030*, launched in 2016 that is aligned with the Africa Union Commission (AUC) *Agenda 2063: The Africa We Want*. The Ministry of Planning and Economic Development (MPED) of Egypt launched the National Structural Reforms Program (NSRP 2021-24) in April 2021 to support economic recovery during COVID-19 with a long-term vision. Several agencies are in charge of economic transformation, including the Ministry of Trade and Industry (MTI), MCIT, the Ministry of Higher Education and Scientific Research (MHESR) and MSMEDA.

A private sector ready to leverage on new competitiveness drivers

Over the years, Egypt has demonstrated that its entrepreneurs value quality and can explore new markets. Egypt has a track record of investing in quality and branding. For example, Egypt is renowned globally for its long-staple cotton. The textiles sector, despite a drop in contribution to employment and value added since the 1980s, remains important for the country, accounting for 20% of manufacturing employment, 3.6% of total MVA and 10% of total exports. Local firms have continued investing in signalling their quality to capture growing benefits in global markets. Egypt has the highest number of OEKO-TEX® Standard 100 certificates (93) in Africa, nearly double those of the top continental producer in textiles, Tunisia (49) (Figure 0.5). The country also has advanced in terms of certifications in agro-food. The establishment of the National Food Safety Authority (NFSA) in 2017 under the Prime Minister's Office represented an important step in ensuring quality standards in the industry and in supporting competitiveness in agro-food.

Figure 0.5. OEKO-TEX® standard certificates, top five countries in Africa, 2020

Number of companies that have obtained an OEKO-TEX® Standard 100 certificate, top five countries in Africa, 2020



Note: Bubble size reflects number (see label) of companies that have obtained the certificate.

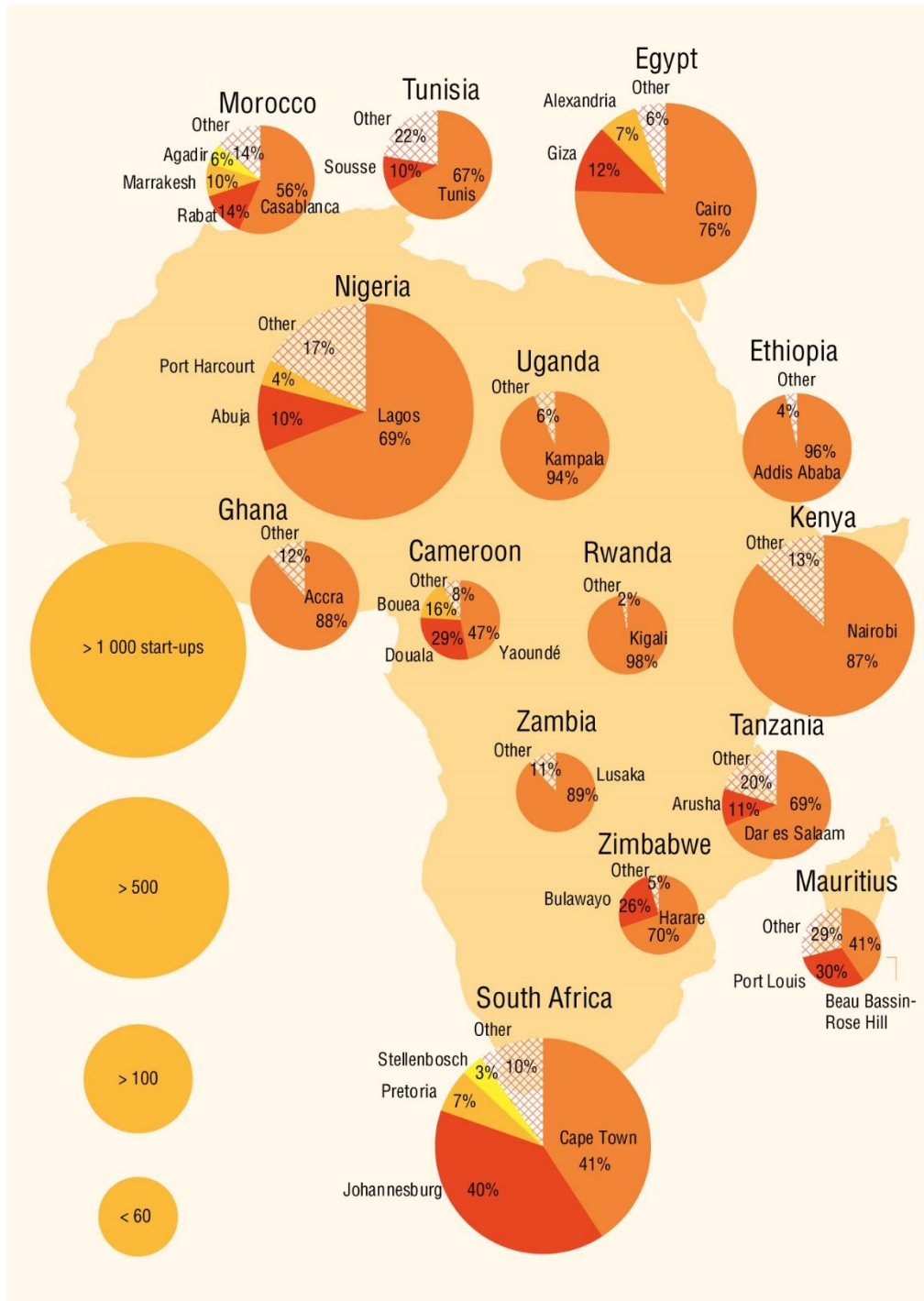
Source: Authors' elaboration on OEKO-TEX (2021), *Buying guide*, <https://www.oeko-tex.com/en/buying-guide>.

A vibrant start-up scene is also taking root in Egypt in line with Africa's overall dynamism in this area, which now accounts for 2% of global start-ups, about half the level of Latin America and the Caribbean. In 2020 Egypt had the third highest number of start-ups in the continent at 14% of total (Figure 0.6), following Nigeria and South Africa, and it also had the fourth-largest amount of venture capital (VC) investments during 2018-20 accounting for 10.5% of Africa's total (following South Africa, Nigeria and Kenya) and up from around 1% during 2013-15. A growing number of investors, incubators and accelerators are contributing to the start-up scene's increasing dynamism. Start-ups in Egypt specialise in applications (12.9% of the national total), followed by e-commerce (12.5%), and information technology (8%). This is similar to other countries in Africa, such as South Africa, where start-ups are attempting to leverage their large national populations to launch e-commerce, transport and e-payment applications.

Better connecting emerging start-ups to local production ecosystems (be they ports, oil or agro-food hubs) would help boost the country's innovative potential. Unlocking opportunities across the country is a priority. So far, economic concentration has remained excessively high. The Greater Cairo region, which includes the neighbouring governorates of Cairo, Giza and Qalyubia, accounts for about one fourth of Egypt's population and nearly half of the country's GDP (48.7% during fiscal year 2015-16), and 90% of the country's start-ups.

Figure 0.6. Egypt is one of Africa’s top start-up hubs

Top 15 countries in Africa by number of start-ups in 2020



Note: Includes start-ups that have been founded between 2011-2020.

Source: Authors' elaboration based on Crunchbase (2021), Database, <https://www.crunchbase.com>.

Tackling structural challenges is paramount for future progress

The COVID-19 pandemic is still affecting the whole world. Despite progress in vaccination, the emergence of new variants and successive waves appearing in different locations of the globe means uncertainty regarding global economic recovery remains high. Egypt has made a commendable effort to think ahead and create a vision for the post COVID-19 economy in the framework of the National Structural Reform Program (NSRP) (2021-24).

To continue advancing on its development path, Egypt needs global uncertainty to return to acceptable levels and to address some key structural challenges that hamper the country's capacities to achieve its vision of a prosperous and inclusive economy.

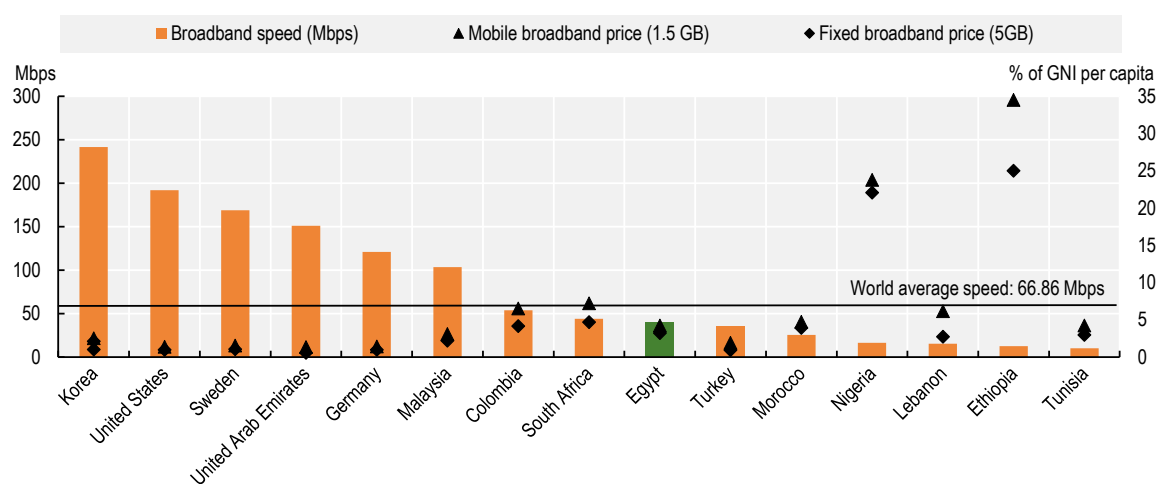
Upgrading infrastructure

Egypt is home to the Suez Canal, which handles 10% of world maritime traffic. The country is also the 2nd-most connected country in Africa according to UNCTAD's maritime index, after Morocco, and the 22nd-most connected in the world. However, infrastructure faces major challenges, including a fragmented port system, lack of co-ordination among modes of transport and a rail network in need of upgrading.

Digital connectivity has improved, but is still below potential. Egypt's Internet penetration reached 57.3% of the population in 2019. This is more than double compared to 2010 and twice the African average. In Germany, similar to other advanced economies, the share reaches 88%, in Malaysia 84% and in Morocco 74.4%. Broadband speed in Egypt has also increased following investments in infrastructure. In April 2021, the speed of fixed broadband, as measured by Ookla, was 39.66 Mbps, six times higher than in December 2018. Meanwhile, the world average is 66.86 Mbps (Figure 0.7). Based on this data, it would take 18 minutes to download a 5-gigabyte movie in Egypt, but only 3 minutes in Korea, the country with the fastest Internet in the OECD.

Limitations in digital infrastructure are influencing business performance. Firms in Egypt lag behind global leaders in using digital technologies for business. Globally there are 1.57 billion of cellular Internet of Things (IoT) connections in the world, most of which (66%) are in China. In Egypt, in 2019, there were 1.5 million machine to machine (M2M) cellular connections in 2019, the second-highest in Africa after Nigeria, and 2.2 times as many as in 2015. However, in per capita terms, uptake is below the country's potential, with about 1 connection per 100 inhabitants, compared to an OECD median of 10.6 (Figure 0.8).

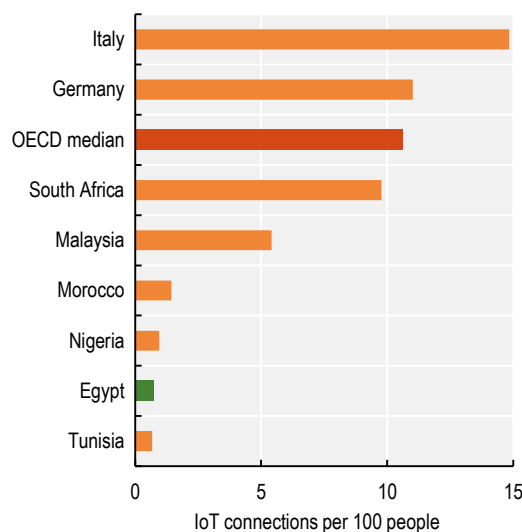
Figure 0.7. Broadband Internet cost and speed, selected countries, 2021



Source: Authors' elaboration based on International Telecommunication Union (2021), *Country ICT data (database)*, <https://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx> and Ookla (2021), *Speedtest global index*, <https://www.speedtest.net/global-index>.

Figure 0.8. Number of cellular Internet of Things (IoT) connections per 100 people, 2019

Selected countries and OECD median



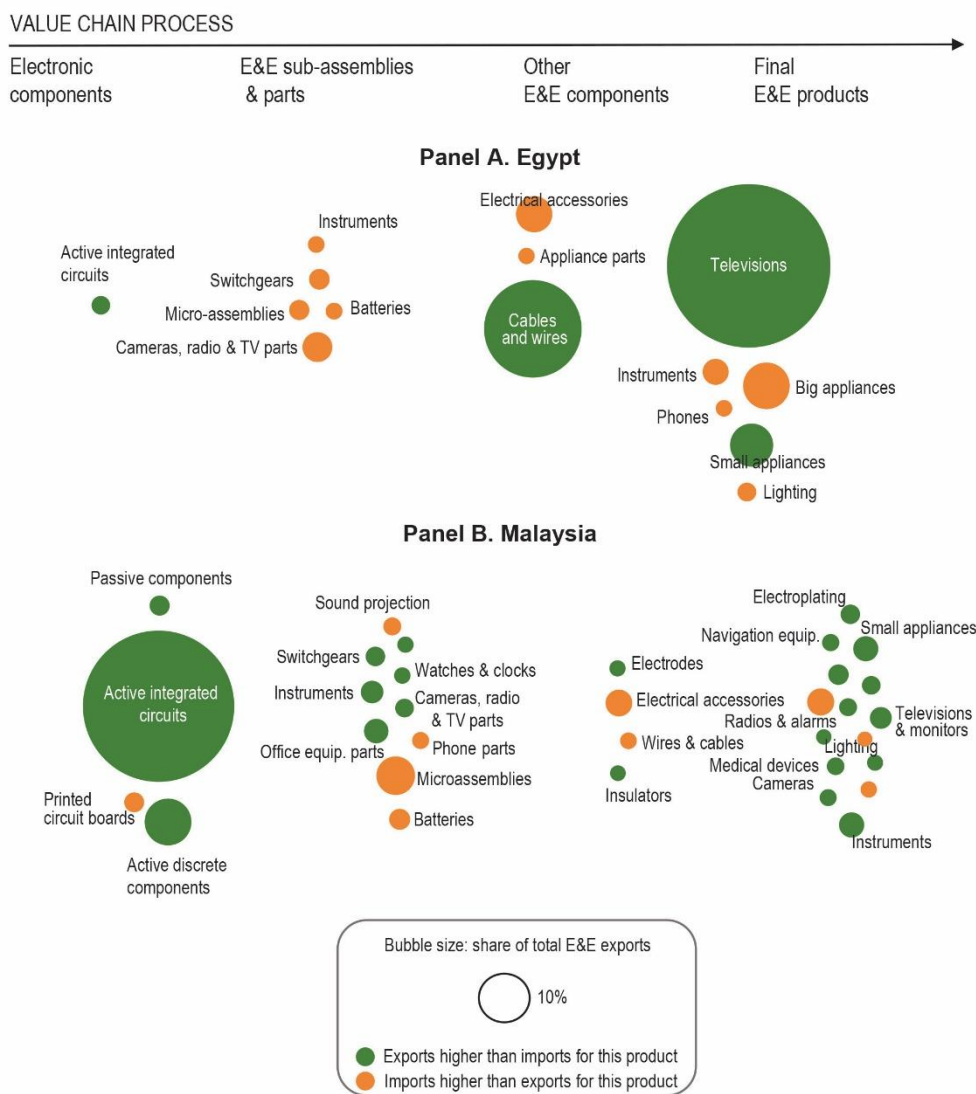
Source: Authors' elaboration based on GSMA (2020), *GSMA Intelligence*, <https://data.gsmainelligence.com/>

Changing economic specialisation and innovating

Egypt's current economic specialisation poses challenges for enabling innovation across dense production ecosystems and for environmental sustainability. The oil and gas sector in particular plays a large role in the domestic economy, accounting for 9.7% of GDP during 2019/20. Within manufacturing, refined petroleum emerges as the top sector in terms of MVA, accounting for 39% of total MVA in 2017, up from around 5% in the 1980s. In addition, the country has a large agro-food industry that accounts for 24% of the labour force and 15% of GDP and that faces sustainability problems, particularly with regard to water scarcity. The majority of land area in Egypt is arid desert, with only 3.7% of the country's 100 million hectares suitable for agriculture, supported by the Nile and its Delta Valley. Agricultural lands have seen their access to water reduced. Egypt's annual renewable water resources per capita stood at 596.2 m³/capita in 2017, below the threshold of water scarcity defined by the UN (700 m³/capita). Climate change could further exacerbate these challenges for agricultural production and the related food industries.

The country's export basket is anchored to primary commodities, which although down from 89% of total exports in 1980, continued to make up over half (52.3%) of exports to the world in 2018-20, reinforcing the sustainability challenges. Top manufacturing exports include textiles and apparel (11%), chemicals (9.9%) and electronics and electrical (E&E) (6%). Within manufacturing exports, there is room to raise value addition and sophistication (Figure 0.9). For example, in E&E, 60% of the country's exports are assembled TVs and wires, with few upstream components, such as chips and panels. In contrast, Malaysia has become a big value chain participant by tapping into more upstream segments.

Figure 0.9. E&E exports by value chain segment, Egypt and Malaysia, 2018-20



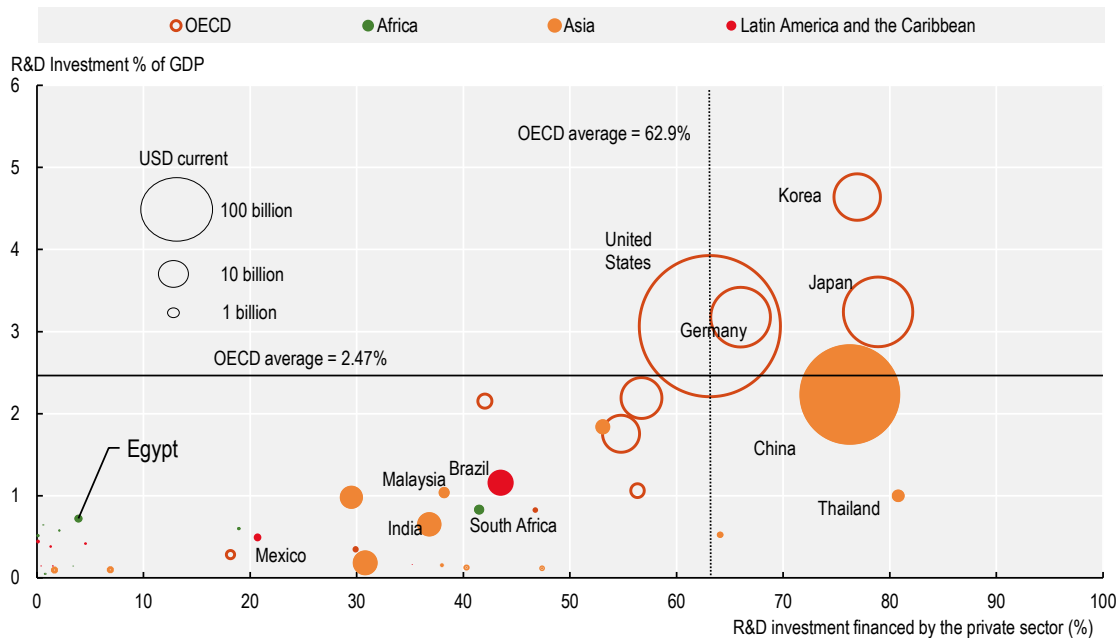
Note: Value segment definition based on a combination and aggregation of categories found in Bamber and Gereffi (2013), *Costa Rica in the Electronics Global Value Chain: Opportunities for Upgrading*, https://gvcc.duke.edu/wp-content/uploads/2013-08-20_Ch2_Medical_Devices.pdf and Frederick and Gereffi (2016), *The Philippines in the Electronics and Electrical Global Value Chain*, https://gvcc.duke.edu/wp-content/uploads/2016_Philippines_Electronics_Electrical_Global_Value_Chain.pdf. Only product categories with more than 0.1% of exports are included for visibility purposes. Data for Malaysia are for 2017-19.

Source: Authors' elaboration based on UN Comtrade (2021), *Database*, <https://comtrade.un.org/>

The existing specialisation and persistent duality of the economy where a myriad of micro and subsistence firms co-exist with pockets of modernised excellence, also help to explain why the country invests little in innovation. Egypt invests around 0.72% of GDP in R&D, a rate similar to Morocco (0.71%), lower than South Africa (0.82%) and a third of the OECD average (2.37%) (Figure 0.10). The private sector accounts for 3.9% of total R&D, which is low when compared to South Africa (41.5%), Malaysia (38.2%), and the OECD (62.9%).

Figure 0.10. Egypt invests little in R&D

R&D as a share of GDP (%), share of R&D investments financed by the private sector (%), and total R&D investments (USD current), selected countries and OECD average, 2019 or latest year available



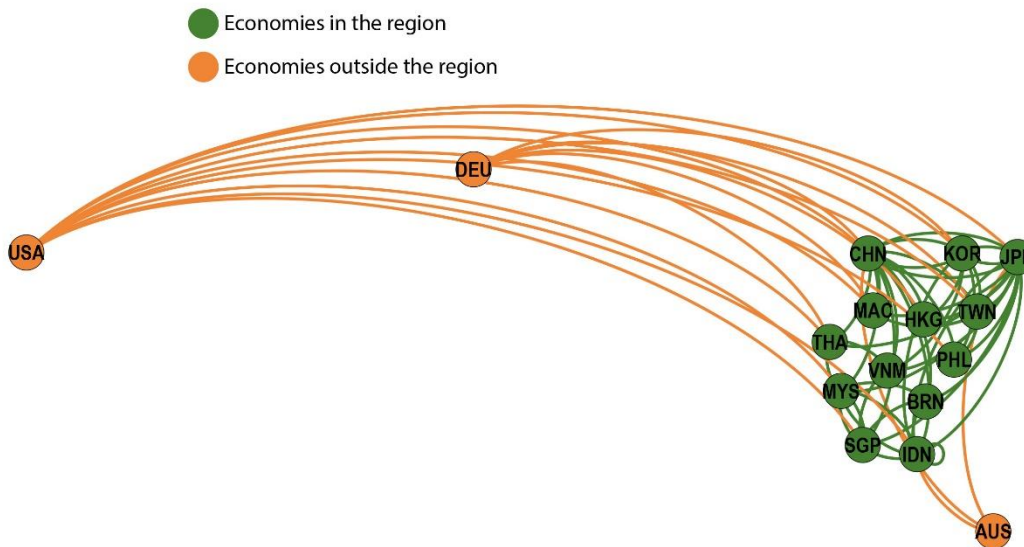
Note: R&D: Research and development.

Source: Authors' analysis based on OECD (2021), "Main Science and Technology Indicators", *OECD Science, Technology and R&D Statistics (database)*, <https://doi.org/10.1787/data-00182-en>; UNESCO (2021), *Institute for Statistics Database*, <http://data.uis.unesco.org/>.

Benefiting more from trade

Egypt's trade openness has remained relatively stable since the 1990s, with a trade to GDP ratio of 40%-50%, currently lower than Morocco (83%) and the OECD (57.2%). There is scope for the country to engage more with existing markets and explore new ones. Egypt has a dense network of traditional trade partners, exporting mostly nearby countries in the Middle East (30.5%) and Europe (31%), and other big markets, such as the United States (6.2%) (Figure 0.11). New partners are also emerging, such as China, which is now Egypt's top import source (14.8% of total) and India (4%-5% of both imports and exports).

Figure 0.13. Top economies in East and Southeast Asia, by total foreign value added embedded in exports and their top 5 sources, 2019



Note: The figure includes countries whose total foreign value added embedded in exports is higher than the world median.

Source: Authors' elaboration using data from UNCTAD-Eora (2021), *Global Value Chain Database*, <https://worldmrio.com/unctadgvc>.

Egypt needs to continue advancing its reforms agenda to realise its vision for a resilient, sustainable and inclusive future

Egypt's development is at a crossroads. The COVID-19 pandemic is accelerating the ongoing transformation of the global economic landscape; while reconfiguring the geopolitical landscape, thus changing the matrix of opportunities and challenges for the country's future development. Egypt needs to identify how to make the most of the shifting international environment, while continuing on its path to prosperity. And it needs to do so while at the same time offering more and better opportunities across the whole country and for all citizens.

To go forward, Egypt needs to continue implementing effective reforms, leveraging on its assets and addressing its main structural challenges. The reforms agenda in Egypt is vast. Among several priorities, three game changers are particularly relevant in the current context.

Investing in making AfCFTA a real development driver

A more integrated continent with an agenda for industrial development has the potential to deliver new partnerships and markets, and also more competition for Egypt's firms. Benefiting from AfCFTA requires public and private efforts to upgrade infrastructure, harmonise certifications and standards and support efforts by local businesses to explore new markets and build trust. In particular, Egypt would benefit from:

- Setting up a monitoring and evaluation system to track the progress of AfCFTA implementation in relation to Egypt's Vision 2030 and the NSRP (2021-24). The system could also enable improving the dialogue with the private sector.
- Continuing to facilitate trade and improve infrastructure for continental integration. In the context of the Egyptian Exports to African Markets Strategy 2020, the Egyptian Ministry of Public Business Sector has advanced in the implementation of Gosour ("bridges"), a project to build shipping lines

and promote foreign trade between Egypt and Central and East Africa. Efforts like the shipping line from Ain Sokhna (Egypt) to Mombasa (Kenya) launched in 2019 and continental storage and logistics centres (with one operating since 2017 in Kenya) should be expanded.

- Advancing in harmonising infrastructure for metrology, standardisation and accreditation at the continental level and investing in enabling the adoption of standards and raising quality in Egyptian firms. In a highly competitive global landscape, branding and reputation can help set Egyptian products apart and become an asset for penetrating new markets, but this will require commensurate investments in increasing quality to gain consumer trust at the continental level and beyond.
- Increasing the efficiency of logistics. For some industries that are particularly trade intensive, such as E&E and medical devices, even small changes in logistical costs can make a big difference in product competitiveness. Access to both port and airport infrastructure close to production and export sites is crucial, as high-value components often travel via sea and air cargo. Increasing the density of connections is also important for reducing time to production. Finally, the need for multiple component imports for exported products means that simplifying import procedures is necessary, beyond the SEZs.
- Reducing non-tariff barriers that hamper continental integration and participation of domestic firms in continental value chains. In Egypt, the average lead time to export is 6.7 days, the same as Morocco and similar to Malaysia (6.5), but time to import is substantially higher than Egypt's peers, standing at 5 days compared to 3 in Morocco and 2 in Malaysia. Import licensing and registration requirements are also a burden for importers, particularly those that are based outside of SEZs or FZs that apply different customs regulations.

Engaging the private sector in innovation

- Egypt falls short, by international comparison, of the typology of tools and budget allocated to innovation and R&D. Although the introduction of fiscal incentives through Law no. 72/2017 is a step forward in this regard, more needs to be done to enlarge public support for innovation to all firms across all sectors, leveraging on existing tools, such as the ones managed jointly by the Industrial Modernization Center (IMC) and the Science and Technology Development Fund. Establishing a unique interface (e.g. single window) for potential beneficiaries to access innovation support would also increase efficiency and transparency.
- Egypt could better use existing fiscal incentives to steer private sector investments in a way that supports innovation and the transition towards Industry and Agro 4.0 and, at the same time, promotes social and environmental sustainability through a smart use of conditionalities.
- Egypt has a digitalisation strategy led by MCIT aimed at increasing the adoption of digital technologies by local firms, fostering technological development, upgrading digital infrastructure and boosting digital skills. To make the most of Industry and Agro 4.0 as competitiveness drivers, Egypt would benefit from increasing cross-ministerial and institutional co-ordination, and from updating the policy mix to ensure that firms across all sectors, not only ICT, can benefit from government support in this area. Based on international experience, policies to promote Industry 4.0 and Agro 4.0 work better when they are implemented in partnership with the private sector, which can take an active role in talent training and in skills upgrading (for example the planned Industry 4.0 Innovation Centre will raise awareness on the potential of Industry 4.0 for local firms, while also offering capacity-building services). In addition to co-operation with the private sector, collaborations with universities and research centres could increase the impact of such partnerships.
- Amplifying the support targeted to MSMEs (including matching funds and services) is also necessary. This could be done by strengthening the programmes implemented by MSMEDA and

IMC and expanding their digital components. Updating the testing and certification processes is also a necessary step. This is particularly crucial for small firms. For example, to ensure the continued and increased competitiveness of the agro-food sector, the NFSA needs to ensure that services are accessible and affordable, particularly for MSMEs. Digital technologies can be key in providing fast and low-cost access to the full range of testing and certification needs for the local and the export markets.

Getting policy making ready for the future

Egypt has a strong leadership, a vision for the future, and an established system for co-ordination among institutions at the top level. In future, the country would benefit from updating the policy-making process by increasing co-ordination capacities beyond the top level (including among implementing institutions) and within institutions. Egypt would also benefit from rationalising and strengthening implementation institutions, for example by building their capacities to operate across the whole country.

Ensuring quality control and compliance with national, continental and global standards will be increasingly important for competitiveness. Egypt needs to modernise its quality infrastructure system to ensure it operates well in an Industry and Agro 4.0 landscape. In that respect, existing institutions could increase their co-ordination capacities to deliver better services to firms, and efforts could be made to explore country branding by building on the textile experience.

Egypt has a long-term vision for development and several strategies aimed at engendering production transformation. Egypt would benefit from enriching the strategy-setting process with budgeting, to ensure resources are available in a way that matches the goals.



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