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## INVEST

### FOREIGN DIRECT INVESTMENT

According to UNCTAD's [World Investment Report 2023](#), Egypt saw FDI inflows more than double to USD 11.4 billion in 2022, with increased cross-border M&A sales. The country remained the second-largest recipient of FDI in Africa after South Africa. In the same year, FDI stocks reached USD 148.8 billion. The UK is by far the largest investor in Egypt, followed by Belgium, the USA and the UAE. FDI is concentrated in the oil and gas industry (around 60% of total investments), followed by financial services, manufacturing, real estate and construction. The Sovereign Fund of Egypt (TSFE) is seeking to attract FDI into a range of economic and social development projects through public-private partnerships. Among the areas covered are solar-powered desalination plants, digitalization of the education system, transport (electric trains), finance, as well as the restructuration of state assets in the petroleum and water sector (SWF). In the fiscal year 2022/2023, Egypt's services sector attracted the highest FDI at USD 5.94 billion, constituting 59.16% of the total FDI for the year, as per the Central Bank of Egypt's External Position report. The financial segment led within the services sector, securing USD 2.13 billion, followed by communication and information technology at USD 836 million. Manufacturing ranked second overall, receiving USD 3.34 billion in FDI, while real estate claimed the third spot with USD 552.3 million. Egypt experienced a rise in net FDI inflows to USD 10 billion in FY2022/2023 (ending in June), compared to USD 8.9 billion the previous year. During 2023, Acme Group revealed plans for a USD 13 billion facility in Egypt aimed at generating an annual output of 2.2 billion tons of green hydrogen. Additionally, ReNew Power has declared its intention to establish a USD 8 billion green hydrogen plant within the Suez Canal Economic Zone.

The dynamic growth of the Egyptian economy, its strategic geographical position, low labour costs, skilled workforce, unique tourist potential, substantial energy reserves, large domestic market and the success of the reforms undertaken by the authorities (including many privatisations) contributed to driving up FDIs. Egypt recently adopted an Investment Law that includes performance requirements for certain investment incentives, including labour-intensive projects and geographical location. The government has also set up special economic zones with business-friendly regulations: more liberal, more efficient administration, tax incentives, facilitation of registration and customs procedures, better infrastructure, etc. Nevertheless, investors encounter challenges such as extensive bureaucracy, a lack of transparency, inconsistent enforcement of laws and regulations, obstacles in accessing foreign currency for profit repatriation or importing goods, a scarcity of skilled labour, intricate customs procedures, corruption, and concerns related to intellectual property. Egypt recently announced incentives for FDI in crucial sectors and regions, offering support of up to 55% of the income tax incurred on generated revenue. These incentives are applicable when a minimum of 50% of the funding for an investment project or its expansion comes from foreign currency sources.

The country ranks 86th among the 132 economies on the [Global Innovation Index 2023](#) and 146th out of 184 on the [2023 Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
<b>FDI Inward Flow</b> <i>(million USD)</i>	5,852	5,122	11,400
<b>FDI Stock</b> <i>(million USD)</i>	132,477	137,543	148,888
<b>Number of Greenfield Investments*</b>	53	65	161

Foreign Direct Investment	2020	2021	2022
<b>Value of Greenfield Investments (million USD)</b>	2,284	14,969	107,490

Source: UNCTAD - Latest available data.

Note: \* Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Egypt	Middle East & North Africa	United States	Germany
<b>Index of Transaction Transparency*</b>	8.0	6.4	7.0	5.0
<b>Index of Manager's Responsibility**</b>	3.0	4.8	9.0	5.0
<b>Index of Shareholders' Power***</b>	3.0	4.7	9.0	5.0

Source: Doing Business - Latest available data.

Note: \*The Greater the Index, the More Transparent the Conditions of Transactions. \*\*The Greater the Index, the More the Manager is Personally Responsible. \*\*\* The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

## WHAT TO CONSIDER IF YOU INVEST IN EGYPT

### Strong Points

Advantages for FDI in Egypt:

- Strategic geographic location
- Low-cost and relatively qualified labour force
- Growing population (more than 100 million inhabitants) that makes Egypt a strategic market in the region
- High tourism potential
- Important energy resources, notably natural gas
- Public works policy, which offers many investment opportunities to foreign companies
- A sufficiently diversified economy (energy, tourism, Suez Canal revenues, industrial base, etc.)
- Government policy that aims at improving the business climate

### Weak Points

Disadvantages for FDI in Egypt:

- Political situation that remains tense and arouses uncertainty for foreign investors
- Degraded regional security situation
- Fragile banking sector
- High poverty rate and persistent unemployment
- Infrastructure that remains insufficient
- Omnipresent public sector and excessive bureaucracy
- Shortage of skilled labour

- Cumbersome customs procedures and non-tariff trade barriers

## Government Measures to Motivate or Restrict FDI

Since September 2004, the General Authority for Investment and Free Zones (GAFI) has established an economic program to attract foreign investors, together with an average reduction of 35% customs duties and tariff simplification. Furthermore, Egypt enjoys the support of the FMI to put into place economic reforms (new VAT rate, reduction of subsidies on fuel and electricity, etc.). It shows the government's willingness to improve the business climate, which remains complex. Thus, after the Revolution, Egypt put into place restrictions on capital transfer. Investors are claiming that the approval of transfers may take several weeks.

Several "megaprojects" may attract foreign investors in the coming years. Siemens already developed the largest gas power generation plant in the world, Egypt also plans to develop a large logistic and industrial platform around the Suez Canal, a new administrative capital city and large agrarian and mining projects.

In most sectors, foreigners benefit from the same treatment as nationals. A joint venture is needed to operate in certain sectors, namely hydrocarbons and real estate. The Law on Imports and Exports was amended to allow enterprises to be 51% Egyptian-owned to import (before, the enterprises had to be 100% Egyptian owned). The country implemented a number of regulatory reforms, namely a new investment law in 2017; a new companies law and a bankruptcy law in 2018; and a new customs law in 2020 (if the establishment is under the provisions of the new investment law, it will benefit from a 2% unified custom tax over all imported machinery, equipment, and devices required for the set-up of the company).

More information on governmental measures to attract FDI in Egypt is available on the website of the [General Authority for Investment](#), which developed a special desk for investors.

## INVESTMENT OPPORTUNITIES

### The Key Sectors of the National Economy

Agriculture and food-processing industry, tourism, gas industry, telecommunications and media.

### High Potential Sectors

Education (more than 50 million students, at all level of education), franchises, health industry, renewable energy, security services.

### Privatization Programmes

Nearly 150 companies are yet to be privatised, among which approximately fifty are in the textile sector as well as ten airports. The latest privatisation program was announced in 2018, involving 23 enterprises (including up to 30% of the shares of Banque du Caire). However, the program has suffered delays due to adverse market conditions, the Covid-19 pandemic and increased global volatility. In January 2022, the government announced the acceleration of the program, aiming at privatising one company every month or every two months.

### Tenders, Projects and Public Procurement

[Globaltenders](#), Tenders & Projects from Egypt

[Tenders Info](#), Tenders in Egypt

[DgMarket](#), Tenders Worldwide

## **Sectors Where Investment Opportunities Are Fewer**

### **Monopolistic Sectors**

The government retains a monopoly in many service industries as well as in banking (although a program for the privatization of 30% of the shares of Banque du Caire had been announced), insurance, tobacco and entertainment,. It also remains dominant in the textile, steel and aluminium industries.

## **Finding Assistance For Further Information**

### **Investment Aid Agency**

[General Authority for Investment and Free Zones in Egypt \(GAFI\)](#)

[Invest in Egypt \(government platform\)](#)

### **Other Useful Resources**

[State Information Service \(Egyptian government website\)](#)

### **Doing Business Guides**

[Doing Business - Egypt](#)