

# Editorial

Governments across the African continent are committed to pursuing economic transformation, creating jobs for an expanding labour force and reaching new levels of prosperity. The COVID-19 pandemic has been a setback. A robust recovery will require dedicated policy effort and effective international support. The *Production Transformation Policy Review (PTPR) of Egypt*, the first to be implemented in Africa, provides a timely contribution on how countries can transform their economies at a time when they need it most and despite the difficulties facing the global economy.

Advanced countries have been investing heavily in economic recovery. Developing countries have also responded accordingly but face much tighter fiscal constraints. Egypt, too, has undertaken a commendable effort, investing 1.7% of GDP in addressing the pandemic. This report delves into Egypt's experience, examines its participation into global value chains and identifies how domestic policy, investments and international co-operation can unlock the potential of existing assets and foster new ones, thereby accelerating sustainable development. It offers perspectives on the agro-food and electronics and electrical (E&E) industries, two global value chains that are important for ensuring access to critical goods but have come increasingly under strain during the pandemic.

In a complex, uncertain and fast-changing global landscape, anticipating different scenarios and adapting quickly to changes is critical to sustain growth and ensure that it benefits all of society. This is even truer now that the COVID-19 pandemic has plunged countries worldwide in an unprecedented health emergency, giving rise to steep economic challenges. Since 2017, the Production Transformation Policy Reviews (PTPRs) have supported governments in transforming their economies through policies, making them more resilient, sustainable, and inclusive. They continue to do so during these extraordinarily challenging times.

This report is also extremely timely as it sheds light on a key question for all countries in Africa and their partners: how to make the most of the newly-implemented African Continental Free Trade Area (AfCFTA) to promote industrialisation? While closer continental ties can open up valuable opportunities for countries to chart their own unique paths to development, the benefits will not be automatic. Targeted national strategies will be needed to reap the benefits of an integrated Africa and turn the AfCFTA into a real game-changer for households, businesses, and governments across the continent.

**Mario Pezzini**  
Director, OECD  
Development  
Centre, and Special  
Advisor to the  
OECD Secretary-  
General on  
Development

**Stephen Karingi**  
Director, Regional  
Integration and  
Trade Division,  
ECA

**Richard Kozul  
Wright**  
Director,  
Globalisation and  
Development  
Strategies,  
UNCTAD

**Hiroshi Kuniyoshi**  
Deputy to the  
Director General,  
UNIDO

# Table of contents

Foreword	3
Acknowledgements	4
Editorial	7
Country profile	12
Abbreviations and acronyms	14
Executive summary	16
Assessment and recommendations	19
Egypt is among Africa's heavyweights	20
The country can leverage important assets to achieve prosperity	22
Tackling structural challenges is paramount for future progress	27
Egypt needs to continue advancing its reforms agenda to realise its vision for a resilient, sustainable and inclusive future	32
1 Egypt's path to prosperity	35
Introduction	36
A growing industrial hub	36
Looking for new markets, developing new partnerships	42
Scaling-up productive investments and innovation is needed to unlock opportunities for all	49
Conclusions	57
References	58
Notes	61
2 Policies and partnerships to achieve Egypt's potential	63
Introduction	64
Egypt counts with a vision to transform its economy	64
The country has embraced a process of institutional modernisation and red-tape simplification	65
Egypt identifies Industry 4.0 as a game changer for the future	70
Harnessing the potential of industrial parks in Egypt	78
Updating the policy mix to better promote economic transformation	85
Conclusions	92
References	93

<b>3 Transforming industries: Perspectives from agro-food and electronics and electrical in Egypt</b>	<b>95</b>
Introduction	96
Focus on agro-food in Egypt	96
Policies for agro-food in Egypt focus on exports, infrastructure and land management	102
A roadmap for unleashing agro-food potential	106
Focus on E&E in Egypt	110
Conclusion	126
References	127
Note	131
<b>4 AfCFTA could be Egypt's next game changer</b>	<b>133</b>
Introduction	134
AfCFTA holds promise to unleash the continent's industrial potential	135
Egypt's path to prosperity is linked to Africa's integration and transformation	141
Making the most of AfCFTA requires targeted national strategies	145
Conclusions	151
References	151

## FIGURES

Figure 0.1. Egypt is Africa's top manufacturer	20
Figure 0.2. New partners are investing in Egypt	21
Figure 0.3. Egypt is among the top two hubs in Africa for FDI in E&E	22
Figure 0.4. AfCFTA adds 32 new free trade partners to Egypt	23
Figure 0.5. OEKO-TEX® standard certificates, top five countries in Africa, 2020	25
Figure 0.6. Egypt is one of Africa's top start-up hubs	26
Figure 0.7. Broadband Internet cost and speed, selected countries, 2021	27
Figure 0.8. Number of cellular Internet of Things (IoT) connections per 100 people, 2019	28
Figure 0.9. E&E exports by value chain segment, Egypt and Malaysia, 2018-20	29
Figure 0.10. Egypt invests little in R&D	30
Figure 0.11. Egypt's exports and imports by region and partner, by share of total (%), 2018-20	31
Figure 0.12. Top economies in Africa, by total foreign value added embedded in exports and their top 5 sources, 2019	31
Figure 0.13. Top economies in East and Southeast Asia, by total foreign value added embedded in exports and their top 5 sources, 2019	32
Figure 1.1. Egypt is among the fastest growing economies in North Africa and the Middle East	37
Figure 1.2. Composition of GDP and employment in Egypt and selected areas, by economic activity, 1980-2019	39
Figure 1.3. Egypt is Africa's top manufacturer	40
Figure 1.4. Refined petroleum makes up around 40% of Egypt's manufacturing value added	42
Figure 1.5. Simple average tariffs in Egypt, by stage of processing and trade agreement, 2017-19	43
Figure 1.6. 52% of Egypt's exports are commodities, 2018-20	44
Figure 1.7. Egypt's exports and imports by region and partner, by share of total (%), 2018-20	44
Figure 1.8. New partners are investing in Egypt	45
Figure 1.9. Egypt participates in value chains mainly as an exporter of primary commodities	46
Figure 1.10. OEKO-TEX® standard certificates, top five countries in Africa, 2020	46
Figure 1.11. Average percentage point contributions of factors to GDP growth, selected countries, 1990-2019	47
Figure 1.12. Gross fixed capital formation in manufacturing in Egypt and Malaysia as a share of value added, by sector, 2017	48
Figure 1.13. Number of cellular Internet of Things (IoT) connections per 100 people, 2019	48
Figure 1.14. Companies' investments in digital operations in Industry 4.0	49
Figure 1.15. Egypt invests little in R&D	50
Figure 1.16. Egypt is one of Africa's largest start-up hubs	51

Figure 1.17. The start-up ecosystem is developing in Egypt	52
Figure 1.18. Egypt's VC investment flow into seed and early-stage financing, 2018-20	53
Figure 1.19. Egypt is the third-ranked trademark applicant in MENA, 2019	54
Figure 1.20. Github users in the OECD and Africa, by share of total, 2019	56
Figure 1.21. Net skills gains or losses for Egypt, Malaysia and Germany, by skills group, 2017-19	57
Figure 2.1. Institutional governance for economic transformation in Egypt, 2021	69
Figure 2.2. Egypt's policy mix to support start-ups, 2021	72
Figure 2.3. Industry 4.0 and quality infrastructure in Germany	76
Figure 2.4. Digital Innovation Hubs and I4.0 Competence Centres, Italy	77
Figure 3.1. Agrofood exports, by region and country, 2018-20	98
Figure 3.2. Composition of agro-food trade, Egypt and selected countries, 2018-20	98
Figure 3.3. Since 2016, Egypt is the third-largest recipient of agro-food greenfield FDI in Africa	100
Figure 3.4. Egypt has the third-highest number of scientific publications in agriculture per 100 000 inhabitants	101
Figure 3.5. Gross fixed-capital investments in Egypt's agriculture are 5% of value added compared to 32% in the OECD, 2019	102
Figure 3.6. Structure of E&E industry by employment, Egypt and Malaysia, 2014-16	112
Figure 3.7. Egypt's top 10 export destinations and import sources for E&E, 2018-20	113
Figure 3.8. E&E exports from Egypt and Malaysia, by value chain segment, 2018-20	114
Figure 3.9. Medium and large firms make up 12% of total in Egypt's E&E, compared to 1% in total manufacturing	116
Figure 3.10. Egypt is among the top 2 hubs in Africa for FDI in E&E	118
Figure 3.11. China, Germany and Italy supply 59% of Egypt's PPE, 2018-20	123
Figure 3.12. Apparent consumption and output in medical devices and equipment, Egypt and selected economies, 2017	125
Figure 4.1. Exports and imports in Africa's Regional Economic Communities by region, share of total (%), 2017-19	136
Figure 4.2. Top economies in Africa, by total foreign value added embedded in exports and their top 5 sources, 2019	138
Figure 4.3. Top economies in East and Southeast Asia by total foreign value added embedded in exports and their top 5 sources, 2019	138
Figure 4.4. Africa accounts for 15.4% of Egypt's exports, 2018-20	142
Figure 4.5. Structure of Egypt's exports and imports to the world and Africa, by manufacturing intensity and product, share of total, 2018-20	143
Figure 4.6. Change in intra-African exports by main sectors, as compared to the baseline without AfCFTA in place, 2040, various scenarios	144
Figure 4.7. AfCFTA adds 32 new free trade partners to Egypt	145
Figure 4.8. Benefiting from AfCFTA: A multi-dimensional reform agenda beyond trade simplification	147
Figure 4.9. Egypt needs to continue investing in infrastructure	149
Figure 4.10. Share of mobile connections by technology, Egypt and regional averages 2010 and 2019	150
Figure 4.11. Broadband Internet cost and speed, selected countries, 2021	151

## TABLES

Table 1. Main economic indicators of Egypt 1970-2019	12
Table 1.1. Greater Cairo accounts for 49% of Egypt's GDP, 2018	55
Table 2.1. Several countries are taking steps to reap the benefits of Industry 4.0	72
Table 2.2. Policies to encourage production of protective and medical equipment during COVID-19 in China and Tamil Nadu, India	81
Table 2.3. Selected measures taken in Egypt to support businesses during the COVID-19 pandemic, 2020	86
Table 2.4. Egypt fosters exports mostly through incentives attached to specific zones, 2021	89
Table 2.5. Egypt's policy mix for production transformation, comparison with Malaysia, 2020	91
Table 3.1. Average tariff rates for Egypt's E&E industry, by trade agreement and value chain segment, 2017-19	111
Table 3.2. Universities in Africa in QS top-1 000 world universities and their world ranking, by subject area, 2020	117
Table 3.3. Top 10 sectors in Egypt, by size of output multiplier	119
Table 3.4. The "Egypt Makes Electronics" Initiative, 2020	119
Table 4.1. AfCFTA Agreement and its protocols	135

## Follow OECD Publications on:



[http://twitter.com/OECD\\_Pubs](http://twitter.com/OECD_Pubs)



<http://www.facebook.com/OECDPublications>



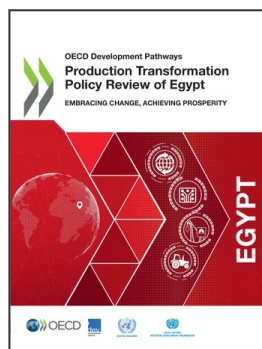
<http://www.linkedin.com/groups/OECD-Publications-4645871>



<http://www.youtube.com/oecdilibrary>



<http://www.oecd.org/oecddirect/>



**From:**

## **Production Transformation Policy Review of Egypt** **Embracing Change, Achieving Prosperity**

**Access the complete publication at:**

<https://doi.org/10.1787/302fec4b-en>

### **Please cite this chapter as:**

OECD, *et al.* (2022), “Editorial”, in *Production Transformation Policy Review of Egypt: Embracing Change, Achieving Prosperity*, OECD Publishing, Paris/United Nations Industrial Development Organization, Vienna/United Nations Economic Commission for Africa, Addis Ababa/United Nations Conference on Trade and Development, Geneva 10.

DOI: <https://doi.org/10.1787/79c7143f-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.